



Children's Hospices Across Scotland

Keep the joy alive

Annual Report and Accounts 2021/22



Chair's Statement

Supporting children and families experiencing the most challenging and saddest of times is both deeply humbling and extremely rewarding, so I feel great privilege in my appointment as Chair of CHAS. You really get to see the difference CHAS makes up close. But I am not sure there has ever been a harder time for children with life-shortening conditions and their families. For many, the pandemic has not gone away. This is a time of intense worry for families, with all the stresses of the pandemic adding to the terrifying heartbreak of knowing their child may die young.

CHAS has continued to respond with agility to COVID-19 in supporting children and families all over Scotland. For much of the year the landscape for delivering care remained very challenging, with strict infection prevention and control practices needed to meet prevailing requirements. In Rachel House and Robin House, physical distancing meant reduced in-hospice capacity, so we moved many of our staff to support children in their own homes. Our outreach service, including CHAS at Home, continued to provide respite and end of life care, as well as essential family support, in community settings. This is an area in which we worked closely with NHS teams across Scotland. CHAS's virtual hospice is now two years old and continues to evolve in response to the specific and changing needs of families, providing care and support to some who are unable to leave their homes. We continue to strengthen the joint CHAS/NHS teams that are now operating in every children's hospital in Scotland.

CHAS relies on the continuing support of the public and our corporate partners, who with their generous donations and inspiring fundraising activities enable us to deliver our vision and mission. In March 2022, I had the privilege of cheering on Deborah and Bob Gulliver as they set off on their epic round-the-world tandem cycling challenge for CHAS. We wish them every success in their awe-inspiring journey. Their generosity of spirit is typical of the way the public supported CHAS during a period of unprecedented uncertainty. I am deeply grateful to every single one of our supporters, who continued to be unwavering in their support to CHAS this year.

On behalf of the Board, I am very appreciative of the ongoing support CHAS receives from our statutory funders. In addition to much valued annual core funding, emergency government support provided during the pandemic allowed us to proceed with greater financial security and played a key role in protecting vital children's palliative care jobs. Further funding received late in the year will support the remobilisation and development of our care offering as we move towards a post-pandemic world. Statutory funding is essential as we continue to work towards financial sustainability in providing children's hospice services across Scotland.

As we celebrate our 30th birthday, I would like to pay tribute to those founding members of CHAS who set out with a vision to support children and families. Three decades later, we remain focussed on their vision of reaching every family who needs our palliative care and hospice services. For everyone who helps make that vision possible, thank you.

In another challenging year for everyone, I would like to thank my fellow trustees, the Senior Leadership Team, our staff and volunteers for their commitment and perseverance in supporting the children and families we are here to serve. I would also like to thank my predecessor George Reid, who gave so much during his long tenure as trustee and Chair, as well as Fiona Gillespie and Graham Wood who have both stepped down from the Board. I am extremely proud of our achievements this year, which are testament to our strength and resilience but also to the tremendous commitment and creativity of our people. I would particularly like to thank Dr Pat Carragher, who retired as our Medical Director after over 25 years of involvement with CHAS.

During a period of considerable turmoil in the world, we look to the future and feel optimistic about our direction. We are focussed on providing the highest quality of care and continuing to reach every child in Scotland who needs us. No-one should face the death of their child alone.

Peta M Hay
Chair of the Board of Directors



Photograph: Alan McLean



Strategic Review

For 30 years, Children's Hospices Across Scotland – better known as CHAS – has cared for babies, children and young people with life-shortening conditions, and their families, across the country. We are proud to have provided palliative and end of life care, family support and respite since 1992; caring for Scotland's most vulnerable families when they need it most. Being Scotland's national hospice service for children, our dedicated staff and volunteers provide this care in a number of ways: through our two hospices, Rachel House and Robin House; through our CHAS at Home service, where we work alongside local authorities and community health teams to allow families to stay in the comfort of their own home; by working with our colleagues in the NHS to provide care in every children's hospital across Scotland; and by delivering care through our innovative virtual hospice service.



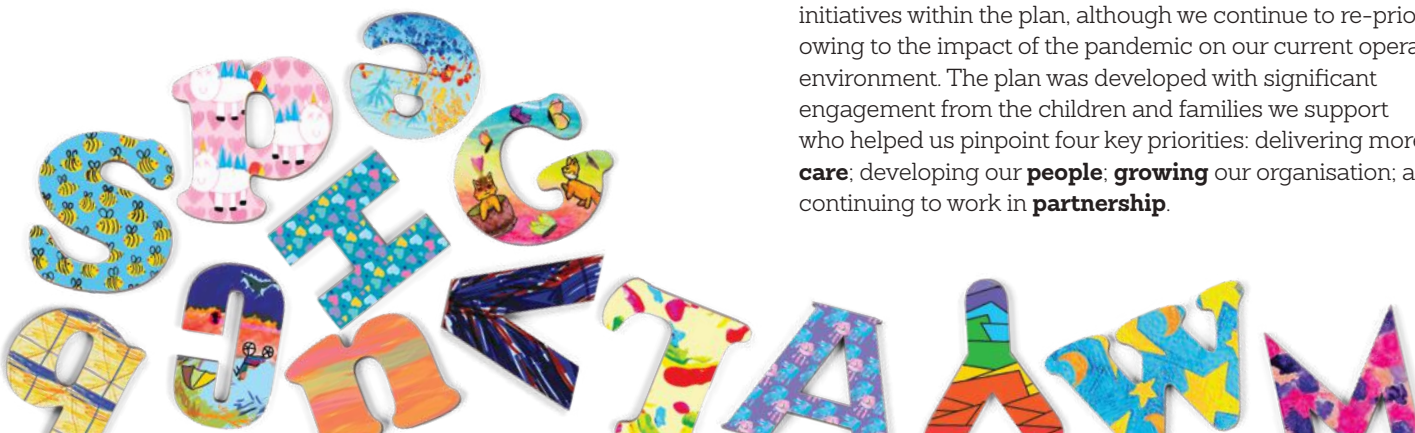
Like all health care providers, we continued to be significantly impacted by COVID-19 and the changing nature of restrictions this year. The landscape for delivering our care has been challenging, particularly within the hospice setting, but our focus remains on providing as much care as possible and providing this safely. Despite amazing support and goodwill from the Scottish public, we have been unable to fundraise in the way we did prior; at times during the year our shops were unable to open, high-profile events were cancelled at short notice, and events in the community were stalled. Throughout the pandemic our income has been much less predictable.



Despite the plethora of challenges, CHAS has continued to stand with families; many who have felt more vulnerable and uncertain than ever. To ensure the very best care and support, we have remained focused on providing an agile and responsive service in our hospices, at home, in hospitals across the country and through our virtual hospice to meet the unpredictable and individual needs of the children and families that we support. We have also been able to continue to provide essential care to those most in need. All of this is made possible through partnership working with our close colleagues in the NHS and Local Authorities. With restrictions now lifted, we are focused on remobilising and transforming our services, maintaining successful fundraising and securing increased statutory funding that would enable us to expand our reach in order to meet the growing need for children's palliative care in Scotland.

On 6 February 2022, CHAS marked its 30th anniversary. This is a year-long celebration focusing on our founding vision of reaching every dying child. Throughout this momentous year, we are recognising the families, staff, volunteers and supporters who have been so vital to CHAS's growth and success.

This year marks the end of year two of our three-year strategic plan, 'Reaching Every Family in Scotland 2020-2023'. We continue to make good progress on the delivery of the initiatives within the plan, although we continue to re-prioritise owing to the impact of the pandemic on our current operating environment. The plan was developed with significant engagement from the children and families we support who helped us pinpoint four key priorities: delivering more **care**; developing our **people**; **growing** our organisation; and continuing to work in **partnership**.



Strategic Review

Care

Our work on remobilising our services post-pandemic continues with significant staff and stakeholder engagement. Our care has, and always will be, centred on ensuring we are there for families at the time and place that they need us the most; be that within their own home, whilst in hospital or when they choose to visit one of our hospices. Recognising the growing need for more of our care to be delivered in communities, we restructured our Children and Families Directorate in January 2022. Our new structure brings unified senior leadership across both hospices and a more integrated outreach service across our homecare and family support teams.

We are proud to have directly supported 416 babies, children and young people (2021: 441), and many more through our hospital teams across the country. We provided end of life support to 62 babies, children and young people (2021: 60) and had 71 referrals to CHAS over the year (2021: 84). For every baby, child or young person that we cared for, we also provided crucial support for over four family members.

During the year, we appointed Dr Annabel Howell to CHAS. She succeeded our former Medical Director Dr Pat Carragher, who became Medical Director Emeritus in May 2022 and then retired in July 2022 after being associated with CHAS for over 25 years.

Our Advanced Nurse Practitioners (ANPs) play a key role in our workforce, supporting future medical sustainability. We have appointed four of our nurses to train as ANPs. These appointments are vital to allow CHAS to continue to provide high quality, safe, and effective care, and further strengthens our medical team.

Like other healthcare providers, our staffing capacity was significantly affected by the Omicron variant of COVID-19 over the winter. This reduced the amount of care we could provide at short notice, as large numbers of staff were required to self-isolate.

Supporting children and families in hospices

Owing to changing government restrictions and to prioritise safety, reduced bed capacity remained in place at Rachel House and Robin House to mitigate the risk of COVID-19 transmission. Consequently, the number of hospice stays remains lower than pre-pandemic levels of occupancy. Our continuing focus in this setting is the prioritisation of end of life and emergency care. Our bereavement suite, the Rainbow Room, has remained open throughout the pandemic. We had an average of 62% hospice occupancy this year with 1,332 children's bed nights (2021: 1,466) and an average of 117 nights in the Rainbow Rooms (2021: 56).

We have also been able to offer families support for symptom management; deterioration in clinical condition; care package breakdown; housing crisis and some respite. Overall, we were able to support a total of 146 babies, children and young people this year (2021: 109) through our two hospices whilst continuing to focus on the ways of delivering support and care to those who need it most through our non-hospice services.



Strategic Review

Supporting children and families at home (outreach)

Our newly established outreach service consists of CHAS at Home, family support and the Diana Children's Nurses. This new structure allows us flexibility to use our skills to provide the best possible outcomes for the children and families we support.

We have continued to grow and expand our CHAS at Home team, meaning that our staff are now able to visit families at home to provide practical support where it is difficult to do so virtually. Due to COVID-19 restrictions, we prioritised emergency and end of life care and were able to do this with help from Local Authorities and our NHS colleagues. This enabled us to provide 1,533 visits (2021: 1,992) during which we delivered 5,964 hours of care (2021: 6,453). Our Home Support Volunteer service is also available to families living in certain areas and allowed us to provide a further 303 visits (655 hours), although this was also impacted by COVID-19 restrictions and is an area we have identified for future growth. We have also recruited three Nursing Support Workers who enable us to reach the most rural areas of the country.

Our family support team contains two money advice specialists who continue to provide support to families in maximising their income and securing essential grants. As the rising cost of living squeezes all of us, this help takes on even greater significance for vulnerable families. We also continued to deliver Care 24 in collaboration with NHS Lothian. During the year, this service helped us reach four children and their families in the Lothians who chose to be at home at end of life.



Supporting children and families in hospital

Collaboration has been crucial this year. We have continued to provide care in every children's hospital in Scotland; working alongside our colleagues in the NHS to respond to increasingly complex care needs. All specialist paediatric palliative care consultants currently working in Scotland's NHS hospitals are partly funded by CHAS, through our charitable funds, as well as part-funding three other specialist posts with significant expertise in palliative care.

In February 2021, we funded NHS Lothian to appoint a Consultant for Paediatric Palliative Care, as part of our ongoing collaboration to enhance and improve palliative and end of life care. The creation of this role builds on the development of the joint CHAS and NHS Supportive and Palliative Care teams in Glasgow and Aberdeen. The team based at the Royal Hospital for Children in Glasgow, which was the first of its kind, marked its third year in operation and has supported 177 referrals, 62% of which were not previously known to other CHAS services. We continue to fund 50% of the employment costs of a Consultant Paediatrician (with an interest in Palliative Care) based in the Royal Aberdeen Children's Hospital, who works alongside one of our Diana Children's Nurses. We also provide funding for a speciality doctor post in NHS Ayrshire and Arran.





Strategic Review

Supporting children and families virtually

The pandemic has shown us new ways that we can support families; the most visible of these being our virtual children's hospice. This service was established as we responded at pace to the first national COVID-19 lockdown, and we marked its second anniversary on 31 March 2022. The service has continued to evolve and be responsive to the specific and changing needs of families, providing care and support during the most challenging of times. Our virtual hospice is enabling us to use trauma-informed approaches that help families build resilience. The demand for this service fluctuated with changing COVID-19 restrictions. As these restrictions were gradually lifted, we concentrated our efforts on supporting a smaller group of children and families with this service.



We continue to work closely with public health experts around arrangements for opening up further hospice beds and relaxing the criteria for home care visits. We have also resumed nursing recruitment for the first time since the emergence of the pandemic and volunteers have begun returning to public-facing roles across our hospices in a phased manner, initially to the lowest risk environments.

People

People are at the very heart of everything we do, and we have maintained focus on supporting our staff and volunteers to be motivated, engaged and adaptable through these unpredictable times. In March 2022, we restructured our People teams and were delighted to promote Morven MacLean to the Director for People and Strategy post.

Our Wellbeing Framework and Strategy was launched in early 2021 to support staff delivering and supporting complex care for children and families. This contains six deliverable projects including manager training in wellbeing, support for staff affected by outward facing bereavement work, and support for individuals managing their own wellbeing. Our senior team has met employee counselling and assistance suppliers to help shape better usage and promotion of these services. Additional clinical supervision has also been offered to relevant staff in our hospices and outreach service. We also recognised that wellbeing is a crucial part of our Staff Review and Development (SRD) process. Following the conclusion of a pilot programme, some final developments are to be made before the launch of a new SRD process. During the year, we commenced a review of how Mental Health First Aiders and staff with Applied Suicide Intervention Skills Training (ASIST) are used across CHAS to determine the level of activity and to ensure we are utilising these trained employees in the best possible way to support our people.

As part of the feedback from our staff survey, our CHAS Teams United project launched in May 2021, and aims to foster and improve relationships amongst those colleagues who seldom have the opportunity to work closely together. This is especially important given the increasingly agile way in which we work. Earlier investment in our digital infrastructure facilitated the deployment of rapid, at-scale homeworking during the pandemic, and we are now planning the next stages of our digital journey to offer improved flexibility and scale. This will enable CHAS to meet the needs of children and families, reaching them where and when needed. To allow staff to recognise and thank each other, volunteers at Morgan Stanley helped us create a digital values board in July 2021. This allows staff to create a virtual post-it note using the CHAS alphabet and is widely used by staff to thank and recognise peers for work they have done.

We continue to invest in ensuring that our staff are well-trained and have opportunities to develop their professional skills. We are developing a new child protection training programme, which looks to review and update our current offering in line with standards set by subject matter experts at NSPCC. Throughout the year, CHAS staff have taken part in 7,968 hours of learning and development activity. Our Leadership Development Programme concluded during the year, with 26 managers and leaders across the organisation having completed it. A number of staff in CHAS have been studying for qualifications, with three colleagues awarded an MSc in Nursing Advanced Professional Practice, a PG Certificate in Professional and Higher Education, and a Certificate in Philanthropy Psychology, respectively.

As part of our Equality, Diversity and Inclusion (EDI) Strategy, we focused on our four equality outcomes: supporting more families from diverse backgrounds; providing children, families and supporters with a culturally competent service; recruiting more diverse employees and volunteers; and ensuring people experience CHAS as an inclusive place to work or volunteer. This has helped to enable a psychologically safe culture across CHAS, promotes a sense of belonging and encourages idea-sharing and creativity. We continue to support academic research into the barriers to access to palliative care for families from South Asian backgrounds.

Strategic Review

We implemented the results of our Pay, Conditions and Benefits review during the year. This review included benchmarking with similar charity sector organisations, as well as comparison with relevant roles in Scottish NHS Boards. As we sought to bring clinical salaries closer to NHS rates, this resulted in changes to our incremental salary scales that were paid effective from 1 April 2021.

We have secured accreditations as a Disability Confident employer, Carer Positive employer, and Scottish Living Wage employer. We launched our new Menopause Policy in February 2022, and in addition to raising awareness of this issue, we hope that it will support colleagues going through the menopause, including making reasonable adjustments as needed.

CHAS became the first organisation in the UK to be accredited with the revised Investing in Volunteers standard, which is the national quality standard for good practice in volunteer management. This follows our accreditation with the predecessor standard and is our fifth successive award of this kind, having been the first charity in Scotland to receive Investing in Volunteers recognition. We carried out our latest Volunteer Survey in November 2021 and learned that volunteers are returning to their roles in greater numbers as the pandemic subsides: 73% of respondents had actively volunteered over the previous year, compared with 58% in 2020. In addition, engagement with the survey has increased and volunteer satisfaction remains consistently high at 95%.



Growth

In our 30th year, the kindness and generosity of our dedicated supporters has been unwavering. Despite challenging circumstances, their resilience has continued to help us reach families across the breadth of the country, helping us raise an outstanding £4.8 million in donations (2021: £5.0 million, excluding the gift of Ardoch Loch Lomond). Discussions with the Scottish Government continue on our statutory funding arrangements from 2022/23 onwards. We take comfort that the Programme for Government committed to at least £7 million in annual funding for our children's hospice services, with this core funding having remained static at approximately £6 million since 2017, and we continue to work hard to ensure that children's palliative care in Scotland is sustainably funded.

A national brand tracker of unprompted awareness showed CHAS is the top mentioned Scottish children's charity, with only five other UK-wide charities ahead. CHAS increased its unprompted awareness from 9% in September 2021 to 10% in December 2021, the only Scottish charity to do so, and our estimated engagement reach was 67 million through our public relations activities.

We have completed the implementation of our fundraising stewardship initiative. This improves and brings consistency to on-boarding new donors by sharing the impact of their giving. Early signs are that this has driven increased giving from donors.

Community fundraising highlights include the virtual running event in December 2021; The Kiltwalk; the annual Springfield Cambridge Festival Choir which has now raised over £400,000 for CHAS over the years; and many more besides. We were delighted that a group of volunteers established a large charity bookshop at Errol Sunday Market in Perthshire, to raise vital funds and awareness for CHAS. We have now equipped all our community fundraisers with contactless payment technology to further improve our donor experience.

CHAS was shortlisted in two categories in The Herald Digital Transformation Awards: our virtual fundraising activities during the pandemic, including Run100 Raise100 and Cycle 250k, were nominated for the 'Business Growth' Award; and our Virtual Children's Hospice for 'Best Use of Technology in Healthcare' Award.



Strategic Review

Our charity shops performed well as we moved out of the most severe pandemic restrictions, with turnover recovering to reach £484,000 (2021: £220,000). This was supported by strong eBay sales which proved essential at times when the shops were unable to trade. In addition to this turnover, grants from the Scottish Government's Strategic Framework for Business Fund, together with a business interruption insurance settlement of £66,000 received in July 2021, ensured that some income flowed into our shops during some of the most difficult phases of the pandemic.

Our corporate partnerships team secured a significant win by becoming the new Morgan Stanley charity partner. This is expected to raise a six-figure sum over the next two years, while increasing volunteering. Our new partnership with Loganair will see the airline donate flights to enable CHAS staff to visit families on the islands; our partnership with Dell will secure donations of IT equipment and we have also become the charity of the year for Artemis. We worked closely with Together for Short Lives to secure a three-year, £10 million partnership with Morrisons across the UK. CHAS is the sole beneficiary in Scotland and is linked to 40 Morrisons stores. Our Scotmid partnership ran until summer 2022 and generated a significant sum to support our vital hospice services. A mascot competition to mark this partnership attracted 2,000 entries from school pupils.



Our Christmas fundraising campaign was nominated in the 'Integrated Marketing' and 'Marketing in Society' categories of the Marketing Society of Scotland Awards. Our supporter survey found high levels of support for our TV advert. While 70% found it difficult to watch because of its emotional impact, it made people six times more inclined to donate. We have strategically invested in face-to-face fundraising and will continue to test the viability of this channel for further investment.

Proactive legacy promotion took place in February 2022, including a radio advert voiced by a CHAS parent on Classic FM and Smooth FM, which resulted in many enquiries. We are humbled by the many individuals who choose to leave legacy gifts to CHAS, and this contributed £2.9 million (2021: £1.4 million) in vital income this year.

Having received the beautiful Ardoch estate in October 2020 as part of a unique and generous gift, our subsidiary Ardoch Loch Lomond Limited started trading in July 2021. Although the pandemic impeded virtually all activity in the early months, we were delighted to welcome our first conferencing guests as restrictions were eased. We also launched the new brand and marketing strategy for Ardoch Loch Lomond during the year and were delighted to secure planning consents to host weddings and similar marquee events at the estate.



Strategic Review

Partnerships

Working closely with our various partners is vital to our work, especially during the pandemic, and this remains an important part of our strategy to reach every dying child in Scotland.

We continue to engage widely with other care organisations and the Scottish Government on the National Care Service, including bilateral meetings between CHAS and the Civil Service Bill team. We are also proud to renew our relationship with Hospices of Hope, an organisation which runs palliative care services in Eastern Europe. We will continue to focus our partnership on promoting reciprocal and collaborative learning.

We hosted a paid internship with Inclusion Scotland during the year to support progress on our Equality, Diversity and Inclusion (EDI) Strategy. The strategy is being overseen by two members of staff, supported by colleagues drawn from across CHAS. The development of our EDI strategy will support us in exercising the legal, moral and business cases around EDI, and will further build confidence amongst CHAS staff and volunteers of all backgrounds.

Our partnership with Flexibility Works continues to strategically look at our approach to working and explores how this relates to wellbeing, productivity and creativity. The focus is on understanding how the pandemic has changed ways of working; what has been learnt; and what is, or may become, important to us as we move forward.

We continued our partnership with academia, with the CHAS at Home team in Aberdeen hosting a placement for a nursing student from Robert Gordon's University. This innovative placement was well-received by the university, the student, and CHAS alike. We also delivered sessions for 50 nursing students at Napier University on breaking bad news and self-care for nurses. This is an important strategic link to a new generation of nurses. One of our Practice Nurse Educators has been seconded part-time to Napier University to support nurse teaching. We also continued to work with Abertay University to develop accessible computer games, including a game designed for use with secondary school pupils to raise awareness of CHAS and particularly the challenges faced by siblings of the children we care for.

We continue to share clinical learning internally and externally, through Project ECHO (Extension of Community Healthcare Outcomes) increasing the range of professionals from partner organisations who take part in learning sessions and Communities of Practice.

Section 172 Statement, Employee Engagement and Business Relationships

The trustees of Children's Hospices Across Scotland are Directors for the purposes of company law. The Directors of CHAS, as those of all UK companies, must act in accordance with a set of general duties that are set out in section 172 of the Companies Act 2006. They must act in a way that they consider, in good faith, would be most likely to promote the success of the charity and the interests of its members and beneficiaries as a whole, and in doing so have regard to the following factors:

The likely consequences of any decision in the long term

Financial and operational sustainability is integral to our ability to deliver complex care to children and families, some of whom we support over many years and others who are sadly known to us for a much shorter time. The Directors' careful attention remains on our long-term financial planning, as we seek to maximise the impact of our spending on children and families. We continue to evolve our model of care, in order to respond effectively to the evolving post-COVID-19 landscape, the changing needs of children and families and our ambition to maximise our reach. Key decisions reached by the Directors continue to be supported by robust long-term financial projections, including those relating to our trading subsidiaries so as to avoid putting charitable resources at risk.

The interests of the company's employees

Our most valuable asset has always been our people. A key enabler in the delivery of our strategic plan will be our continuing ability to attract, motivate and retain the best staff and volunteers. We recognise that the pandemic has been an extremely difficult period for all our people: from those that continue to deliver front line care working long hours, wearing necessary but uncomfortable Personal Protective Equipment; colleagues in administrative roles, many of whom have only now returned to offices after almost two years of working from home; staff whom we have needed to furlough and volunteers whose roles were necessarily paused during the most challenging stages of the pandemic. Our EDI Strategy sets out our intention to continue to recruit staff and volunteers from diverse backgrounds, supporting them to be successful in roles across the organisation. We were pleased to publish our 2021 gender pay gap report, which showed the average hourly pay of women drawing ever closer to that of men.

Strategic Review

Business relationships with suppliers, customers and others

The Directors greatly appreciate the multitude of ways in which CHAS is supported by individuals and organisations across Scotland and beyond. The CHAS Plan 2020-2023 was developed following extensive consultation with a wide stakeholder group, including children and families, staff, volunteers, external professionals and other interested parties. Throughout the pandemic we have regularly sought the advice of children and parents about how best to deliver care during the most testing of times. Supporter engagement is integral to our fundraising strategy and facilitated by the excellent relationships maintained with communities, trusts and corporate donors, as evidenced by the feedback received from our supporter surveys. It is our policy to pay all suppliers in accordance with their stated terms and conditions. During the year, we continued the implementation of recommendations arising from a comprehensive, externally led Governance Review. As part of this work, a new Conflict of Interests policy has been developed, which requires Directors to complete an annual register of interests, with any potential conflicts noted at the outset of Committee or Board meetings.

Impact on the community and the environment

Our hospices are integral parts of the communities in and around Kinross and Balloch, as is evidenced by the many ways that these communities, together with others all over Scotland and beyond, support the work that we do. Our work has a demonstrably positive impact on the children and families we care for, but we remain mindful of our environmental impact. We have recently established an Environmental and Sustainability Steering Group which comprises a cross-organisation representation of staff and volunteers. Its purpose is to identify the ways in which CHAS can become a more sustainable organisation and to proportionately reduce the impact we have on the environment.

High standards of business conduct

Our care and charity activities rightly operate in a highly regulated environment. We are committed to maintaining the highest possible level of care by meeting and, where possible exceeding, expectations set by Healthcare Improvement Scotland and the Care Inspectorate. We aspire to the highest standards of fundraising through our membership of the Scottish Fundraising Adjudication Panel, with all our fundraising staff abiding by the Institute of Fundraising's codes of conduct and practice. We also adhere to the requirements of the Lobbying (Scotland) Act 2016 in our relationships with elected members of the Scottish Parliament and other government officials. Further to the aforementioned Governance Review, we have introduced a code of conduct for our trustees. This seeks to ensure that trustees always act in the best interests of CHAS and that the charity operates in a manner consistent with its purposes whilst acting with care and diligence.

The need to act fairly between members of the company

Our Board and its various Committees operate within clear terms of reference with reviews of Board effectiveness and a policy on Board rotation in place. Everything that we do, up to and including Board level, is underpinned by our organisational values of care, respect, honesty and accountability. While the findings from our Governance Review indicated that very effective governance processes are in place across CHAS, the Board continue to take forward recommendations for further improvement, including the development of key governance policies as referenced above.



Our Context and Operating Environment

Governance

Legal Status

Children's Hospices Across Scotland is a company limited by guarantee of £1 per member and has no share capital. It is registered in Scotland with company number SC136410 and is governed by its Memorandum and Articles of Association dated 28 February 1994, as amended 20 September 2021. The company was registered as Children's Hospice Association Scotland until 26 October 2020.

Children's Hospices Across Scotland is registered on the Scottish Charity Register under number SC019724 and meets the definition of a charitable company for UK corporation tax purposes. Consequently, there is no liability to taxation on any of its income used for charitable purposes.

CHAS Trading Limited (company number SC155327) is a wholly owned subsidiary of Children's Hospices Across Scotland. The company runs charity shops, sells donated goods online and participates in a clothes collection partnership. Work is ongoing to move the activities of this company into Children's Hospices Across Scotland and then close this subsidiary.

Ardoch Loch Lomond Limited (company number SC686614) is also a wholly owned subsidiary of Children's Hospices Across Scotland. The company was incorporated on 20 January 2021 and commenced trading on 1 July 2021. The company operates commercial activities from Ardoch Loch Lomond, which was gifted to Children's Hospices Across Scotland in October 2020.

Registered Office

Canal Court, 42 Craiglockhart Avenue, Edinburgh, EH14 1LT

Board of Directors

Children's Hospices Across Scotland has a Board of Directors which is responsible for the overall governance of CHAS. For the purposes of charity law, the Directors are trustees of the charity. Directors who served during the year are listed as follows:

Peta M Hay (Chair)
Dr Edward I Doyle (Vice Chair)
Nicola M Connelly
Fiona M Gillespie (resigned 17 May 2021)
Donald R Macdonald
Dr Deirdre McCormick (appointed 17 May 2021)
Jacqueline M Pepper
George M Reid (resigned 20 September 2021)
Stephen Reid
Peter J Smyth
Gwen P Westgarth
Graham Wood (appointed 17 May 2021; resigned 20 June 2022)

Company Secretary

Gillian Phillips (appointed 1 June 2022)
Jennifer Fairbairn (until 1 June 2022)



Our Context and Operating Environment

Board Appointments

Directors are appointed in accordance with the Articles of Association and are recruited for their skills and experience in areas relevant to the activities of CHAS such as nursing, paediatrics, social services, business, legal, fundraising and public relations. Additionally, we have parent representation on our Board.

Under the Articles of Association, Directors of CHAS are not entitled to any remuneration, but can be reimbursed for expenses incurred in carrying out their duties.

Board Meetings

Full Board meetings are held so that the Directors may review and agree matters of strategy and principle, as well as review performance against agreed plans and budgets. The Board and all Committees have continued to meet as per their respective schedules throughout the pandemic by using video conferencing. The Chief Executive and Senior Leadership Team attend all Board meetings. Last year, we introduced greater discussion of risk at Board and Committee meetings and enhanced Board role descriptions following our Governance Review. We continued to take forward recommendations from the Governance Review this year, including the introduction of a trustee code of conduct and a conflict of interest policy. To align with quarterly reporting cycles, the Board meet no fewer than four times each year.

Board Committees

Responsibility for key areas of activity and policy are delegated to Committees in accordance with Children's Hospices Across Scotland's Articles of Association and a Scheme of Delegation adopted by the Board. Each Committee normally meets at least four times each year and minutes of meetings are presented at Board meetings. Terms of reference for each of the Committees are reviewed and approved by the Board every two years. The current membership and remit of each of the three Board Committees is set out below. The Chief Executive and Senior Leadership Team attend Committee meetings as appropriate.

Clinical and Care Governance Committee

The remit of this Committee focuses on providing leadership and strategic direction to the development of clinical governance across CHAS. It provides assurance that the care we provide is safe, effective, person centred and aligned with sectoral developments. The Committee ensures that the views of children, young people and families are incorporated in all aspects of our care development, delivery and review. The Committee ensures that excellence in care is maintained across CHAS through continuing professional development which includes reflective practice and staff appraisal.

Committee Members: Jacqueline M Pepper (Convenor), Dr Edward I Doyle, Dr Deirdre McCormick (from 17 May 2021), Gwen P Westgarth.

Corporate Governance and Risk Committee

This Committee's role is to maintain a strategic overview of the direction and performance of the Board, its Committees and CHAS. It ensures that key structures, policies and practices are in place to support effective management of risk, human resources and volunteering. The Committee ensures that CHAS is compliant with all employment and corporate aspects of the law, relevant regulations, and best practice.

Committee Members: Donald R Macdonald (Convenor), Peta M Hay, George M Reid (until 20 September 2021), Peter J Smyth.

Finance and Audit Committee

The Finance and Audit Committee is responsible for ensuring that robust financial governance and accountability exists throughout CHAS and that all financial aspects of the law, relevant regulations, and best practice are adhered to. The Committee's role is also to ensure that CHAS has appropriate controls over managing its assets and maximising its income, while ensuring major capital projects are managed to ensure the operational effectiveness of buildings and equipment. It is also responsible for supporting our auditor in ensuring that a robust statutory audit of our annual accounts is carried out each year.

Committee Members: Stephen Reid (Convenor), Nigel Barry (co-opted Committee member; from 2 February 2022), Nicola M Connelly, Fiona M Gillespie (until 17 May 2021), Gemma Rankine (co-opted Committee member), Graham Wood (from 17 May 2021 until 20 June 2022).



Our Context and Operating Environment

Executive Management

Operational responsibilities and the day to day running of CHAS are carried out by the Senior Leadership Team.

Chief Executive

Rami Okasha

Senior Leadership Team

Dr Patrick J Carragher, Medical Director Emeritus (until 31 July 2022)

Jennifer Fairbairn, Director of Finance and Corporate Services (until 2 June 2022)

Susan K Hogg, Director for Children and Families

Dr Annabel P Howell, Medical Director (from 2 May 2022)

Tracey Irving, Director of Organisational Development (until 31 March 2022)

John MacKerron, Interim Director of Finance and Corporate Services (from 6 December 2021)

Morven L MacLean, Director for People and Strategy (from 9 March 2022)

Iain W McAndrew, Director of Fundraising and Communications

Dr Annabel Howell joined CHAS as Clinical Director on 14 February 2022 and succeeded Dr Pat Carragher as Medical Director on 2 May 2022. Dr Carragher then held the post of Medical Director Emeritus until his retirement on 31 July 2022.

Remuneration arrangements

The remuneration arrangements for the Chief Executive and Senior Leadership Team are designed to offer a package which fits their level of responsibilities and is in accordance with market demands.

Legal and Administrative Information

When required, CHAS uses the services of the following professional advisors:

- Harper Macleod LLP, The Ca'd'oro, 45 Gordon Street, Glasgow G1 3PE
- Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9EE
- RSM, Third Floor, 2 Sempole Street, Edinburgh EH3 8BL

Our Operating Model

CHAS staff and volunteers make a difference by offering integrated palliative and end of life care and respite for the whole family through: our two hospices, Rachel House in Kinross and Robin House in Balloch; CHAS outreach services support families in their own communities through our outreach team; colleagues working in every children's hospital in Scotland; and our dedicated family support team. This is made possible through working in partnership with NHS and Local Authority colleagues.

Despite continued challenges, our operating model has proven resilient throughout the pandemic, and we have adapted to meet government guidelines and families' changing needs. Adaptations include reducing bed usage at the hospices to enable physical distancing and establishing our outreach service to meet the increasing need for support in families' homes and communities. Our virtual children's hospice became an integrated part of our service offering, allowing us to bring the hospice into family homes.



Our Context and Operating Environment

Paediatric palliative care is a multi-disciplinary approach to supporting children with life-shortening conditions. This includes physical, emotional, social and spiritual elements from diagnosis through to death and beyond, to enhance the quality of life for the young person and their family. Key features include the management of distressing symptoms, short breaks, and end of life care. This care begins from the point a child's condition is diagnosed or recognised, and extends right the way through to bereavement, or transition to adult services. Our care constantly evolves to reflect research from relevant disciplines.

Our services are free to children and families, and we seek to ensure our clinical services are available everywhere, responsive, person-led, collaborative, and high-quality.

Everywhere

CHAS operates two hospices: Rachel House in Kinross and Robin House in Balloch. They support families from all parts of Scotland and form a key element of the national children's palliative care infrastructure. We provide home care in every Local Authority area, including through CHAS at Home, a volunteer programme, and end of life care. Our family support team provide social work, chaplaincy, counselling, resilience, activity and play therapy to children and their families.

CHAS operates a network of staff based in NHS settings, with provision reflecting local circumstances. Our Diana Children's Nurses are senior practitioners embedded in NHS boards to support the development of paediatric palliative nursing. We have an expanding multi-disciplinary hospital presence in Aberdeen, Edinburgh, Glasgow, and Kilmarnock.

Our virtual hospice means that, for children and families who are unable to come to our hospices, we use technology to bring our hospice services to their home instead.

Responsive and person-led

We tailor our care based on the needs, choices and wishes of each child and their family. Medical advances mean that many children living with life-shortening conditions now live for longer than would have been expected in the past but are more technically dependent. We adapt care to their needs and wishes as they grow older to support them with transition, working closely with colleagues in the adult health care sector. We support an increasing number of children who are known to us for only a short time before their death and are involved in anticipatory care planning.

Collaborative

Collaboration is key to everything we do. We engage a wide range of professionals who work together in multidisciplinary teams, pioneering models of care that integrate health, social care and social work practice. Listening to the voices of children and families is an essential component of our work. We also work collaboratively with a wide range of voluntary and statutory partners, including NHS managed clinical networks.

High-quality

CHAS is committed to providing the highest possible quality of care for children and young people, and this has remained our core focus throughout the pandemic. Our hospices are regulated by Healthcare Improvement Scotland, and our care at home by the Care Inspectorate. We use the Scottish Government's Health and Social Care Standards to guide our work and we have a strong focus on quality improvement. Integrated family support plans and an increased emphasis on data collection helps us to continually improve our services. Sound clinical care and governance arrangements are in place to help ensure the provision of high-quality care and the diligent management of clinical risks.

Engagement with employees and volunteers

Our people are vitally important to us, and we are pleased that many forge rewarding long-term career paths with CHAS. We seek to attract the best talent to help us deliver our strategic plans and to support staff and volunteers to be engaged in our work. This includes ensuring:

- senior employees attend all Board and Committee meetings with shadowing opportunities available for others;
- a wide range of care, fundraising and operational staff deliver presentations at each Board meeting;
- there is extensive staff and volunteer involvement in the delivery of our CHAS Plan initiatives;
- annual staff and volunteer surveys are conducted to engage and monitor feedback;
- effective processes are in place to support wellbeing, including professional supervision for clinical teams and an employee assistance programme for all staff; and
- that we undertake regular reviews of pay and conditions.



Our Context and Operating Environment

Financial Review

We welcomed in 2021/22 against the backdrop of enduring uncertainty surrounding the financial landscape in which we operate. As the new financial year dawned, Scotland remained in the lengthy shadow of COVID-19 with the gradual lifting of nationwide lockdown measures about to commence. While the development of effective vaccines gave us all hope of better times ahead, the pandemic continued to have a profound impact on our operations, with in-hospice care necessarily restricted, our fundraising activities curtailed, and our shops and offices closed.

Emergency grant funding from the Scottish Government and Local Authorities, together with our use of the UK Government Coronavirus Job Retention Scheme (CJRS) until its closure at the end of September 2021, provided us with the necessary financial resilience to continue to navigate these uncharted waters. Indeed, the total emergency support received from government increased this year and accounts for £4.8 million recorded in other income (2021: £3.0 million).

In addition to the financial support provided by government during the pandemic, we are hugely grateful for the efforts of our supporters, who have continued to find imaginative and inspiring ways to generate vital awareness and funds for CHAS. As restrictions were gradually withdrawn over the course of the year, we were able to resume all of our fundraising activities, although re-building some to pre-pandemic levels will take time, particularly in view of the potential impact of the recent surge in the cost of living.

Notwithstanding the above, we are pleased to report that overall fundraising income for the year (comprising donations, legacies and trading) is £8.5 million, representing only a slight decrease on last year (2021: £8.8 million). This is despite the exceptional impact on last year's income resulting from the gift of Ardoch Loch Lomond, and is largely attributable to increased legacy income, charity shop income returning closer to pre-pandemic levels and the inclusion of commercial income from Ardoch, which began trading in July 2021.

Owing principally to the aforementioned increase in emergency funding, our total income for the year has increased to £20.9 million (2021: £19.2 million) as set out in the Consolidated Statement of Financial Activities on page 28. Following the resumption of many of our charitable and fundraising activities as restrictions were eased, our total expenditure also increased and was £19.9 million for the year (2021: £18.3 million).

Consequently, our net income from operating activities was £1.0 million (2021: £1.0 million). Once this is adjusted for remeasurement gains of £6.9 million (2021: £7.3 million losses) resulting from the annual valuation of our defined benefit pension liability, along with modest net losses on our investment portfolios, the group's net funds increased to stand at £30.6 million on 31 March 2022 (2021: £22.8 million).

Further commentary on the financial results for the year is provided below.

Fundraising income

We generate our fundraising income through a multitude of activities thanks to the inspirational efforts of our supporters and the generosity of the public. Driving the £4.8 million of donations (2021: £7.2 million) received this year is a plethora of fundraising activities, including community fundraising, individual giving, philanthropic donations, grant income from charitable trusts, corporate partnerships and major events.

The gift of Ardoch Loch Lomond had an exceptional impact on last year's accounts and contributed £2.2 million to the donations received in 2021. Given that other donations are therefore broadly comparable to last year, this represents an excellent result in what was a very challenging fundraising landscape for much of the year and is testament to the extraordinary efforts of our supporters and our fundraising team.

With COVID-19 restrictions now fully lifted we can look forward to the future with greater optimism as we continue to work towards rebuilding fundraising to pre-pandemic levels and beyond. We are mindful that the recent increase in the cost of living will represent another challenge for us to overcome, as the pandemic continues to subside.

Legacies continue to be an integral part of our fundraising income. We are both humbled and very grateful to those who so kindly thought of CHAS in their Will. This income enables us to reach more children and young people with our vital hospice services, more quickly. While the nature of this income stream results in significant fluctuations from year to year, we are delighted to report that legacies more than doubled to reach £2.9 million (2021: £1.4 million) following below-average legacy income last year.

Our Context and Operating Environment

We are also very pleased that trading income from our charity shops rebounded robustly after an incredibly difficult 2020/21. Shop sales increased to £484,000 (2021: £220,000) following a year in which trading conditions were less profoundly impacted by COVID-19. The effects of the pandemic continue to be felt in our shops, however, with volunteer and staff recruitment challenges meaning that the opening hours last seen in March 2020 have yet to be fully reinstated. Our volunteer-led eBay activity continues to support trading income and was especially vital before our shops began re-opening from July 2021.

On 1 July 2021, we took over the commercial operations of Ardoch Loch Lomond through our subsidiary company Ardoch Loch Lomond Limited. During the first nine months of trading, Ardoch was principally used as an exclusive-hire venue for corporate and youth leadership training. The estate generated £283,000 of turnover for the CHAS group after the deduction of intercompany sales. Planning consent was recently granted to host weddings and other large family occasions at Ardoch. This will increase occupancy, particularly over the summer months and at weekends, driving forward our usage of the estate with a view to future profitability. All profits will be paid to CHAS, providing additional income to help us to reach more children and young people in Scotland who need our care in the years ahead.

Our investment portfolios also generate vital income to fund our charitable activities in the form of dividends on shareholdings, and interest on corporate bonds and gilts. Many companies slashed their dividend payments last year as a means to preserve cash given the huge financial uncertainty created by the pandemic. Thankfully, these measures appear to have been short-lived and investment income this year returned to pre-pandemic levels, increasing to £550,000 (2021: £366,000). Interest income on our bank deposits and interest-bearing accounts, however, moved less favourably and was only £11,000 this year (2021: £51,000). As the Bank of England's base rate remained stubbornly low at 0.1% for most of the year, we sought more attractive returns by moving funds into our investment portfolios. This is covered in more detail in the Investments and Investment Policy section later in this report.

Statutory funding and emergency COVID-19 financial support

In addition to the fundraising income described above, we receive annual statutory funding from NHS Scotland and Scottish Local Authorities. This funding contributed £7.0 million to meet the cost of providing our critical hospice services across the country (2021: £7.0 million).

Our statutory funding comprises £5.9 million in annual core funding from NHS Scotland (2021: £5.9 million) and a total of £682,000 from the 32 Scottish Local Authorities (2021: £680,000). We continued to receive a further £275,000 per annum from the Scottish Government in respect of our Diana Children's Nurses and a further £136,000 from the Children, Young People and Families Early Intervention Fund towards the cost of specific management posts (2021: £136,000).

On 31 March 2022, our five-year NHS Scotland core funding agreement came to an end. While renewal discussions were ongoing at the time of writing, we take assurance from the Scottish Government's Programme for Government commitment to increase this funding to at least £7 million from 2022/23. This will be a welcome step but more needs to be done to achieve sustainable funding for children's palliative care throughout Scotland.

The importance of government support over the last two years cannot be understated given the deleterious impact of the pandemic on our fundraising activities. Further substantial support was received during the year, including £3.2 million from the Scottish Government, as agreed in March 2021. This was included in deferred income last year but has now been released to the Consolidated Statement of Financial Activities. The funding was provided across the Scottish hospice sector to cover budgeted operating deficits for 2021/22 and provided welcome financial security at a time of deep uncertainty.

As the financial year drew to a close, we were granted an additional £1.2 million in financial support from the Scottish Government as we seek to re-establish and build on our service provision as we move out of the pandemic. In total, £4.5 million was received from the Scottish Government in emergency support this year (2021: £1.3 million). This funding was essential in enabling us to continue the delivery of our care at the most testing of times, sometimes in new and innovative ways.

We continued to access the CJRS until its closure at the end of September 2021. The development and deployment of effective vaccines enabled us to move into the financial year with greater confidence and fewer restrictions on our daily lives. This was reflected in fewer staff being furloughed over the final six months in which the CJRS remained open, and generally for shorter periods through our use of 'flexible furlough'. CJRS grant income totalling £284,000 (2021: £1.4 million) was claimed this year. Furlough funding was vital in protecting high-skilled and essential children's palliative care jobs through the worst of the pandemic.

Our Context and Operating Environment

Our charity shops continued to receive emergency funding targeted at the retail sector through the Scottish Government Strategic Framework Business Fund until its closure in April 2021 as COVID-19 restrictions began to ease. As a result, an additional £28,000 of much-needed income was secured for our shops during the year (2021: £95,000).

Expenditure

As COVID-19 restrictions were gradually eased over the year, this brought with it a welcome shift towards relative normality and increased activity levels across some functions, particularly fundraising and trading. Consequently, total expenditure inched its way towards pre-pandemic levels and increased to £19.9 million this year (2021: £18.3 million).

Providing person-centred palliative care is costly and requires a large workforce of dedicated staff. Staff costs account for over three-quarters of our total expenditure and were £15.5 million (2021: £14.4 million).

Tough, but necessary, decisions were made in 2020/21 to pause all but critical recruitment activity, not to award a cost-of-living increase to our staff and not to renew the contracts of many temporary staff. The fantastic support that we have received, both from the public and government, has enabled us to invest in our workforce with greater confidence and strengthen service development as we move out of the pandemic.

Driven by greater activity levels over the year, non-payroll costs also increased and were £4.4 million (2021: £3.9 million). The impact on individual cost lines within the Consolidated Statement of Financial Activities is considered below.

As we carefully work towards increased hospice capacity and develop our model of care to meet the demands of a post-pandemic world, the cost of delivering our hospice services remains low relative to the years preceding COVID-19. The safety of families, colleagues and visitors remains our overriding priority and a cautious approach remains in place at Rachel House, Robin House, and our homecare services. The pandemic remained a substantial threat for much of the year. This was underlined by the emergence of the Omicron variant in late 2021. The cost of charitable activities increased modestly to reach £15.2 million (2021: £14.6 million). More substantial increases are expected in the years ahead as our service continues to adapt to the evolving needs of children and families.

The cost of generating voluntary income increased this year to £3.8 million (2021: £3.1 million), reflecting renewed investment in donor acquisition as we continue to build our supporter base, a very welcome return of some major indoor events and a general increase in fundraising activity as restrictions became less onerous. Trading costs also increased as we emerged from the most severe effects of the pandemic and were £801,000 (2021: £461,000). This partly reflects the more favourable trading conditions enjoyed by our charity shops compared with the previous year. The increase was also driven by the commencement of trading by Ardoch Loch Lomond Limited in July 2021.

Investment management costs are charged quarterly and calculated as a percentage of our portfolios' values. These costs increased to £83,000 (2021: £72,000), reflecting the recovery of investment markets from the lows reached in March 2020 when COVID-19 was declared a global pandemic.

Support costs represent expenditure incurred in the operation of the central administrative functions that are integral to the effective running of our services. These comprise IT, Information Governance, Facilities, Finance, HR, Volunteering, Learning, Communications and Executive Support. These costs totalled £4.2 million for the year ended 31 March 2022 (2021: £3.9 million) and represent an element of catch-up in some non-critical activities as restrictions were gradually withdrawn. Support costs are allocated to charitable activities, the cost of generating voluntary income and trading, based on staff numbers.



Our Context and Operating Environment

Lothian Pension Fund valuation

A formal valuation of the Lothian Pension Fund is undertaken by independent actuaries every three years, with the latest such valuation performed as at 31 March 2020. As part of this formal valuation, each participating employer's liability to the Fund is determined. For years falling between these triennial valuations, the actuary projects forward the results of the most recent valuation to the year-end date using approximate 'roll-forward' methods. These methods include the application of updated financial and demographic assumptions, benefit accrual, actual pension increases and estimated cashflows over the period.

The latest valuation update for 31 March 2022 has resulted in substantial remeasurement gains of £6.9 million as noted in the Statement of Financial Activities this year (2021: £7.3 million losses). This comprised actuarial gains of £4.3 million (2021: £10.5 million losses) resulting from the latest measurement of CHAS's defined benefit obligation to the Lothian Pension Fund, coupled with a positive investment return on scheme assets attributable to CHAS of £2.6 million (2021: £3.2 million).

The actuarial gains referred to above are principally the result of changes to the financial assumptions that underpin the valuation of CHAS's pension obligations. The key assumptions covering the discount rate and the annual rate of salary increases are collectively known as the 'net discount rate'. Pension valuations are very sensitive to changes in the net discount rate, which increased from -0.75% in 2021 to -0.40% this year. This has given rise to actuarial gains that have largely offset our current Lothian Pension Fund service costs (including interest) this year, resulting in minimal change to our defined benefit obligation compared with 2021.

Most of the reduction in the net pension deficit on the Balance Sheet, therefore, is accounted for by a £4.3 million increase in the valuation of Lothian Pension Fund assets attributable to CHAS. This includes the aforementioned £2.6 million investment return, together with total contributions paid during the year of £1.5 million.

Consequently, the net financial liability to Lothian Pension Fund on the Balance Sheet has reduced to stand at £10.8 million on 31 March 2022 (2021: £15.1 million).

Further details of the results for the financial year are provided in the Notes to the Accounts.

Reserves Policy and Unrestricted Funds

Our current strategic plan, 'Reaching Every Family in Scotland 2020-2023', was developed on the basis that CHAS would continue to use its existing reserves to expand services and reach more children and families. If we are to achieve the objectives set out in this plan, we expect to spend an amount in excess of our forecast income in the short term.

Our long-term financial forecasts indicate that we will incur operating deficits for at least the next three years before our income reaches a level sufficient to cover current expenditure. These deficits will be funded through the careful use of our reserves.

Alongside this use of our reserves to achieve our ambition of being there for every baby, child or young person who needs our services, we also intend to fulfil our long-term commitment to be there for the children, young people and families who we support over many years. Our reserves are therefore managed for the benefit of babies, children, young people and families, both now and in the future.

CHAS continues to adopt a policy of retaining sufficient reserves to shield it from the financial impact of unforeseen events like the COVID-19 pandemic, or events over which we have no control, such as an economic downturn that could reduce income levels and limit service delivery.

The Directors regularly review the level of reserves designated for future operating costs and capital projects, and consider the risks associated with sustaining income streams and managing expenditure in accordance with budget. They are also cognisant of risks associated with certain balance sheet items, including the potential for large and unexpected investment losses, and the risk of CHAS's pension obligations crystallising.

The Directors consider it appropriate that a policy of holding reserves for future operating costs and capital projects equating to at least 12 months of total resources expended, should continue to be in place. The policy will remain under review on at least an annual basis and will be adjusted to respond dynamically to both internal and external financial events.



Our Context and Operating Environment

At the financial year end, the Directors designated £5.8 million (2021: £5.2 million) of reserves for anticipated operating deficits and capital expenditure over the forthcoming three years. In addition, £12.1 million (2021: £13.0 million) was designated to our fixed asset fund, of which the majority comprises our Rachel House and Robin House hospices. The general reserve, net of the pension deficit, now stands at £12.3 million (2021: £4.2 million). CHAS has restricted funds totalling £397,000 (2021: £362,000) which are detailed in note 15 of the financial statements.

The total funds of the charity as at 31 March 2022 therefore totalled £30.6 million (2021: £22.8 million) with the increase principally attributable to favourable movements in the valuation of our defined benefit pension scheme deficit as outlined in the preceding section.

Investments and Investment Policy

CHAS continues to engage two companies to manage investments on our behalf in diversified portfolios of shares, fixed interest securities and funds. Although these assets are under discretionary management, our investment managers work within the parameters of a broad asset allocation framework, as agreed with the Finance and Audit Committee.

The portfolios are managed with the objective of generating a total return, balanced between capital growth and income. Some cash investments are held directly by CHAS in the form of fixed term deposits or interest-bearing bank accounts. The overall risk profile of our investments, whether professionally or directly managed, is classified as low.

Investments will only be made in securities that are readily realisable. No investment is permitted in derivatives or other complex financial products, and holdings in companies associated with the exploitation of children or the production of tobacco are prohibited. The investment managers monitor corporate and supply chain practices on our behalf and securities will be disposed of should breaches of our ethical criteria come to light. We will be updating our investment mandates and policy later in 2022.

Over the first nine months of the year, our investment portfolios continued their steady recovery from the lows reached in the wake of the economic emergency caused by COVID-19. As we moved into 2022, however, economic headwinds returned, as inflationary pressures took hold, driven by a combination of supply chain pressure and rising energy prices that were accelerated by Russia's invasion of Ukraine.

Mindful of the impact of rising inflation as the year endured, we invested an additional £5 million in our portfolios in late 2021. With interest rates remaining low by historic standards, this was principally to mitigate the risk of capital erosion of our cash reserves.

Unfortunately, the renewed market volatility from early 2022 was sufficient to eliminate the gains that accumulated in our portfolios through to the end of December 2021. As a result, investment losses totalling £68,000 were incurred this year (2021: £2.7 million gains). Notwithstanding these losses, we retain the view as long-term investors, that the additional investment in our portfolios will be an effective measure in protecting reserves.

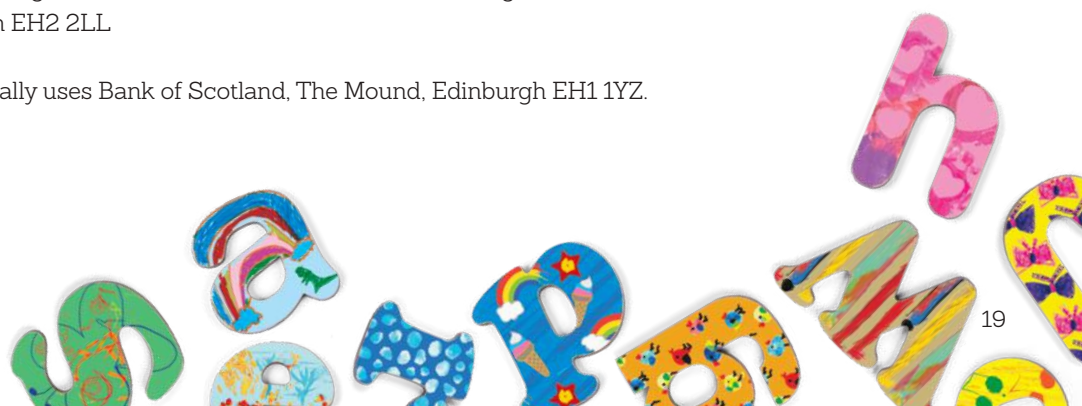
As at 31 March 2022, the market value of investments held in our portfolios stood at £22.3 million (2021: £17.3 million), with the increase the result of the investment of £5 million during the year, slightly offset by the aforementioned investment losses. The losses comprised realised losses of £451,000 on the sale of investments during the year, net of unrealised gains of £383,000 representing the positive movement in value of securities held over the duration of the year.

Against a backdrop of economic uncertainty caused by current geopolitical tensions and inflation as the world emerges from the shadow of the pandemic, both investment managers generated returns slightly below the agreed composite benchmark. Performance over the longer term, however, remains satisfactory and continues to be monitored closely.

The two investment management companies used by CHAS are:

- Adam & Company Investment Management Limited, 40 Princes Street, Edinburgh EH2 2BY
- abrdn, 1 George Street, Edinburgh EH2 2LL

For banking services, CHAS principally uses Bank of Scotland, The Mound, Edinburgh EH1 1YZ.



Our Context and Operating Environment

Energy and Carbon Reporting

The Directors are committed to balancing the many benefits that our activities provide to children, families and wider society whilst minimising environmental harm caused as a result of our operations. Our carbon summary for the year ended 31 March 2022 is presented with prior year comparatives in the below table:

	Consumption 2022	Conversion Factor (per kg of CO ₂ emissions) 2022	CO ₂ Emissions (tonnes) 2022	Consumption 2021	Conversion Factor (per kg of CO ₂ emissions) 2021	CO ₂ Emissions (tonnes) 2021
Utilities						
Gas	1,359,196 kWh	0.183	248.95	1,391,886 kWh	0.184	255.93
Electricity	570,534 kWh	0.212	121.14	512,885 kWh	0.233	119.57
Water	5,538 m ³	0.149	0.83	6,130 m ³	0.344	2.11
Waste Water Treatment	5,057 m ³	0.272	1.38	5,597 m ³	0.708	3.96
Biomass (Wood Pellets)	45.12 tonnes	57.153	2.58	-	-	-
Other Fuels	7,901 litres	0.980	12.65	-	-	-
Transport						
Owned Fleet	85,505 miles	0.330	28.20	63,612 miles	0.236	14.99
Grey Fleet	187,113 miles	0.276	51.64	145,636 miles	0.254	37.03
Waste						
Landfill	19.96 tonnes	467.046	9.32	14.03 tonnes	458.176	6.43
Mixed and Paper Recycling	39.06 tonnes	21.294	0.83	28.13 tonnes	21.317	0.60
Total Carbon Footprint			480.51			440.62

COVID-19 has impacted almost all aspects of life over the last two years, and this is also true for our carbon footprint. One of the very few benefits from the pandemic has been an improvement in our environmental impact, on which we began reporting in our 2020 Annual Report. With COVID-19 not affecting our operations until the final month of that year, CHAS had a total carbon footprint of 585.37 tonnes of CO₂ emissions immediately prior to the pandemic.

Although there is a 9% increase in CO₂ emissions this year, safety measures such as reduced hospice capacity, together with the closure of offices and shops for prolonged periods, mean that our utility consumption levels remain suppressed. The increase on the previous year is principally due to our operations at Ardoch Loch Lomond. Consumption of electricity, biomass energy and other fuels have resulted in 31.94 tonnes of CO₂ emissions since we commenced operations at the estate in July 2021. Across other CHAS sites, gas and water consumption was moderately lower than in the prior year.

The easing of COVID-19 restrictions during the year led to an uptick in managed fleet miles, together with an increase in business miles undertaken by our people in their own vehicles. Both measures, however, remain well below pre-pandemic levels. This may be indicative of a longer-term shift in the way that our non-hospice or care delivery staff work.

Our operations gave rise to increased landfill waste and recycling this year. This was largely a result of CHAS taking over the operations of Ardoch Loch Lomond, coupled with the clearance of our fundraising and administrative office in Kinross which we sold in March 2022. We are working towards further enhancing our carbon reporting with the inclusion of clinical waste. During the year ended 31 March 2022 we estimate that the disposal of clinical waste would have resulted in a further 12.48 tonnes of CO₂ emissions that are not featured in the above table.

Our Context and Operating Environment

Following the recent formation of our staff-led Environmental and Sustainability Steering Group, we will continue to undertake actions so that the environmental impact from our operations is minimised.

Outlook

CHAS has continued to be impacted by COVID-19, particularly the rapid nature of changing restrictions across the country. We recognise that this has had a direct impact on the children and families we support, our ability to deliver our range of services and the ways in which we fundraise. The impact of this will be ongoing. Despite these complexities, 30 years after inception, CHAS remains a strong, well-governed organisation with robust leadership and an ambitious mission to reach every family.

Strategic outlook

We remain committed to being agile and responsive to families' needs; changing and adapting services to deliver care and support in the ways they need us to. Like every other health and social care environment, COVID-19 is likely to continue to put a strain on the ways in which we operate but we are resilient and continue to work closely with our colleagues in the NHS.

COVID-19 has continued to impact fundraising this year, with events at the latter half of 2021 being cancelled at short notice, retail operations shutting down and Ardoch Loch Lomond being unable to welcome guests as soon as planned. The longer-term consequences are unknown but the impact on the economy is likely to affect fundraising.

After the Scottish Parliament elections in May 2021, we achieved cross-party support from all parties; the importance of sustainable funding for children's hospice services was recognised and all were supportive of that continuing for the next five years. We will work with the Scottish Government to put these commitments into practice.

Operational outlook

Our 30th year marks the end of year two of our three-year strategic plan focusing on the themes of care, people, growth and partnership. We continue to make progress on the delivery of our initiatives, but we continue to re-prioritise owing to the impact of the pandemic on our current operating environment.

The landscape for delivering our care has been challenging, particularly within the hospice setting, but our focus remains on providing as much care as possible and providing this safely. Teams have been working on remobilising and redesigning our services so care can be delivered in a sustainable and manageable way by blending services from before and during the pandemic. We have now established our outreach team which allows us flexibility to use our skills to provide the best possible outcomes for children and families and encourages strong partnership working with NHS and Local Authority colleagues.

We now have full ownership of Ardoch Loch Lomond and launched its brand and marketing strategy. We were also granted permission to host weddings and similar marquee events at the estate which will help us raise funds for our charitable activities through our new subsidiary company. The estate will also be used to provide direct benefit to families.

Financial outlook

As we ushered in 2021/22, deep uncertainty remained as to the course of the pandemic and the financial consequences that it might have for CHAS. Thankfully, much of this uncertainty abated over the past 12 months as restrictions, affecting how we raise vital funds and deploy those funds in the delivery of our critical services, were gradually withdrawn.

We are extremely grateful for the financial support provided by government over this most uncertain of times. This support allowed us to maintain service provision and protect jobs as critical voluntary income slipped away as we all sought to protect ourselves, and our loved ones.

With the closure of the furlough scheme in September 2021, we expect that the recent grant of £1.2 million from the Scottish Government will mark the end of such support as normality is restored for most. The financial peril we now face is undoubtedly less acute, but careful navigation of the road ahead remains essential.

As government financial intervention is withdrawn, it is vital that we successfully rebuild our fundraising and trading activities to pre-pandemic levels and beyond, as rapidly as possible. COVID-19 not only taught us how to re-imagine the delivery of our hospice services, but also our fundraising activities. With lockdown measures hopefully now confined to history, we will be well-placed to complement new initiatives with a more substantial return to community and in-person fundraising events than has been possible until now. This is all the more essential with the increasing cost of living squeezing disposable income and making the fundraising market yet more competitive.

Our Context and Operating Environment

We expect to conclude renewal negotiations with the Scottish Government in respect of our core funding in summer 2022. We welcome the Scottish Government's manifesto commitment to provide CHAS with at least £7 million annually. This will mark a key step towards the sustainable funding of children's palliative care in Scotland.

Principal Risks and Uncertainties

The Board is ultimately responsible for the management of risk at CHAS. The principal risks and uncertainties set out below are regularly assessed to ensure appropriate monitoring and mitigation measures remain in place and are subject to the review of the Board and Corporate Governance and Risk Committee at each of their respective meetings. The Finance and Audit Committee, and Clinical and Care Governance Committee, also consider and discuss the risks relevant to their respective remits.

These arrangements are supported by an inclusive approach to risk management throughout the organisation. This encourages the Board, Senior Leadership Team and management to identify risks, consider escalation and review mitigations and is further supported by a robust control environment across all areas of our operations.

Risk	Impact	Response
Failure to deliver safe, effective and high quality care	May lead to harm of a child, reduced confidence in our services, reputational damage, potential litigation, and a consequential loss of income	• Robust clinical and care governance structure in place from point of care delivery to CHAS Board • Staffing ratios include high numbers of registered nurses and other healthcare professionals • Strong infection prevention and control policies and procedures • Clear health and safety policies in place, such as fire prevention and legionella • All services inspected by Healthcare Improvement Scotland (HIS) or the Care Inspectorate to a determined frequency • Medical and nursing professional registration appraisal and revalidation processes fully supported • Adverse events reporting system in place
Failure to sustain a culture of positive employee and volunteer wellbeing and engagement	May lead to reduced morale, staff burnout, increased staff turnover and recruitment difficulties	• Visible and compassionate leadership where discussion of organisational vision, celebration of success and a strong employee voice encouraged • Regular one-to-one and team meetings, and annual staff review and development process • Volunteer strategy supports personal growth of volunteers • Wellbeing strategy and employee resources in place • Interim home working policy to support work-life balance to strengthen our employment brand and improve recruitment and retention • Focus groups and annual surveys provide insight into volunteers' experiences with CHAS
Failure to manage operating and capital budgets effectively taking into account external factors, whilst using our resources effectively and efficiently	May impede our ability to meet CHAS Plan objectives	• Long-term financial 'glide path' in place to better balance income and expenditure and eliminate deficits over the medium term • Robust annual budgeting process conducted in the six months prior to each financial year • Reserves maintained at a minimum of 12 months operating costs • Strong relationships maintained with key funders • Revised fundraising strategy in place to support operations in a post-pandemic landscape • Commitment from leadership to drive operational efficiencies where possible • Regular review of financial performance at management, senior leadership and Board level • Effective enforcement of financial delegation through purchase order system • Comprehensive suite of financial controls including scheme of delegation, cashflow and investment management, and external audit

Our Context and Operating Environment

Risk	Impact	Response
Failure to comply with relevant statutory and sector regulations and standards, or maintain strong IT and information governance framework	May lead to business disruption, significant financial penalties, reputational damage, loss of income, and harm to children, families, volunteers or staff	• Health and Safety Steering Group in place with detailed advice available from external consultants • Investment plans developed for addressing capital expenditure backlog, including forthcoming lifecycle expiry needs for hospices and other sites • Mandatory re-inductions, fire and first aid awareness training for office staff returning after pandemic • Timely year-end process with annual audit completed each summer • Financial governance measures including monthly account reconciliations, and insurance cover and statutory reporting obligations managed centrally • Information Governance policy and infrastructure in place, including independent Virtual Data Protection Officer, security audits and regular validation of organisational resilience to cyber attack • Improved training and staff awareness of cyber threats
Failure to inspire the public with our cause, or ineffective management of relationships with key partners	May damage CHAS reputation with stakeholders and reduce voluntary or trading income and statutory funding	• Skilled marketing and communication staff in place • Stewardship programme in place for all supporter groups • Robust process for identifying emerging reputational risks with crisis communication framework to support proactive messaging • Annual Impact Report focused on demonstrating organisational effectiveness and building trust and learnings from surveys used to enhance messages and demonstration of impact • Comprehensive marketing and communications strategy in place to build awareness and propensity to support CHAS in terms of time, money and voice
Failure to effectively plan, respond and remobilise our care in response to changes in the external environment and the needs of families	May impede innovation and the delivery of our strategic objectives set out in the CHAS Plan	• Remobilisation and transformation team in place, forming a programme board structure to remobilise our care as we exit the pandemic, and to develop future care delivery • Robust project and programme management processes in place, with weekly oversight meetings to monitor progress • Contingency plan in place to manage bed openings and to maintain level of care in the community • Regular contact with Antimicrobial Resistance and Healthcare Associated Infection (ARHAD), with updated risk assessments, guidance and information regularly communicated with staff • Ongoing engagement with children and families and responding to their feedback
Failure to be engaged in addressing key climate change issues	May lead to reputational damage, loss of income and a reduction in attractiveness to potential supporters, staff and volunteers	• Monitoring and measurement of CHAS's carbon footprint • Recycling facilities available at every site • Clear investment restrictions in force and effective ethical screening deployed by investment managers • Responsible landowner of approximately 140 acres of land in the Loch Lomond and Trossachs National Park • Installation of electric vehicle charging points at Ardoch Loch Lomond



Statement of Responsibilities of the Directors of Children's Hospices Across Scotland in Respect of the Annual Report and Accounts

The trustees (who are also directors of Children's Hospices Across Scotland for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and the group 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 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the reparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approval

The Board approved this annual report, which includes the Directors' Report and Strategic Report, at its meeting on 15 August 2022.



By order of the Board
Peta M Hay, Chair

Independent Auditor's Report to the Trustees and Members of Children's Hospices Across Scotland

Opinion

We have audited the financial statements of Children's Hospices Across Scotland (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the consolidated Statement of Financial Activities, the Company Statement of Financial Activities, the Balance Sheets, the Cash Flow Statements and notes to the financial statements, including 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 affairs of the group and the parent charitable company as at 31 March 2022 and of the group's incoming resources and application of resources, including 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 regulations 6 and 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 group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 group or the parent 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 trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

Independent Auditor's Report to the Trustees and Members of Children's Hospices Across Scotland

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 Trustees' Annual Report which includes the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Directors' Report and the Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report and Strategic 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) require us to report to you if, in our opinion:

- proper and adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's 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 Statement of Directors' Responsibilities set out on page 24, the trustees (who are also the directors of the charitable company for the purposes of company 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 the 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 group and the parent 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 group or the parent 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 auditors under the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our objectives are to obtain reasonable assurance about whether the group and parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sectors in which the group and parent charitable company operate.

Independent Auditor's Report to the Trustees and Members of Children's Hospices Across Scotland

Laws and regulations of direct significance in the context of the group and parent charitable company include The Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and guidance issued by the Office of the Scottish Charity Regulator.

Audit response to risks identified

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the parent charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members and trustees 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 parent charitable company, the parent charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Kenneth McDowell (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors
Edinburgh Quay, 133 Fountainbridge, Edinburgh, EH3 9BA
26 August 2022

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated Statement of Financial Activities

(incorporating an income and expenditure account)

for the year ended 31 March 2022

	Note	Unrestricted Funds £000	Restricted Funds £000	Totals 2022 £000	Totals 2021 £000
Income:					
<i>Donations and legacies:</i>					
Donations		4,273	534	4,807	7,177
Legacies		1,959	961	2,920	1,447
<i>Trading activities:</i>					
Shop sales and other trading		767	-	767	220
<i>Income from investments:</i>					
Investment income		550	-	550	366
Interest receivable		11	-	11	51
<i>Income from charitable activities:</i>					
Statutory funding and grant income	3	-	7,005	7,005	7,003
Other income	4	4,856	-	4,856	2,978
Total income		12,416	8,500	20,916	19,242
Expenditure:					
<i>Cost of raising funds:</i>					
Cost of generating voluntary income		(3,800)	-	(3,800)	(3,102)
Cost of goods sold and other trading costs		(801)	-	(801)	(461)
Investment management costs		(83)	-	(83)	(72)
<i>Cost of charitable activities</i>		(6,719)	(8,465)	(15,184)	(14,647)
Total expenditure	5	(11,403)	(8,465)	(19,868)	(18,282)
Net income on operating activities	7	1,013	35	1,048	960
Net (losses)/gains on investments - realised		(451)	-	(451)	249
- unrealised	9	383	-	383	2,483
Net income		945	35	980	3,692
Other recognised gains/(losses)					
Remeasurement gains/(losses) on defined benefit pension scheme	14	6,868	-	6,868	(7,271)
Net movement in funds		7,813	35	7,848	(3,579)
Reconciliation of funds					
Funds brought forward	15	22,413	362	22,775	26,354
Transfers during year	15	-	-	-	-
Funds carried forward	15	30,226	397	30,623	22,775

The Statement of Financial Activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

The notes on pages 32 to 55 form part of these accounts.

Company Statement of Financial Activities

(incorporating an income and expenditure account)

for the year ended 31 March 2022

	Note	Unrestricted Funds £000	Restricted Funds £000	Totals 2022 £000	Totals 2021 £000
Income:					
<i>Donations and legacies:</i>					
Donations		4,273	534	4,807	7,177
Legacies		1,959	961	2,920	1,447
<i>Income from investments:</i>					
Investment income		550	-	550	366
Interest receivable		11	-	11	51
<i>Income from charitable activities:</i>					
Statutory funding and grant income	3	-	7,005	7,005	7,003
Other income	4	4,788	-	4,788	2,846
Total income		11,581	8,500	20,081	18,890
Expenditure:					
<i>Cost of raising funds:</i>					
Cost of generating voluntary income		(3,800)	-	(3,800)	(3,102)
Investment management costs		(83)	-	(83)	(72)
<i>Cost of charitable activities</i>		(6,510)	(8,465)	(14,975)	(15,029)
Total expenditure	5	(10,393)	(8,465)	(18,858)	(18,203)
Net income on operating activities	7	1,188	35	1,223	687
Net (losses)/gains on investments - realised		(451)	-	(451)	249
- unrealised	9	383	-	383	2,483
Net income		1,120	35	1,155	3,419
Other recognised gains/(losses)					
Remeasurement gains/(losses) on defined benefit pension scheme	14	6,868	-	6,868	(7,271)
Net movement in funds		7,988	35	8,023	(3,852)
Reconciliation of funds					
Funds brought forward	15	22,688	362	23,050	26,902
Transfers during year	15	-	-	-	-
Funds carried forward	15	30,676	397	31,073	23,050

The Statement of Financial Activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

The notes on pages 32 to 55 form part of these accounts.

Balance Sheets as at 31 March 2022

		Group		Company	
	Note	2022 £000	2021 £000	2022 £000	2021 £000
Fixed assets					
Tangible assets	8	12,114	13,029	12,132	13,051
Investments	9	22,281	17,299	22,281	17,299
		34,395	30,328	34,413	30,350
Current assets					
Stock		-	2	-	-
Debtors	11	2,860	4,284	2,985	4,314
Cash at bank and in hand		6,999	8,724	6,960	8,669
		9,859	13,010	9,945	12,983
Creditors					
Amounts falling due within one year	12	(2,503)	(5,226)	(2,204)	(4,977)
Net current assets		7,356	7,784	7,741	8,006
Provisions for liabilities	13	(332)	(273)	(285)	(242)
Net assets excluding pension deficit		41,419	37,839	41,869	38,114
Defined benefit pension scheme deficit	14	(10,796)	(15,064)	(10,796)	(15,064)
Net assets including pension deficit		30,623	22,775	31,073	23,050
The funds of the charity:					
Restricted income funds	15	397	362	397	362
Unrestricted income funds					
Fixed asset fund		12,114	13,029	12,132	13,051
Designated for future operational investment		5,751	5,164	5,751	5,164
General reserves		23,157	19,284	23,589	19,537
Unrestricted income funds excluding pension reserve		41,022	37,477	41,472	37,752
Pension reserve	14	(10,796)	(15,064)	(10,796)	(15,064)
Total unrestricted funds	15	30,226	22,413	30,676	22,688
Total funds	15	30,623	22,775	31,073	23,050

Approved by the Directors on 15 August 2022



Peta M Hay, Chair



Stephen Reid, Director

The notes on pages 32 to 55 form part of these accounts.

Cash Flow Statement
for the year ended 31 March 2022

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Net cash inflow from operating activities (i)	2,411	3,040	2,418	2,986
Returns on investments and servicing of finance				
Investment income	550	366	550	366
Interest received	40	11	40	11
	590	377	590	377
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(118)	(1,600)	(109)	(1,587)
Proceeds of disposal of fixed assets	442	9	442	9
Investments purchased	(7,578)	(2,128)	(7,578)	(2,128)
Investments disposed of	2,528	2,591	2,528	2,591
Net cash outflow from investing activities	(4,726)	(1,128)	(4,717)	(1,115)
(Decrease)/increase in cash and cash equivalents (ii)	(1,725)	2,289	(1,709)	2,248

(i) Reconciliation of net expenditure to the net cash outflow from operating activities

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Net income	980	3,692	1,155	3,419
Depreciation charge	667	626	662	626
Pension deficit movement	(4,268)	8,690	(4,268)	8,690
Remeasurement gains/(losses) on defined benefit pension scheme	6,868	(7,271)	6,868	(7,271)
Gain on disposal of tangible fixed assets	(76)	-	(76)	-
Net losses/(gains) on investments	68	(2,732)	68	(2,732)
Interest receivable and investment income	(561)	(417)	(561)	(417)
Decrease/(increase) in stock	2	(2)	-	-
Decrease/(increase) in debtors	1,395	(3,203)	1,300	(2,961)
(Decrease)/increase in creditors	(2,664)	3,657	(2,730)	3,632
	2,411	3,040	2,418	2,986

(ii) Analysis of net funds

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Cash balances at beginning of year	8,724	6,435	8,669	6,421
(Decrease)/increase in the year	(1,725)	2,289	(1,709)	2,248
	6,999	8,724	6,960	8,669

The notes on pages 32 to 55 form part of these accounts.

Notes to the Accounts

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the accounts.

(a) Basis of preparation

The accounts have been prepared under the historical cost convention, with the exception of investments which are included at market value. The accounts have been prepared in accordance with the Companies Act 2006 and the Charities SORP (FRS 102) Accounting and Reporting by Charities: Statement of Recommended Practice effective 1 January 2019.

The statement of financial activities ('SOFA') and balance sheet consolidate the accounts of Children's Hospices Across Scotland ('the Charity') and its subsidiary undertakings. The results of the subsidiary undertakings are consolidated on a line by line basis.

The Charity has availed itself of the provisions of the Companies Act 2006 and adapted the statutory formats to reflect the special nature of the Charity's activities.

The accounts are prepared in Sterling, which is the functional currency of the Charity. Monetary amounts in these accounts are rounded to the nearest £1,000.

(b) Going concern

The trustees are of the opinion that the group and parent charitable company can continue to meet their obligations as they fall due. The charitable company has significant reserves and regular income generated from activities and specific grants to continue in operational existence for the foreseeable future.

Having considered the matters above and with particular reference to the financial impact of the coronavirus crisis, the trustees are of the opinion that the group and parent charitable company will have sufficient resources to continue to operate and meet debts as they fall due for the foreseeable future. The financial statements have therefore been drawn up on a going concern basis.

(c) Company status

The Charity is a company limited by guarantee and is registered as a Scottish charity with the Office of the Scottish Charity Regulator under number SC019724. The Charity meets the definition of a public benefit entity under FRS 102.

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 for charitable purposes.

(d) Fund accounting

Unrestricted funds are either general or designated. General funds are available for use at the discretion of the Directors in furtherance of the general objectives of the Charity and which have not been designated for another purpose. Designated funds are those set aside for particular purposes. The aim and use of each designated fund is set out in note 15.

Restricted funds are those to be used in accordance with instructions declared by donors or as a result of a specific appeal by the Charity. The aim and use of each restricted fund is set out in the notes to the accounts where material. Transfers may be made between funds from time to time.

Notes to the Accounts

(k) Stock

Stocks of goods purchased for resale are stated at the lower of cost and net realisable value. Stocks of donated assets are not valued for accounting purposes as it is impractical to measure their fair value.

(l) Operating lease rental costs and leasehold dilapidations

The Charity occupies two properties and the subsidiary company occupies a further four properties under operating leases. Rental costs payable in respect of these operating leases are charged in the statement of financial activities for the period to which they relate.

A dilapidations provision is recognised when there is future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of the Group's unavoidable cost of meeting its obligations under the lease contracts and over the lease term. Key uncertainties are the estimates of amounts due.

(m) Pension schemes

Lothian Pension Fund

The Charity participates in the Lothian Pension Fund, a defined benefit pension scheme open to all eligible employees. The assets of the scheme are held separately from those of the Charity and its subsidiary companies.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between total expenditure and remeasurement gains and losses on the defined benefit pension scheme in the statement of financial activities.

NHS Pension Scheme (Scotland)

The NHS Pension Scheme (Scotland) is a multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. The Charity therefore accounts for its pension costs to this scheme on a defined contribution basis as permitted by FRS 102.

Ardoch Loch Lomond Limited pensions

Ardoch Loch Lomond Limited provides access to a defined contribution pension scheme or a personal pension plan for eligible employees.

2 Critical judgements and estimates

In preparing the financial statements, the trustees make estimates and assumptions which affect the reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. This section discusses the principal areas where the measurement of items is strongly influenced by the assumptions and estimates used.

(a) Defined benefit pension scheme deficit

The valuation of the defined benefit pension scheme deficit is based on several major assumptions as set out in note 14. As with any set of assumptions used in such a valuation there are inherent risks and uncertainties.

The carrying value of the defined benefit pension scheme deficit is calculated on the basis of estimates of the rates of future salary, pensions in payment and deferred pension increases, as well as estimated life expectancy of current and future pensioners. Additionally the valuation is sensitive to the assumed discount rate applied to scheme liabilities. The discount rate is set with reference to yields on high quality corporate bonds and so the valuation may be subject to significant change owing to relative changes in equity and bond markets at the financial year-end.

The valuation of the pension deficit assumes that the Charity will continue to participate in the Lothian Pension Fund. The valuation would be subject to change in the event of curtailment, settlement or discontinuance in the Charity's participation.

Notes to the Accounts

(b) Investment valuation

Fixed asset investments are stated at stock market valuation as at the financial year-end. As no investment is permitted in investments that are not readily realisable the trustees believe this to be an appropriate approach. As with most investments there is the risk that stock market valuation may change significantly at any time.

(c) Valuation of freehold land and buildings

The valuation of freehold land and buildings is based on historic cost which may vary to their market value or reinstatement cost. Freehold land and buildings have been assigned an economic life of 50 years. The expected useful life of freehold land and buildings may change under the influence of development of changes in paediatric palliative care and market circumstances.

(d) Recognition of legacy income

Legacy income is recognised only when there is sufficient evidence in each individual case of the probability that the income will be received and the value of this income can be measured with sufficient reliability. While this income is subject to ongoing review until these accounts are approved by the Directors, there remains a risk that legacy income relating to the year ended 31 March 2022 may come to light after this date and therefore be omitted from these accounts.

(e) Allocation of support costs

Support costs are allocated to the cost of charitable activities, cost of generating voluntary income and cost of goods sold and other trading costs on the basis of staff numbers as at the financial year-end. The trustees believe this approach to be appropriate as the cost of most support functions (finance, IT, human resources, property and learning) is predominantly influenced by the number of staff each function is serving.

(f) Funds designated for future operational investment

As set out in note 15, funds have been ring fenced for future operational and capital investment as we continue to pursue our strategic aim of meeting the needs of all children and families in Scotland who need our services.

CHAS continues to expand its services and the funds designated for future operational investment are intended to reflect expected funding deficits over the coming years. In addition to this, our property estate must continue to meet operational requirements and enable the achievement of our strategic objectives. With this in mind projected capital expenditure is included alongside anticipated revenue deficits in the designated reserve of £5.8 million.

The Directors understand future financial impacts of COVID-19 may still have a significant bearing on the availability of funds to designate in this manner in future years.

Notes to the Accounts

3 Income

Group and Company	2022	2021
	£000	£000
Statutory funding and grant income		
Scottish Local Authorities – for operation of Rachel House and Robin House	682	680
NHS Scotland (total received £6,187,000; £275,000 towards Diana Children's Nurses)	5,912	5,912
Scottish Government:		
- for Diana Children's Nurses	275	275
- for infrastructure and services	136	136
	7,005	7,003

4 Other Income

Group	2022	2021
	£000	£000
Unrestricted Funds		
COVID-19 Emergency Funding: Scottish Government	4,452	1,287
Coronavirus Job Retention Scheme	284	1,404
COVID-19 Grants Received: Scottish Local Authorities	34	95
Funding Health and Social Staff: Scottish Government	-	178
Ardoch Rental Income	8	14
CHAS Other Income	8	-
CHAS Trading Business Interruption Insurance	67	-
Ardoch Insurance Claim	3	-
	4,856	2,978

Company	2022	2021
	£000	£000
Unrestricted Funds		
COVID-19 Emergency Funding: Scottish Government	4,452	1,287
Coronavirus Job Retention Scheme	284	1,367
Funding Health and Social Staff: Scottish Government	-	178
Ardoch Rental Income	8	14
Other Income	8	-
Ardoch Insurance Claim	3	-
Ardoch Management Fee	33	-
	4,788	2,846

Notes to the Accounts

5 Expenditure

Group	Direct costs £000	Governance costs £000	Support costs £000	Total £000	2021 £000
Cost of raising funds					
Cost of generating voluntary income	3,125	66	609	3,800	3,102
Cost of goods sold and other trading costs:					
- CHAS Trading Limited	355	11	67	433	405
- Ardoch Loch Lomond Limited	304	20	44	368	56
Investment management costs	83	-	-	83	72
Cost of charitable activities	11,312	376	3,496	15,184	14,647
	15,179	473	4,216	19,868	18,282
2021	13,969	421	3,892	18,282	
Company	Direct costs £000	Governance costs £000	Support costs £000	Total £000	2021 £000
Cost of raising funds					
Cost of generating voluntary income	3,125	66	609	3,800	3,102
Investment management costs	83	-	-	83	72
Cost of charitable activities	11,103	376	3,496	14,975	15,029
	14,311	442	4,105	18,858	18,203
2021	13,984	406	3,813	18,203	

The activities underlying each of the above cost categories are:

Cost of generating voluntary income - costs incurred in raising the income needed to support the Charity's activities.

Cost of goods sold and other trading costs - operating charity shops and participating in a clothes collection partnership to generate additional income to fund charitable objectives. This also includes charges in respect of estimated dilapidation costs on operating leases on our charity shops.

Cost of charitable activities - providing children's hospice services and supporting the whole family throughout Scotland.

Governance costs - expenditure incurred in strategic planning and management as well as the costs of professional advice, audit fees and Directors' expenses.

Notes to the Accounts

Support costs reflect the growth and maintenance of the infrastructure required, including the staff teams, to support the delivery of the above activities. Significant investment has been made to ensure the support functions are appropriately resourced to meet future needs, in particular the digitalisation programme across CHAS. Support costs include finance £592,000 (2021: £603,000), communications, advocacy and public relations £465,000 (2021: £498,000), IT £591,000 (2021: £575,000), information management £170,000 (2021: £217,000) human resources £546,000 (2021: £388,000), property £794,000 (2021: £557,000), executive £142,000 (2021: £74,000), learning £190,000 (2021: £161,000) and volunteering £152,000 (2021: £29,000).

Both governance costs and support costs have been apportioned to the above activities on the basis of staff numbers, except for governance costs relating to the trading subsidiaries which have been directly charged to the cost of the goods sold and other trading costs.

Support costs have increased in some areas due to a combination of COVID-19 restrictions being lifted in the year, a gradual increase in staffing levels, increased pension costs and a retrospective pay conditions and benefits increase backdated to April 2021. However costs for the year have remained lower in some areas due to reduced expenditure earlier in the year, which was linked to COVID-19 restrictions and reduced activities.

Property costs include a charge of £136,584 (2021: £136,584), which has been made this year for estimated dilapidation costs on the leased properties across our estate. A prior provision of £146,133 for dilapidations costs relating to the now closed Inverness office, was released against property costs in the year. This is due to the original estimated provision of £165,000 significantly exceeding the actual final dilapidation costs incurred being £18,867.

Property costs have increased mainly as a result of maintenance staff based at the Hospices now being allocated directly to Facilities, while operational costs have been impacted by increased maintenance costs, which were slightly offset by the dilapidations provision release for the Inverness office.

Human Resources has seen an increase in staffing and other operating costs for this year, due to increased recruitment activity and associated costs. Executive reflects increased staff and pension costs. Volunteering has seen increased costs as pandemic restrictions eased, as well as increased staffing costs incurred for maternity leave cover.

Notes to the Accounts

6 Staff costs

	2022 £000	2021 £000
Salaries	10,180	10,179
Social security costs	1,017	1,008
Pensions	4,325	3,196
	15,522	14,383

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	2022	2021
£70,001 - £80,000	3	2
£80,001 - £90,000	1	1
£90,001 - £100,000	-	1
£110,001 - £120,000	1	-
£130,001 - £140,000	1	1

Of these, one was medical staff remunerated on the equivalent of NHS salary scales and pension arrangements.

For the above employees, £95,838 (2021: £81,261) was paid to the NHS Pension Scheme (Scotland) and Lothian Pension Fund.

By the end of the year the number of employees was 306 (2021: 320). In addition, there were 770 volunteers who were not remunerated but can claim expenses. The average number of employees was 315, of whom 98 (65 full-time equivalent) were part-time.

The charity considers that its key management personnel comprise the Senior Leadership Team. Total remuneration of key management personnel for the year was £747,211 (2021: £638,840).

No remuneration was paid to the Directors in respect of their services to the Charity (2021: nil). Travel expenses paid to Directors was £64 (2021: nil).

An ex gratia payment totalling £6,092 was paid to one employee during the financial year.

7 Net income on operating activities

This is stated after charging:

	2022 £000	2021 £000
Auditor's remuneration:		
- Audit of these financial statements	17	16
Amounts receivable by auditor and associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	12	4
Indemnity insurance for Directors	2	3
Operating lease rentals – land and buildings	196	183

Notes to the Accounts

8 Tangible fixed assets

Group	Freehold land and buildings £000	Investment Property £000	Short leasehold £000	Motor vehicles £000	Hospice equipment £000	Computer equipment £000	Furniture and fittings £000	Total £000
Cost / Valuation as at 1 April 2021	15,520	1,200	232	424	1,038	921	1,066	20,401
Additions	-	-	-	7	49	8	54	118
Disposals	(298)	-	-	-	(56)	(6)	(22)	(382)
Cost / Valuation as at 31 March 2022	15,222	1,200	232	431	1,031	923	1,098	20,137
Accumulated depreciation as at 1 April 2021	4,983	-	220	331	542	824	472	7,372
Charge for year	309	-	5	55	134	68	96	667
Disposals	(11)	-	-	-	(1)	-	(4)	(16)
Accumulated depreciation as at 31 March 2022	5,281	-	225	386	675	892	564	8,023
Net book value at 31 March 2022	9,941	1,200	7	45	356	31	534	12,114
Net book value at 31 March 2021	10,537	1,200	12	93	496	97	594	13,029

The purposes for which the tangible fixed assets held for charity use at 31 March 2022 were as follows:

Group	Freehold land and buildings £000	Investment Property £000	Short leasehold £000	Motor vehicles £000	Hospice equipment £000	Computer equipment £000	Furniture and fittings £000	Total £000
Purpose:								
Hospice services	9,930	-	-	39	356	-	523	10,848
Fundraising, management and administration	11	1,200	7	6	-	31	11	1,266
	9,941	1,200	7	45	356	31	534	12,114

Notes to the Accounts

8 Tangible fixed assets (continued)

Company	Freehold land and buildings £000	Investment Property £000	Short leasehold £000	Motor vehicles £000	Hospice equipment £000	Computer equipment £000	Furniture and fittings £000	Total £000
Cost / Valuation as at 1 April 2021	15,553	1,200	185	409	1,038	877	1,061	20,323
Additions	-	-	-	-	49	8	52	109
Disposals	(298)	-	-	-	(56)	(6)	(22)	(382)
Cost / Valuation as at 31 March 2022	15,255	1,200	185	409	1,031	879	1,091	20,050
Accumulated depreciation as at 1 April 2021	4,981	-	173	316	542	793	467	7,272
Charge for year	309	-	5	54	134	64	96	662
Disposals	(11)	-	-	-	(1)	-	(4)	(16)
Accumulated depreciation as at 31 March 2022	5,279	-	178	370	675	857	559	7,918
Net book value at 31 March 2022	9,976	1,200	7	39	356	22	532	12,132
Net book value at 31 March 2021	10,572	1,200	12	93	496	84	594	13,051

The purposes for which the tangible fixed assets held for charity use at 31 March 2022 were as follows:

Company	Freehold land and buildings £000	Investment Property £000	Short leasehold £000	Motor vehicles £000	Hospice equipment £000	Computer equipment £000	Furniture and fittings £000	Total £000
Purpose:								
Hospice services	9,976	-	-	39	356	-	523	10,894
Fundraising, management and administration	-	1,200	7	-	-	22	9	1,238
	9,976	1,200	7	39	356	22	532	12,132

Notes to the Accounts

9 Fixed asset investments

Group and Company	2022		2021	
	£000		£000	
Quoted investments at market value at beginning of year	17,299		15,175	
Additions during year	7,578		1,858	
Disposals during year	(2,979)		(2,217)	
	21,898		14,816	
Net unrealised gains	383		2,483	
Market value at end of year	22,281		17,299	
Historical cost at end of year	18,356		13,151	
	2022		2021	
Fixed asset investments are represented by:	£000	%	£000	%
UK equities	8,053	36.1	5,087	29.4
Investment and unit trusts	8,896	39.9	7,799	45.1
Overseas equities	3,201	14.4	2,038	11.8
	20,150	90.4	14,924	86.3
Fixed interest securities	1,009	4.5	1,564	9.0
UK debentures and loan stocks	1,122	5.1	811	4.7
Total managed portfolio	22,281	100.0	17,299	100.0

As at 31 July 2022, the market value of the above investments had reduced to £21.2 million. This decrease of approximately £1 million since 31 March 2022 was principally due to significant falls across major worldwide stock market indices during the period. Markets fell in response to weakening economic data such as rising inflation and interest rates, coupled with expectations of a recession.

Notes to the Accounts

10 Subsidiary Companies

(a) CHAS Trading Limited

CHAS Trading Limited, a wholly owned subsidiary, operates charity shops as well as participating in a clothes collection partnership. A summary of its results is shown below and audited financial statements will be filed with the Registrar of Companies. The Registered Office of CHAS Trading Limited is the same as the Charity. Owing to the continuing negative Balance Sheet total for CHAS Trading Limited, the Directors of CHAS will provide a letter of support stating that CHAS will make available such funds as are required to enable CHAS Trading Limited to meet all of its liabilities as they fall due over the next 12 months.

A Deed of Covenant exists by which all distributable annual profits generated by CHAS Trading Limited are covenanted to the Charity. Although CHAS Trading Limited reported a profit for the year ended 31 March 2022, no payment under deed of covenant was made to CHAS owing to a lack of distributable reserves. The reported profit for the year is after deduction of support costs from CHAS (shown in note 5) and a provision for dilapidation costs on operating leases.

	Income £000	Expenditure £000	Profit/(loss) 2022 £000	2021 £000
Charity shops	579	(433)	146	(53)

The net assets of CHAS Trading Limited at 31 March 2022 were:

	£000
Fixed assets	19
Stocks	0
Debtors	16
Cash at bank	16
Total current assets	32
Creditors: amounts falling due within one year	(415)
Net current liabilities	(383)
Provision for liabilities	(46)
Net liabilities	(410)

The amount due from Charity in debtors is nil (2021: £789). In creditors there is an amount of £172,413 (2021: £382,654) due to the Charity.

Notes to the Accounts

10 Subsidiary Companies (continued)

(b) Ardoch Loch Lomond Limited

Ardoch Loch Lomond Limited, a wholly owned subsidiary, operates the commercial activities at Ardoch Loch Lomond, facilitating special events, meetings and accommodation. A summary of its results as at 31 March 2022 are shown below. The company which was incorporated on 20 January 2021, formally commenced trading from 1 July 2021 and will file its first set of audited financial statements with the Registrar of Companies for the period ended 31 March 2022. The Registered Office of Ardoch Loch Lomond Limited is the same as the Charity. Owing to the negative Balance Sheet total for Ardoch Loch Lomond Limited, the Directors of CHAS will provide a letter of support stating that CHAS will make available such funds as are required to enable Ardoch Loch Lomond Limited to meet all of its liabilities as they fall due over the next 12 months.

	Income £000	Expenditure £000	Loss 2022 £000	2021 £000
Ardoch Loch Lomond Limited	290	(401)	(111)	(56)

The net assets of Ardoch Loch Lomond Limited at 31 March 2022 were:

	£000
Fixed assets	8
Debtors	19
Cash at bank	23
Total current assets	42
Creditors: amounts falling due within one year	(217)
Net current liabilities	(175)
Net liabilities	(167)

Included in creditors is an amount of £164,746 (2021: £55,133) due to the Charity.

11 Debtors

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Taxation refunds	14	14	14	14
VAT	197	143	184	141
Prepayments	256	192	236	180
Sundry debtors	2,250	3,734	2,244	3,722
Legacies receivable	143	201	143	201
Amounts due from CHAS Trading Limited and Ardoch Loch Lomond Limited (note 10)	-	-	337	438
Provision for doubtful debt	-	-	(173)	(382)
	2,860	4,284	2,985	4,314

Notes to the Accounts

12 Creditors: amounts falling due within one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Accruals and sundry creditors	1,056	1,550	764	1,302
VAT and NI/PAYE payable	447	440	440	438
Amounts due to CHAS Trading Limited (note 10)	-	-	-	1
Deferred income - Scottish Government	1,000	3,236	1,000	3,236
	2,503	5,226	2,204	4,977

13 Provisions for Liabilities

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Dilapidations	332	273	285	242
	332	273	285	242

Movements on dilapidations provision:

	Group 2022 £000	Company 2022 £000
As at 1 April 2021	273	242
Additional provisions in the year	137	121
Utilisation of provision (note 12)	(78)	(78)
As at 31 March 2022	332	285

Dilapidations provision

The Group leases a number of properties whose lease terms expire between 2022 and 2028.

During August 2019, an assessment of the expected dilapidation costs for these properties was prepared by an independent third party. The Group has used this information to establish the fair value of the expected costs as at 31 March 2022 and has recognised the provision above for long term lease obligations and amounts within sundry creditors (note 12) for leases expiring in the coming 12 months.

Notes to the Accounts

14 Pension schemes

Group and Company

Lothian Pension Fund

The Charity participates in the Lothian Pension Fund, a pension scheme providing benefits based on career average pensionable pay.

The information disclosed below is in respect of the Charity's share of the assets and liabilities of the whole scheme under an agreed policy throughout the years shown. The assumptions used by the Charity, as disclosed below, were recommended by independent actuaries for application, approved by Lothian Pension Fund and adopted by the Directors.

	2022 £000	2021 £000
Fair value of assets attributed to the Charity	31,923	27,582
Present value of defined benefit obligation attributed to the Charity	(42,719)	(42,646)
Net deficit recognised as a liability in the balance sheet	(10,796)	(15,064)

Changes in the present value of the defined benefit obligation attributed to the Charity are as follows:

	2022 £000	2021 £000
Opening defined benefit obligation attributed to the Charity	42,646	28,954
Current service cost	3,314	2,350
Interest cost	909	694
Contributions paid by members	404	427
Estimated benefits paid	(278)	(287)
Expected closing position	46,995	32,138
Remeasurement (gains)/losses	(4,276)	10,508
	42,719	42,646

Notes to the Accounts

14 Pension schemes (continued)

Changes in the fair value of assets attributed to the Charity are as follows:

	2022 £000	2021 £000
Opening fair value of assets attributed to the Charity	27,582	22,580
Interest income on assets attributed to the Charity	577	533
Contributions paid by members	404	427
Contributions paid by the Charity	1,046	1,092
Estimated benefits paid	(278)	(287)
Expected closing position	29,331	24,345
Remeasurement gains	2,592	3,237
Closing fair value of assets attributed to the Charity	31,923	27,582

The amounts recognised in expenditure in the statement of financial activities are as follows:

	2022 £000	2021 £000
Current service cost	3,314	2,350
Net interest cost	332	161
	3,646	2,511

The amounts recognised in the other recognised gains and losses section of the statement of financial activities are as follows:

	2022 £000	2021 £000
Changes in financial assumptions	4,137	(10,558)
Changes in demographic assumptions	243	1,654
Other experience adjustments	(104)	(1,588)
Actuarial gains/(losses)	4,276	(10,492)
Return on assets attributed to the Charity excluding interest income	2,592	3,221
Remeasurement gains/(losses)	6,868	(7,271)

The fair value of the scheme's assets attributed to the Charity, which are not intended to be realised in the short term and may be subject to significant change before they are realised, were:

	2022 £000	2021 £000
Equities	22,666	20,410
Bonds	4,150	3,310
Property	1,915	1,931
Cash	3,192	1,931
Fair value of assets attributed to the Charity	31,923	27,582

Notes to the Accounts

14 Pension schemes (continued)

The major assumptions used in this valuation were:

	2022	2021
Rate of increase in salaries	3.65%	3.30%
Rate of increase in pensions in payment and deferred pensions	3.15%	2.80%
Discount rate applied to scheme liabilities	2.75%	2.05%

Life expectancy is based on the Lothian Pension Fund VitaCurves with improvements in line with the CMI2021 model, with a 0% weighting of 2021 and 2020 data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% per annum for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	Female
Current pensioners	20.3 years	23.1 years
Future pensioners	21.6 years	25.0 years

The sensitivities regarding the major assumptions used to measure the defined benefit obligation attributed to the Charity are set out below:

	Approximate increase to obligation	Approximate monetary amount £000
0.1% decrease in real discount rate	3%	1,124
1 year increase in member life expectancy	4%	1,709
0.1% decrease in real discount rate	0%	120
0.1% increase in the pension increase rate	2%	996

It is estimated that the Charity will contribute £1,047,000 to this defined benefit scheme in the year ending 31 March 2023. As at 31 March 2022, 216 staff were members of the scheme (2021: 227).

NHS Pension Scheme (Scotland)

The NHS Pension Scheme (Scotland) is a multi-employer defined benefit scheme where the share of the assets and liabilities applicable to each participating employer is not identified. The Charity therefore accounts for its pension costs to this scheme on a defined contribution basis as permitted by Financial Reporting Standard 102. The Government Actuary's Department assessed the pension liability of the NHS Pension Scheme (Scotland) at £86.9 billion as at 31 March 2021. As a result of this liability, current service costs are likely to remain in excess of present contribution levels.

In the year ended 31 March 2022, normal employer contributions of £676,000 were payable to the NHS Pension Scheme (Scotland) (2021: £686,000) at the rate of 20.9% of pensionable earnings (2021: 20.9%). As at 31 March 2022, 80 staff were members of the scheme (2021: 88) paying between 5.8% and 14.7% of pensionable earnings. The Scottish Government has refunded the Charity employer contributions totalling £187,000 (2021: £187,000), following the increase in employer contributions from the previous rate of 14.9% to 20.9% which took effect from 1 April 2019.

Other Pension Arrangements

Ardoch Loch Lomond Limited entered into an agreement with Smart Pension Limited with effect from 1 July 2021 to participate in a multi-employer defined contribution scheme for the benefit of its employees. As at 31 March 2022, three staff were members of the scheme. Normal employer contributions of £1,474 were payable in the year. Ardoch Loch Lomond Limited also contributed £1,636 into a personal pension plan for an employee who is not a member of the Smart Pension Limited scheme.

Notes to the Accounts

15 Statement of funds

Group	As at 1 April 2021 £000	Income £000	Expenditure £000	Other gains and losses £000	Transfers £000	As at 31 March 2022 £000
Restricted income funds						
Robin House	101	507	(498)	-	-	110
Rachel House	83	923	(898)	-	-	108
CHAS at Home	76	28	(23)	-	-	81
The National Lottery Community Fund	65	35	(41)	-	-	59
Service Development	37	2	-	-	-	39
Scottish NHS Boards	-	5,912	(5,912)	-	-	-
Scottish Local Authorities	-	682	(682)	-	-	-
Scottish Government	-	411	(411)	-	-	-
Total restricted income funds	362	8,500	(8,465)	-	-	397
Unrestricted income funds						
<i>Designated funds:</i>						
Fixed asset fund	13,029	-	-	-	(915)	12,114
Designated for future operational investment	5,164	-	-	(68)	655	5,751
Pension reserve	(15,064)	-	-	6,868	(2,600)	(10,796)
General reserve	19,284	12,416	(11,403)	-	2,860	23,157
Total unrestricted income funds	22,413	12,416	(11,403)	6,800	-	30,226
Total funds	22,775	20,916	(19,868)	6,800	-	30,623

Notes to the Accounts

15 Statement of funds (continued)

Group	As at 1 April 2020 £000	Income £000	Expenditure £000	Other gains and losses £000	Transfers £000	As at 31 March 2021 £000
Restricted income funds						
Robin House	51	276	(226)	-	-	101
Rachel House	137	195	(249)	-	-	83
CHAS at Home	27	57	(8)	-	-	76
The National Lottery Community Fund	-	65	-	-	-	65
Service Development	37	-	-	-	-	37
Scottish NHS Boards	-	5,912	(5,912)	-	-	-
Scottish Local Authorities	-	679	(679)	-	-	-
Scottish Government	-	411	(411)	-	-	-
Virtual Children's Hospice	-	36	(36)	-	-	-
Total restricted income funds	252	7,631	(7,521)	-	-	362
Unrestricted income funds						
<i>Designated funds:</i>						
Fixed asset fund	12,064	-	-	-	965	13,029
Designated for future operational investment	9,500	-	-	2,732	(7,068)	5,164
Pension reserve	(6,374)	-	-	(7,271)	(1,419)	(15,064)
General reserve	10,912	11,611	(10,761)	-	7,522	19,284
Total unrestricted income funds	26,102	11,611	(10,761)	(4,539)	-	22,413
Total funds	26,354	19,242	(18,282)	(4,539)	-	22,775

Notes to the Accounts

15 Statement of funds (continued)

Company	As at 1 April 2021 £000	Income £000	Expenditure £000	Other gains and losses £000	Transfers £000	As at 31 March 2022 £000
Restricted income funds						
Robin House	101	507	(498)	-	-	110
Rachel House	83	923	(898)	-	-	108
CHAS at Home	76	28	(23)	-	-	81
The National Lottery Community Fund	65	35	(41)	-	-	59
Service Development	37	2	-	-	-	39
Scottish NHS Boards	-	5,912	(5,912)	-	-	-
Scottish Local Authorities	-	682	(682)	-	-	-
Scottish Government	-	411	(411)	-	-	-
Total restricted income funds	362	8,500	(8,465)	-	-	397
Unrestricted income funds						
<i>Designated funds:</i>						
Fixed asset fund	13,051	-	-	-	(919)	12,132
Designated for future operational investment	5,164	-	-	(68)	655	5,751
Pension reserve	(15,064)	-	-	6,868	(2,600)	(10,796)
General reserve	19,537	11,581	(10,393)	-	2,864	23,589
Total unrestricted income funds	22,688	11,581	(10,393)	6,800	-	30,676
Total funds	23,050	20,081	(18,858)	6,800	-	31,073

Notes to the Accounts

15 Statement of funds (continued)

Company	As at 1 April 2020 £000	Income £000	Expenditure £000	Other gains and losses £000	Transfers £000	As at 31 March 2021 £000
Restricted income funds						
Robin House	51	276	(226)	-	-	101
Rachel House	137	195	(249)	-	-	83
CHAS at Home	27	57	(8)	-	-	76
The National Lottery Community Fund	-	65	-	-	-	65
Service Development	37	-	-	-	-	37
Scottish NHS Boards	-	5,912	(5,912)	-	-	-
Scottish Local Authorities	-	679	(679)	-	-	-
Scottish Government	-	411	(411)	-	-	-
Virtual Children's Hospice	-	36	(36)	-	-	-
Total restricted income funds	252	7,631	(7,521)	-	-	362
Unrestricted income funds						
<i>Designated funds:</i>						
Fixed asset fund	12,099	-	-	-	952	13,051
Designated for future operational investment	9,500	-	-	2,732	(7,068)	5,164
Pension reserve	(6,374)	-	-	(7,271)	(1,419)	(15,064)
General reserve	11,425	11,259	(10,682)	-	7,535	19,537
Total unrestricted income funds	26,650	11,259	(10,682)	(4,539)	-	22,688
Total funds	26,902	18,890	(18,203)	(4,539)	-	23,050

Restricted income received in the year relates to trust funding, legacies, donations and statutory funding for particular projects and areas of care and support for children and families. The funds held at 31 March 2022 relate to specific expenditure yet to be incurred. Restricted funds from the Scottish Government support Diana Children's Nurses while a number of trusts, foundations and companies have provided funds to support staff, staff training and equipment for CHAS at Home and the operation and staffing of both Rachel House and Robin House.

Funding received from the Scottish NHS Boards and Scottish Local Authorities is not to be utilised for fundraising costs (including events), trading and investment management fees. Pharmaceutical supplies are also not covered as these are usually delivered free of charge from local NHS boards. While training and education is within the remit of the funding any income derived from these activities should be netted off and only net costs of education and training will be provided for.

Funds designated for future operational investment represents funds that have been ring fenced to allow CHAS to reach its strategic aim to meet the needs of all children and families in Scotland requiring palliative care. CHAS has been expanding its services and staffing and this fund will cover the expected funding deficits in the coming years. The general reserve includes any free funds of the Charity to the extent that they have not been designated for particular purposes. The Directors anticipate that the general reserve will continue to decrease in the foreseeable future owing to the forecast deficits. Moreover this reserve is at risk from the financial effects of COVID-19 as described in the Financial Outlook on page 21 and referred to at various other places in this document. The fixed asset fund is the net book value of tangible fixed assets while the pension reserve represents the current shortfall in funding for the organisational defined benefit pension scheme held with Lothian Pension Fund as supplied by independent actuaries.

Notes to the Accounts

16 Analysis of net assets between funds

Group	Restricted Funds £000	General Reserves £000	Designated Funds £000	Total £000
Fund balances at 31 March 2022 are represented by:				
Tangible fixed assets	-	-	12,114	12,114
Investments	-	16,530	5,751	22,281
Current assets	397	9,462	-	9,859
Current liabilities - falling due within one year	-	(2,503)	-	(2,503)
Provision for liabilities	-	(332)	-	(332)
Defined benefit pension scheme deficit	-	(10,796)	-	(10,796)
Net assets including pension deficit	397	12,361	17,865	30,623
Fund balances at 31 March 2021 are represented by:				
Tangible fixed assets	-	-	13,029	13,029
Investments	-	12,135	5,164	17,299
Current assets	362	12,648	-	13,010
Current liabilities - falling due within one year	-	(5,226)	-	(5,226)
Provision for liabilities	-	(273)	-	(273)
Defined benefit pension scheme deficit	-	(15,064)	-	(15,064)
Net assets including pension deficit	362	4,220	18,193	22,775
Company				
	Restricted Funds £000	General Reserves £000	Designated Funds £000	Total £000
Fund balances at 31 March 2022 are represented by:				
Tangible fixed assets	-	-	12,132	12,132
Investments	-	16,530	5,751	22,281
Current assets	397	9,548	-	9,945
Current liabilities - falling due within one year	-	(2,204)	-	(2,204)
Provision for liabilities	-	(285)	-	(285)
Defined benefit pension scheme deficit	-	(10,796)	-	(10,796)
Net assets including pension deficit	397	12,793	17,883	31,073
Fund balances at 31 March 2021 are represented by:				
Tangible fixed assets	-	-	13,051	13,051
Investments	-	12,135	5,164	17,299
Current assets	362	12,621	-	12,983
Current liabilities - falling due within one year	-	(4,977)	-	(4,977)
Provision for liabilities	-	(242)	-	(242)
Defined benefit pension scheme deficit	-	(15,064)	-	(15,064)
Net assets including pension deficit	362	4,473	18,215	23,050

Notes to the Accounts

17 Commitments

Future commitments under non-cancellable operating leases are as follows:

	2022 £000	2021 £000
Land and buildings		
Within one year	155	150
In the second to fifth years inclusive	275	478
In over five years	23	42
	453	670

18 Contingent assets

Legacies

The Charity has been named as a beneficiary of a significant legacy gift, comprising real estate property of which a significant element remained unsold as at 31 March 2022. In addition the will is subject to challenge and the valuation of the main asset in the estate, which is not the real estate property bequeathed to CHAS, is subject to ongoing discussion with HM Revenue & Customs for Inheritance Tax purposes. Therefore the amount of the legacy due to the charity cannot be measured with sufficient accuracy and accordingly no provision for any asset or income in relation to this legacy has been made in these financial statements.

Notes to the Accounts

19 Prior Year Statement of Financial Activities

Group	Unrestricted Funds £000	Restricted Funds £000	2021 Total £000
Income:			
Donations and legacies	7,996	628	8,624
Trading activities	220	-	220
Income from investments	417	-	417
Income from charitable activities	2,978	7,003	9,981
Total income	11,611	7,631	19,242
Expenditure:			
Cost of raising funds	(3,635)	-	(3,635)
Cost of charitable activities	(7,126)	(7,521)	(14,647)
Total expenditure	(10,761)	(7,521)	(18,282)
Net income on operating activities	850	110	960
Net gains on investments	2,732	-	2,732
Remeasurement losses on defined benefit pension scheme	(7,271)	-	(7,271)
Net movement in funds	(3,689)	110	(3,579)
Company			
Income:			
Donations and legacies	7,996	628	8,624
Income from investments	417	-	417
Income from charitable activities	2,846	7,003	9,849
Total income	11,259	7,631	18,890
Expenditure:			
Cost of raising funds	(3,174)	-	(3,174)
Cost of charitable activities	(7,508)	(7,521)	(15,029)
Total expenditure	(10,682)	(7,521)	(18,203)
Net income on operating activities	577	110	687
Net gains on investments	2,732	-	2,732
Remeasurement losses on defined benefit pension scheme	(7,271)	-	(7,271)
Net movement in funds	(3,962)	110	(3,852)



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     **supportCHAS**

Children's Hospices Across Scotland (known as CHAS) is a Scottish charity, SC019724, regulated by the Scottish Charity Regulator (OSCR).

