



children's  
hearings  
scotland

*The Children's Panel – life changing.*

# ANNUAL REPORT AND ACCOUNTS 2018-19



## Introduction: From Our National Convener / Chief Executive

It was only right that Scotland's Year of Young People should have been a period of significant development and progress for Children's Hearings Scotland. Our new Corporate Plan committed us to delivering an ambitious programme to transform the way we work, while staying true to our values and saw us reaffirm our belief in ensuring that all children and young people in Scotland grow up loved, safe, respected, and able to realise their full potential.

To achieve this we are, as ever, indebted to our volunteer community. They continue to carry out their roles as Area Conveners, Depute Area Conveners, Panel Practice Advisors, Learning and Development Coordinators, Panel Representatives and Panel Members with an incredible level of commitment and with respect for, and understanding of, the impact that their decisions have on the lives of children and young people. Delivering a Children's Hearings System in Scotland would not be possible without them.

Our ability to effectively train and support this volunteer community was an area of substantial progress this year, with the launch of our Learning Academy, IT helpdesk, and new dedicated support and development for Area Support Teams.

Our digital programme also continued to take major steps forward, with engagement with our community and stakeholders being a key priority for this strategy. To champion and evidence the difference our volunteers make, we also published our first Impact Report.

There have been opportunities to learn during the year. In 2018/19, 31,653 Children's Hearings were held for 13,667 children and young people. Our new recruitment campaign, which is so essential to ensuring that we have the Panel Members to support the Hearings that occur each year, was initially met with some negative feedback. We were able to respond quickly and openly to this, and made changes necessary to ensure it would be as successful as previous campaigns.

This process further highlighted to us the central importance of listening to the views of children and young people, which has been strengthened by our involvement in Our Hearings Our Voice.

Over the coming year, our organisation will be focused on refreshing our approach and training for managing hearings as well as progressing our drive for diversity, and streamlining procedures for continuity. All our work will continue to be supported by our digital transformation programme and continuous learning about how we can best support our volunteer Panel Members and Area Support Teams.

We will continue to work with our partners and the children and young people we are here to support, to ensure that Children's Hearing Scotland and the Children's Hearings System continues to support Scotland's most vulnerable children and young people.

Boyd McAdam  
National Convener and Chief Executive

## Who We Are and What We Do: Our Purpose, Activities, Structure and Values

The Children's Hearings System was established as Scotland's unique care and justice system for children and young people over 50 years ago. It exists to ensure the safety and wellbeing of vulnerable children and young people through a decision making lay tribunal called a children's hearing. Each hearing is made up of 3 members of the national Children's Panel which is comprised of specially trained volunteers drawn from local communities.

The Children's Hearings (Scotland) Act 2011 – commenced in June 2013 – introduced a single national Children's Panel where volunteer Panel Members receive accredited national training which enables them to make the best possible decisions for children and young people in the Children's Hearing System. The Act strengthened the system by ensuring Panel Members have local and national support and advice on best practice through the National Convener – supported by one organisation – Children's Hearings Scotland (CHS), which was formed in 2011 and assumed its full responsibilities in 2013. The Act created the role of the National Convener to lead this work. Currently, the National Convener also acts as the Chief Executive of CHS.

We are one of a number of organisations who work within the Children's Hearings System, including the Scottish Children's Reporter Administration (SCRA), local authorities, health, and Police Scotland. Our activities within this are focussed on recruiting, training and supporting the volunteer Panel Members.

**Our Vision** is of a Children's Hearings System where everyone works together, making sure that all children and young people are cared for and protected and their views are heard, respected and valued.

**Our Mission** is to improve outcomes for vulnerable children and young people in Scotland by making high quality decisions about their future.

CHS engages around 2,500 volunteer Panel Members in the Children's Hearings System, who are appointed for 3 year terms. The Panel Members are supported locally by an additional 400 volunteers as part of 22 Area Support Teams (ASTs). Each AST is led by a volunteer Area Convener.

In 2018/19, some 31,653 Children's Hearings took place for 13,667 children and young people across Scotland. Our volunteer community contributes around 360,000 hours annually to enable this vital work.

We also employ around 30 staff as part of our 'National Team', led by the National Convener/Chief Executive. CHS is governed by a Board of non-executive members, which meets formally at least four times a year to set and monitor the strategic direction of the organisation. CHS is financed by grant-in-aid from the Scottish Government as approved by the Scottish Parliament. The budget for 2018/19 was £3.9m.

Our Values:

- Child centred – making sure everything we do is in the best interests of children and young people.
- Respectful – treating children, young people, their families, partners and each other with care and consideration.
- Fair – making sure that everyone is treated with dignity and according to their individual needs; that our information and services are accessible to all; that we provide a consistent level of service to all.
- Creative – considering innovative and imaginative ways of approaching the issues we face in the work we do.
- Challenging – not being complacent, but questioning ourselves and others to help us improve.
- Open – listening, responding to, and learning from, feedback; acting honestly; ensuring processes are transparent; sharing information and being accountable for our actions and decisions.

What We Want to Achieve: Our Strategic Outcomes and Business Objectives

The start of this year saw the publication of CHS’ new 3-year Corporate Plan.<sup>1</sup> In this plan, we set out our Strategic Outcomes:

Strategic Outcome 1

Strategic Outcome 2

Strategic Outcome 3

For every child...child centred hearings	For every child...high quality decisions	For every child...supported by skilled volunteers
Children’s hearings are centred around the child or young person and their views and experiences are heard, considered and respected.	Panel members make reasoned and evidence based decisions for children and young people who attend a children’s hearing.	Our community of skilled volunteers feel supported to carry out their roles and their contribution to the Children’s Hearings System is valued in their communities.

The Corporate Plan also highlighted our commitment to digital transformation through the publication of a Digital Strategy. This aims to ensure that we are able to embed a child centred Children’s Hearing System with digitally enabled volunteers and employees, who can confidently use digital tools and technologies to improve outcomes for children and young people in Scotland.

<sup>1</sup> <http://www.chscotland.gov.uk/our-publications/planning-reporting/corporate-plan/>

From this Corporate Plan and its Strategic Outcomes, we produce an annual Business & Corporate Parenting Plan<sup>2</sup> that establishes our Business Objectives for the year. These Objectives formed the basis of our activities, reporting and monitoring for the year. In 2018-19, these were:

- **Recruit** - To recruit committed volunteers, drawn from Scotland's communities, to make decisions in the best interests of children and young people.
- **Train** - To deliver high quality training to equip our volunteers with the skills and knowledge they need to carry out their roles.
- **Support** - To invest in our volunteer community and National Team to deliver sustainable national and local volunteering support.
- **Digital** - To prepare our systems and communities, in partnership with the Scottish Children's Reporter Administration, for our joint digital future

### What Concerns Us: Our Key Issues and Risks

The CHS Board monitors the strategic risks that have the potential to impact significantly on CHS' performance, fulfilment of statutory duties, and future prospects and developments. In 2018-19, these risks were:

1. Inability to fulfil the statutory obligation of reporting on the 'Feedback Loop', which monitors the implementation and impact of decisions taken in Hearings. The main control for this was maintaining and strengthening relationships with key stakeholders. After controls, this was HIGH RISK.
2. Securing insufficient financial settlement to enable future development. The main controls for this were maintaining relationships with key stakeholders and ensuring robust business planning. After controls, this was LOW RISK..
3. Increased risk of data breaches. The main controls for this were a strong Information Governance framework, and wide awareness of this framework. After controls, this was LOW RISK. The efficacy of our Information Governance processes is managed in part by KPI 11 (below).
4. Failure to deliver sufficient progress in the digital transformation programme. The main controls for this were strong programme management and workforce development plans. After controls, this was MEDIUM RISK. This risk is managed in part by KPIs 15,16 and 17 (below).
5. Lack of cyber resilience. The main control for this was close working with the Scottish Government Information and Services Division. After controls, this was MEDIUM RISK.

Risks 1, 2, 4 and 5 have been identified as continuing risks in 2019-20.

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<sup>2</sup> <http://www.chscotland.gov.uk/our-publications/planning-reporting/business-corporate-parenting-plans/>

## What We Did and Achieved in 2018-19: Performance Analysis and Key Activities

### Performance Summary

In order to monitor organisational performance and the delivery of our Corporate and Business Plans, we tracked 17 Key Performance Indicators (KPIs) and 32 key Business Activities during 2018-19. Progress on these measures was reported to the CHS Board and Senior Management Team on a quarterly basis.

A summary of our performance is given the table below, with Business Activities categorised as 'Green' for completed or good progress made, 'Amber' for partially completed and 'Red' for little significant progress made towards completion):

Business Objective	Number of Business Activities in category	
Recruit: To recruit committed volunteers, that reflect Scotland's Communities, to make decisions in the best interests of children and young people.	Green	5
	Amber	1
	Red	0
Train: To deliver high quality training to equip our volunteers with the skills and knowledge they need to carry out their roles.	Green	6
	Amber	3
	Red	0
Support: To invest in our volunteer community and National Team to deliver sustainable national and local volunteering support.	Green	9
	Amber	1
	Red	0
Digital: To prepare our systems and communities, in partnership with the Scottish Children's Reporter Administration, for our joint digital future.	Green	7
	Amber	0
	Red	0
<b>TOTALS</b>	Green	<b>27</b>
	Amber	<b>5</b>
	Red	<b>0</b>

CHS identifies a set of key performance measures (KPIs) for each business objective. Detail on our performance against the KPIs measured in 2018/19 are included on pages 9 and 10. A detailed identification of our Business Activities can be found in our 2018/19 Business and Corporate Parenting Plan<sup>3</sup>.

<sup>3</sup> <http://www.chscotland.gov.uk/media/158017/CHS-Business-Corporate-Parenting-Plan-2018-2019-FINAL.pdf>

## Key Activities and Achievements

Below we outline the key activities we undertook towards the delivery of our 2018-19 Business Objectives.

### Recruit:

- We refreshed our recruitment campaign to adopt a new theme – ‘Force For Good’. In response to feedback after the initial launch, aspects of the campaign elements were redesigned.
- Despite these challenges, we received 1,514 applications to be a Panel Member. This resulted in 516 candidates moving forward to panel member pre-service training.
- 207 Panel Members were reappointed through the year, and 98 AST members were appointed or reappointed.
- Our Recruitment and Retention Reference Group started to plan a new strategic approach to Panel Member Retention.

### Train:

2018-19 Highlight – Launching the CHS Learning Academy to deliver high quality learning to our volunteer community.

On 31 January 2019 we launched our new CHS Learning Academy. The Learning Academy provides a range of online and face to face learning and development opportunities that ensure our Panel Members and AST members are well-trained to undertake their roles. *Learn from the experts* series will offer Panel Members the opportunity to learn from experts in the field on emerging research and practice. Available courses are advertised through a Learning Academy Prospectus.<sup>4</sup>

- In partnership with Who Cares? Scotland, we redesigned elements of our pre-service training to involve contributions from care and hearings experienced children and young people.
- We designed specialist training for Panel Practice Advisors (PPA) (who are responsible for recruitment, selection, observation and practice reviews of Panel Members) and held our first PPA forum to share PPA best practice.

<sup>4</sup> <http://www.chscotland.gov.uk/our-publications/training/2019/01/childrens-hearings-scotland-learning-academy-prospectus-2019/>

- We required all the Children's Hearings Scotland community (staff and volunteers) to complete satisfactorily GDPR-compliant information governance training to ensure that we process all personal information securely and safely.

### Support:

2018-19 Highlight – Promoting the contribution of our volunteers and the impact they make by celebrating Volunteers Week.

The 1<sup>st</sup> to the 7<sup>th</sup> of June each year is Volunteers Week. This UK-wide initiative provides an opportunity to recognise the contributions made by volunteers and to thank them. For Volunteers Week 2018, CHS produced a series of videos describing what our volunteers do and thanking them for the 360,000 hours of volunteering they deliver each year. On the back of the success of this work, CHS expanded its social media presence to include Facebook and Instagram.

- We held a 2-day Area Convener Liaison Group development session which was attended by care and hearings experienced young people, The Independent Review of Care, and Maree Todd MSP Minister for Childcare and Early Years. The session successfully enabled peer-to-peer networking and sharing. A series of one-to-one meetings between CHS Senior Management Team and Area Conveners also took place.
- CHS' Board approved an Equality Outcome Action Plan to ensure we fulfil our equalities duties across all aspects of our work. CHS also signed up to the Disability Confident Committed badge as part of this work.

### Digital:

- We grew our CHS Community Digital Consultation Bank, which gathers people to provide feedback on IT systems to 200 members. The Bank have been heavily involved in various activities across the Digital Delivery Programme such as undertaking remote and in-person user testing.
- We produced and released promotional films and infomercials profiling our digital plans to ensure our volunteer community is fully engaged with our digital strategy.
- We launched a new IT helpdesk to ensure that our volunteers are supported to use and make the most of our digital developments.
- We made improvements to our PanelPal volunteer and rota management system so that local and national training undertaken by volunteers can be recorded and evidenced in more easily.



## Key Performance Indicators

The table below presents the results of our Key Performance Indicators.

		Key Performance Indicator (KPI)	18/19 Target	18/19 Result	17/18 Result	Year-on-year
Recruit	1	% of the new Panel Members recruited in 2018 appointed who are under 25	10%	8.6%	8%	↑
	2	% of new Panel Members recruited in 2018 recommended for appointment who are male	38%	30%	36%	↓
	3	% of Panel Members are successfully reappointed	75%	68%	83%	↓
Train	4	% of applicants recommended for appointment successfully complete the required 7-day pre-service training	93%	92%	89%	↑
	5	% of eligible Panel Members who successfully complete the Professional Development Award	80%	82%	NEW	N/A
	6	% of positive course evaluation responses received	97%	96%	94%	↑
	7	% of Panel Members complete core training by the end of the calendar year	77%	74%	77%	↓
	8	% of children and young people who felt like they were the most important person at their last hearing*	79%	Not available	77% (2016)	N/A
	9	% of children and young people who gave their views at their hearing*	78%	Not available	77% (2016)	N/A
	10	% of children and young people who felt listened to at their last hearing*	76%	Not available	74% (2016)	N/A
Support	11	% of (EIR, SAR and FOISA) information requests responded to within statutory timescales	98%	97%	100%	↓
	12	% of complaints dealt with by the National Team are responded to within SPSO timescales	95%	92%	100%	↓
	13	% of supplier invoices not in dispute paid within 10 working days	85%	86%	80%	↑
	14	% of Children's Hearing Scotland employee attendance	97%	95%	96%	↓
Digital	15	% of Area Support Teams using the Children's Hearing Scotland rota management system	100%	73%	50%	↑
	16	% of our volunteer community who are members of the Children's Hearings Scotland Digital Consultation Bank	10%	6.9%	6.5%	↑
	17	% ICT calls resolved within service level agreement	90%	90%	NEW	N/A

\* The measures for these KPIs were to be gathered from the SCRA Children and Families Survey which did not run in 2018/19.

Results for KPIs 1,2,3,4,6,7,11,12,15 and 16 did not reach their targets. Comments on these are given below:

1 & 2: Further targeting advertising of the recruitment campaign will take place in 2019.

3: Retention of volunteers is a priority for CHS. Specific work, particularly to understand resignation reasons, is planned.

4: Target missed by small amount. Pre-service monitoring was introduced in 2018/19 and will continue in 2019/2020.

6: Target missed by small amount. CHS now monitors training evaluations quarterly in partnership with the training provider.

7: Target missed by small amount. Further monitoring of this will occur in 2019/20.

11 & 12: targets missed by small amount due to exceptionally complex cases.

15: Intensive support was provided to make significant progress in 2018/19. This will continue and target will be met in 2019/20.

16: Volunteers have been extensively involved in the development and testing of our new digital systems and these are not exclusively digital bank members. Membership of the bank has improved and this will continue to be promoted. Digital engagement opportunities will continue to be offered to Bank and non-Bank members through 19/20.

#### National Convener Statutory Functions

The National Convener carried out the following statutory duties set out in the Children's Hearings (Scotland) Act 2011:

- We received 506 requests for panel member continuity and authorised 99% of these.
- We received 16 requests for independent reports. All requests were authorised, however a report writer was unable to be found for one request and the report did not proceed.
- We received and responded to 47 requests for written advice about any matter arising in connection with the functions conferred on children's hearings under section 8 of the Children's Hearings (Scotland) Act 2011.
- 2 requests to serve notice on the implementation authority of their failure to implement the terms of a Compulsory Supervision Order were made under section 146 and 147 of the Children's Hearings (Scotland) Act 2011.
- 1 application was made to the Lord President of the Court of Sessions to remove a panel member under para 1(6) of Schedule 2 of the Children's Hearings (Scotland) Act 2011.
- 1 referral was received about excluded pupils under section 127 of the Children's Hearings (Scotland) Act 2011.

#### Environmental Impact and Biodiversity Actions

CHS is committed to meeting the Public Bodies duties set out the Part 4 of the Climate Change (Scotland) Act 2009.

CHS does not have a property footprint beyond its Head Office, which, for the duration of the reporting year, was in Ladywell House. CHS' office space, which was let from the

National Records of Scotland, was 5.4% of the total building space. The environmental impact of CHS' property has therefore been calculated based on an allocation to CHS of 5.4% of the total waste, gas, electricity, and water usage of Ladywell House.

This is presented in the table below, with the annual footprint and cost being calculated using the Carbon Footprint and Project Register Tool.

	2018/19 Carbon Footprint (tCO <sub>2</sub> e)	2018/19 Cost (£)	2017/18 Carbon Footprint (tCO <sub>2</sub> e)	2017/18 Cost (£)
Grid Electricity	11.54	3,138	11	2,625
Natural Gas	5.07	576	6	634
Water – supply	0.05	113	0	95
Water – treatment	0.08	164	0	163
Car, petrol, unknown engine size	6.96	16,186	4	10,183
Mixed recycling	data not available		0	12
<b>Total</b>	<b>23.70</b>	<b>20,177</b>	<b>21</b>	<b>13,713</b>

Opportunities to promote biodiversity are kept under review, but these are restricted due to the limited property footprint with no outside space which could be effectively adapted to promote biodiversity.

### How We Allocated Our Resources in 2018-19: Our Financial Performance

In the year ended 31 March 2019, CHS reported an excess of net expenditure over Scottish Government funding of £0.159m (31 March 2018: an excess of Scottish Government funding over net expenditure of £0.11m) with revenue grant-in-aid of £4.177m (31 March 2018: £4.053m). The General Fund has a surplus of £0.336m as at 31 March 2019 (£0.495m as at 31 March 2018).

In accordance with IAS 19 (revised) 'Employee Benefits', the financial statements reflect at fair value the assets and liabilities arising from CHS' retirement benefit obligations. As a result, CHS has a deficit of £1.04m on its pension reserve at 31 March 2019 (£0.62m as at 31 March 2018). Further details of pension liabilities are provided in the Remuneration Report and Notes to the Financial Statements.

The Board of CHS has no reason to believe that the Scottish Government's future sponsorship and future Ministerial approval will not be forthcoming or will only provide a reduced support to CHS. Given the above it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

In line with Scottish Government guidance, CHS' policy is to pay all invoices, not in dispute, within the lesser of 10 working days and the agreed contractual terms. During the year ended 31 March 2019, CHS paid 86% (31 March 2018: 80%) of invoices within the terms of its payment policy, exceeding its target of 85%.

CHS' Senior Management Team and Board have taken steps to ensure CHS has policies in place to guard against corruption and bribery, including CHS' procurement policy, Financial Regulations and Fraud and Corruption Policy.

## Equalities

CHS published its second Equality Outcomes Report in September 2018.<sup>5</sup>

The report details a new set of outcomes covering the period 2018-2020, each of which links into at least one of the general equality duties. They present a blend of equality ambitions that focus on both our employee group and our volunteer community. They also follow the established principle of being proportionate to an organisation of CHS' size and are therefore achievable, having staggered deadlines within which to achieve the outcomes by April 2020.

In response to one of the agreed outcomes in the report, the HR/OD Lead delivered a workshop in Autumn 2018 (in advance of the Dec 2018 deadline set in the Outcomes Report) to CHS Leads on how to carry out Equality Impact Assessments on newly proposed or revised policies and strategy documents and a set of new templates including a pre-screening template was produced. These documents were developed in line with feedback from the NDPB Equality Network and will be reviewed and revised on an ongoing basis to ensure that they adhere to best practice and any new HMRC guidance.

Following on from the CHS' first Equal Pay Statement in March 2018, we agreed in our Outcomes report to develop an Equal Pay Policy to underpin our statement. Work on developing our Equal Pay Policy is in progress and we hope to have this policy approved by Autumn 2019. Equality monitoring on our employees and job applicants continues on an ongoing basis and our next Equality Mainstreaming and Outcomes Report, scheduled in April 2020 will detail a yearly breakdown of our employee and job applicant data (over the period 2018-2020).

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<sup>5</sup> <http://www.chscotland.gov.uk/our-publications/equality-and-diversity/2018/10/chs-equality-outcomes-report-2018-2020/>

## What We'll Do Next Year: Our Business Objectives 2019-2020

In 2019-2020, we will continue to focus on advising and enabling our volunteer Panel Members to make the best possible decisions through programmes of recruitment, training and support, while progressing with the development of our digital future and the modernisation of the Children's Hearings System.

Our Business Objectives for 2019-20 will be:

- **Modernise** - We will lead change to modernise the Children's Hearings System to deliver better experiences and outcomes for children and young people.
- **Recruit** - To recruit committed volunteers that reflect Scotland's communities, who make robust decisions in the best interests of children and young people.
- **Train** - To ensure volunteers have the knowledge, skills, behaviours and values to fulfil their roles for children and young people.
- **Support** - To invest in a volunteer community and National Team that supports a quality Children's Hearings System for children and young people.



**Boyd McAdam**  
**Accountable Officer**  
**17 September 2019**

## Accountability Report

### Corporate Governance Report

#### Directors' Report

Board members in 2018/19	Original appointment	End of appointment
Garry Coutts (chair)	8 April 2014	31 March 2021
John Anderson	11 March 2013	30 June 2021
Beth-Anne Logan	1 July 2017	30 June 2023
Marian Martin	11 March 2013	30 March 2019
Henry Robson	1 March 2017	31 January 2021
Barbara Neil	1 February 2019	31 January 2021
Jo Derrick	1 February 2019	31 January 2023

All Board members have fixed term contracts and of the above four are female and three are male.

Board members are appointed by the Scottish Ministers on the basis of having knowledge or experience relevant to the general purpose and specific requirements of CHS or to the functions of the National Convener/Chief Executive.

#### Audit

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each central government body in Scotland. For the financial years 2016/17 to 2020/21 the Auditor General appointed Audit Scotland to undertake the audit of CHS. The general duties of the auditors of central government bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

#### Register of Interests

A Register of Interests for Board members and senior staff is maintained by CHS and can be accessed on our website at <http://www.chscotland.gov.uk/about-chs/our-people/the-chs-board/meet-the-chs-board/> or by contacting the Governance Lead.

#### Statement of disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the organisation's auditors are aware of that information.

"Relevant audit information" means information needed by the organisation's auditors in connection with preparing their report.

### Statement of Accountable Officer's Responsibilities

Under section 21(1) of the Children's Hearings (Scotland) Act 2011, the Scottish Ministers have directed CHS to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of CHS and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on the going concern basis.

Under section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Accountable Officer of the Scottish Government Directorate with responsibility for sponsorship of CHS designated the National Convener/Chief Executive of CHS as the Accountable Officer for the organisation. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the organisation's assets, are set out in Managing Public Money by the HM Treasury.

As Accountable Officer, I confirm that:

- as far as I am aware, there is no relevant audit information of which the auditors are unaware, and I have taken all the steps that I feel I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.
- the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

## Governance Statement

### Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of CHS' policies, aims and objectives, as set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Memorandum to Accountable Officers for Other Public Bodies.

### Governance framework

CHS' governance framework accords with generally accepted best practice principles and guidance from Scottish Ministers in the Scottish Public Finance Manual and has been in place for the financial year ended 31 March 2019 and up to the date of the approval of the annual report and accounts.

CHS has a Board which meets at least every two months to consider the overall strategic direction of CHS within the policy, planning and resources framework determined by the Scottish Ministers. The Board seeks assurance that corporate objectives are being progressed through the delivery of agreed targets in the business plans and corporate plan on performance, implementation of strategic projects, effective use of resources and management of strategic risks.

The Board Committee structure comprises a Remuneration and Appointments Committee (RAC) and an Audit and Risk Management Committee (ARMC). Each Committee has developed its terms of reference which are documented, approved and reviewed on a regular basis.

The Remuneration and Appointments Committee meets as required (in this year it met three times) and reviews the arrangements for:

- the performance appraisal process for the Chief Executive, Directors and CHS staff
- the recruitment and remuneration of all CHS employees.

In 2018/19 the Committee also considered the pay award for 2018/20 (2 years), 2018 staff survey results, an Office Relocation Allowance to support the move to Thistle House, Haymarket and Chief Executive recruitment.

The Chair of the Remuneration and Appointments Committee briefs the Board following each meeting and the latter receives an annual report on the performance of the Committee.

The Audit and Risk Management Committee meets quarterly and reviews the adequacy of the arrangements for ensuring sound internal control arrangements and provides the Board and Accountable Officer with advice and assurance with regard to the arrangements for:

- financial control and reporting
- risk management
- Information Governance
- legal and regulatory compliance
- Digital Programme



The Chair of the Audit and Risk Management Committee briefs the Board following each meeting and the Board receives an annual report on the performance of the Committee.

CHS has an internal audit service provided under contract by BDO, which operates to standards defined in the Public Sector Internal Audit Standards. During 2018/19, Internal Audit undertook reviews of Volunteer Management (Area Convener role), Business Continuity, Volunteer Recruitment & Retention, Business Performance Management and reviewed progress against 2017/18 audit actions. The Committee scrutinises all internal audit reports and the actions taken by managers in response to audit recommendations.

In the auditor's opinion, the risk management activities and controls in the areas which they examined were found to be adequately designed to achieve the specific risk management, control and governance arrangements. Based on their verification reviews and sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness in these three areas to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.

#### *Operation of the Board*

The Board met five times during 2018/19, held five Board development sessions and two Strategy sessions.

Key issues for the Board in 2018/19 included:

- Agreeing Spending Review 2018 submission
- Approving the Business Case for sustainable Volunteer Management
- Approving the Business Case for the Property project
- Approving the Budget for 2019/20
- Approving the Business Plan for 2019/20
- Approving the Annual Accounts and Impact Report
- Approving the Training contract award
- Approving the Digital Delivery Plan and ongoing scrutiny of project progress
- Reviewing Partnership Agreements
- Approving the accounting policies to be used for the preparation of CHS' statement of accounts for 2018/19

Strategic and operational finance support and human resources are provided through a shared services arrangement with SCRA and CHS has a dedicated HR/OD Lead. The Head of Finance & Resources and the Head of Human Resources of SCRA attend and provide strategic finance and human resources advice to the CHS Board and Committee meetings, accountability meetings with Scottish Government, SMT meetings and other meetings as appropriate.

#### *Assessment of corporate governance arrangements*

As Accountable Officer, I have reviewed the effectiveness of corporate governance arrangements. My review is informed by:

- the executive managers within CHS who have responsibility for the development and maintenance of the internal control framework, including the organisation's Senior Information Risk Officer
- the work of the internal auditors who submit to the Audit and Risk Management Committee
- regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of CHS' system of internal control together with any recommendations for improvement
- comments made by the external auditors in their management letter and other reports

The following internal control systems are assessed annually as part of the Scottish Government Certificates of Assurance process which must be completed by the National Convener:

- Risk Management
- Business Planning
- Major Investment
- Project Management
- Financial Management
- Fraud
- Procurement
- Human Resources
- Equality and Diversity
- Information
- Health & Safety
- Compliance

### *Key issues and risks*

A framework for identifying, measuring, controlling and monitoring strategic risks has been in place throughout the financial year during which time the senior team managed a transition to a new risk register format proposed by the Internal Auditors. A monthly review of the Strategic Risk Register is undertaken by the Senior Management Team and the Strategic Risk Register is reported to the Audit and Risk Management Committee on a quarterly basis. Strategic and operational risk management is embedded in CHS' corporate and business planning processes and performance management arrangements.

The key strategic risks identified and monitored during 2018/19 included fully implementing and monitoring General Data Protection Requirements policies following the implementation deadline, inconsistent admin services (delivered through LA partnership agreements) to ASTs leading to inconsistent AST operations across Scotland, CHS' ability to provide secure and sustainable Digital systems across CHS community, decreasing level of service as a consequence of financial settlement, statutory reporting on the Feedback Loop, lack of or weak cyber resilience, failing to positively influence partners and transitioning to a new training contract.

### Digital Programme

In November 2017 a joint meeting of CHS and SCRA Boards approved a joint digital delivery plan and the award of contract to an identified supplier, following a competitive tender exercise. The main focus of activity throughout 2018/19 has been on the Alpha phase of delivery of the services that comprise the new Core Systems, Applications and Solutions (CSAS) and engaging in the Digital Strategy Health Check and Digital First Service Standards assessment. A Business Readiness team has been resourced from within the organisation to support product development and successful uptake of the new systems in 2020.

### Personal data related incidents

During 2018/19, CHS had one reportable data breach to the Information Commission Office.

Mitigating measures are in place to reduce the likelihood of data breaches and include compulsory training for all panel and AST members, Clerks, CHS National Team and Board members. Regular newsletters and case studies are also produced to raise awareness of the importance of information security. However, even by putting in place the above mitigation measures, the residual risk score is likely to remain high on the Strategic Risk Register due to the high impact if a significant data breach occurs.

### Conclusion

As Accountable Officer, I am satisfied that CHS has effective corporate governance arrangements in place.

## Remuneration and Staff Report

### Unaudited remuneration report

### Remuneration and Appointments Committee

The Remuneration and Appointments Committee, a sub-committee of the full CHS Board, oversees the remuneration and performance management arrangements of all staff.

### Membership of Remuneration and Appointments Committee

For 2018/19, the Remuneration and Appointments Committee consisted of:

- Marian Martin (chair)
- John Anderson
- Beth-Anne Logan

### Policy on remuneration of senior managers

Proposals on the remuneration of the National Convener/Chief Executive are made by the Remuneration and Appointments Committee and form the basis of recommendations to the Scottish Government. Proposals in relation to remuneration of other senior managers and staff remuneration are included in a pay and grading remit, which is submitted to the Scottish Government for approval following approval by the Remuneration and Appointments Committee.

CHS' overall remuneration policy aims to:

- attract, retain and motivate competent and skilled staff at all levels of the organisation
- ensure that salaries are as competitive as possible
- reward staff for their contribution to CHS by arrangements which are simple, fair and transparent.

### Senior Managers Service Contracts

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. The notice period for senior managers is three months. Any payment in relation to termination of employment through retirement or redundancy is governed by CHS' relevant policies and procedures. Any discretionary payment made to any member of staff on termination is subject to approval by the Board and/or Scottish Government.

### Staff absence

In the year to 31 March 2019, short term absence was 2.2 days (2018: 4.0 days) and long term absence was 9.8 days (2018: 6.1 days).

## Audited remuneration report

<b>Senior managers' service contracts</b>		
	<b>Date of contract</b>	<b>Unexpired term</b>
Boyd McAdam National Convener/Chief Executive	7 October 2014	Fixed term contract to 6 October 2019
Elliot Jackson Depute Chief Executive	24 August 2015	Permanent
Lawrie McDonald Head of IT	14 September 2015	Fixed term contract to March 2020
Christine Mullen Operations Manager	3 July 2017	Permanent
Lynne Harrison Business Manager	25 September 2017	Permanent

There are two female and three male senior managers as detailed above. All contracts have a notice period of 3 months.

<b>Remuneration</b>	<b>Salary and allowances<sup>1</sup></b>	
	<b>2018/19</b>	<b>2017/18</b>
<b>Senior Management Team</b>	<b>£000</b>	<b>£000</b>
Boyd McAdam	90-95	90-95
Elliot Jackson	80-85	75-80
Lawrie McDonald	85-90	80-85
Christine Mullen <sup>2</sup>	55-60	40-45
Lynne Harrison <sup>3</sup>	55-60	25-30
<b>Board</b>		
Garry Coutts	10-15	10-15
John Anderson	0-5	0-5
Marian Martin	0-5	0-5
Barbara Neil <sup>4</sup>	0-5	-
Jo Derrick <sup>4</sup>	0	-
Beth-Anne Logan <sup>5</sup>	10-15	0-5
Henry Robson	0-5	0-5

<sup>1</sup> Includes pension contributions paid by employer.

<sup>2</sup> Appointed 3 July 2017

<sup>3</sup> Appointed 25 September 2017

<sup>4</sup> Appointed 1 February 2019

<sup>5</sup> Appointed 1 July 2017. Throughout 2018/19, this Board member has been remunerated through CHS for additional duties in relation to wider Scottish Government Secure Care projects.

Remuneration (continued)	Salary and allowances <sup>1</sup>	Salary and allowances <sup>1</sup>
	2018/19	2017/18
Mid-point of highest paid director's total remuneration	£76,828	£75,321
Median total remuneration	£31,227	£34,914
Ratio	2.46 : 1	2.16 : 1

<sup>1</sup> Excludes pension contributions paid by employer. Figures in respect of 2017/18 have been restated to exclude pension contributions paid by employer.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The full time equivalent remuneration paid to CHS staff ranged from £23,221 to £67,251 (2017/18: £22,227 to £64,664). The ratio has increased due to newly-created support roles below the existing median.

In 2018/19 no employees received remuneration in excess of the highest-paid director (2017/18: none).

CHS does not have a separate performance pay scheme for senior managers. The Scottish Government-wide remuneration policy is applied equally to all staff including senior management.

#### Compensation

No compensation payments were made in 2018/19 (2017/18: none).

#### Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. No benefits in kind were received in 2018/19 (2017/18: none).

Senior managers' pension entitlements

Senior Management Team Members	Real increase in pension in year to 31 March 2019	Real increase in lump sum in year to 31 March 2019	Total accrued pension as at 31 March 2019	Total accrued lump sum at 31 March 2019	CETV <sup>1</sup> at 31 March 2018	CETV <sup>1</sup> at 31 March 2019	Real increase in CETV <sup>1</sup> during year
	£000	£000	£000	£000	£000	£000	£000
Boyd McAdam National Convener/Chief Executive	0-2.5	0	5-10	0	83	116	32
Elliot Jackson Depute Chief Executive	2.5-5	0-2.5	30-35	55-60	478	526	46
Lawrie McDonald Head of IT	0-2.5	0-2.5	15-20	20-25	255	293	36
Christine Mullen Operations Manager	0-2.5	0	0-5	0	18	32	14
Lynne Harrison <sup>2</sup> Business Manager	n/a	n/a	n/a	n/a	5	17	11

<sup>1</sup> Cash-equivalent transfer value

<sup>2</sup> Member has under 2 years' service, therefore no accrued entitlements.

In respect of any Non-Executive Board Members, CHS does not make any contribution to the Local Government Pension Scheme (LGPS) nor provide any other form of pension benefit.

Prior year comparatives

Senior Management Team Members	Real increase in pension in year to 31 March 2018	Real increase in lump sum in year to 31 March 2018	Total accrued pension as at 31 March 2018	Total accrued lump sum at 31 March 2018	CETV <sup>1</sup> at 31 March 2017	CETV <sup>1</sup> at 31 March 2018	Real increase in CETV <sup>1</sup> during year
	£000	£000	£000	£000	£000	£000	£000
Boyd McAdam National Convener/Chief Executive	0-2.5	0	0-5	0-5	47	83	35
Elliot Jackson Depute Chief Executive	0-2.5	0	25-30	55-60	430	478	46
Lawrie McDonald <sup>2</sup> Head of IT	0-2.5	0	10-15	20-25	24	255	223
Christine Mullen <sup>3</sup> Operations Manager	n/a	n/a	0	0	n/a	18	n/a
Lynne Harrison <sup>3</sup> Business Manager	n/a	n/a	0	0	n/a	5	n/a

<sup>1</sup> Cash-equivalent transfer value

<sup>2</sup> Real increase in pension and lump sum in year to 31 March 2018 excludes increases due to transfer of pension rights

<sup>3</sup> Member has under 2 years' service, therefore no accrued entitlements.



Senior managers' remuneration as a single figure

Senior Management Team Members	2018/19 Salary	2018/19 Pension benefits <sup>1</sup>	2018/19 Compensation	2018/19 Total	2017/18 Salary	2017/18 Pension benefits <sup>1</sup>	2017/18 Total
	£000	£000	£000	£000	£000	£000	£000
Boyd McAdam National Convener/Chief Executive	90-95	25-30	n/a	120-125	90-95	10-15	100-105
Elliot Jackson Depute Chief Executive	80-85	45-50	n/a	125-130	75-80	10-15	90-95
Lawrie McDonald Head of IT	85-90	30-35	n/a	120-125	80-85	10-15	95-100
Christine Mullen Operations Manager	55-60	45-50	n/a	100-105	40-45	(5)-0	35-40
Lynne Harrison Business Manager	55-60	(5)-0	n/a	55-60	25-30	(5)-0	25-30

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (real increase in lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Amounts payable to/from third parties for the services of a senior manager

CHS paid Scottish Children's Reporter Administration (SCRA) £18,357 and £4,640 in 2018/19 in respect of senior management services from Ed Morrison, Head of Finance, and Susan Deery, Head of Human Resources, respectively (2017/18: £16,922 and £6,726 respectively). Ed Morrison joined CHS' Senior Management Team in July 2015; Susan Deery joined CHS's Senior Management Team in April 2016.

In 2018/19, SCRA paid CHS £nil in respect of senior management services from Lawrie McDonald (2017/18: £nil).

Staff numbers and related costs

<b>(i) Staff with a permanent (UK) employment contract</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Wages and Salaries	711	731
Social security costs	74	68
Contributions to pension scheme	117	114
IAS 19 Pension Charge	139	125
	<b>1,041</b>	<b>1,038</b>

<b>(ii) Staff costs – other staff</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Wages and Salaries	201	102
Social security costs	17	12
Contributions to pension scheme	19	14
	<b>237</b>	<b>128</b>

<b>(iii) Staff costs – all staff</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Wages and Salaries	912	833
Social security costs	91	80
Contributions to pension scheme	136	128
IAS 19 Pension Charge	139	125
	<b>1,278</b>	<b>1,166</b>

<b>(iv) Average number of employees</b>	<b>2018/19</b>	<b>2017/18</b>
Staff with a permanent contract – male	4	6
Staff with a permanent contract – female	14	11
Staff without a permanent contract – male	3	2
Staff without a permanent contract – female	3	3
	<b>24</b>	<b>22</b>

Exit packages

No exit packages were agreed during 2018/19 (2017/18: none).

Expenditure on consultancy

In 2018/19, CHS spent £32,696 on consultancy (2017/18: £nil).

## Disability

CHS are committed to equality and diversity.

- We plan for, and make reasonable adjustments to, the assessment and interview process
- During employment, we proactively offer and make reasonable adjustments as required
- We provide an environment that is inclusive and accessible for staff and volunteers
- We support employees to manage their disabilities or health concerns
- We ensure there are no barriers to the development and progression of disabled staff
- We ensure managers are aware of how they can support staff who are sick or absent from work
- We promote information and advice on wellbeing and mental health conditions
- We provide occupational health services and an employee assistance programme

CHS reports against the statutory Public Sector Equality Duty and in addition has several policies relating to supporting disability in the workplace including:

- Equal Opportunities policy
- Flexible Working policy
- Recruitment and Selection policy
- Dignity at Work policy

Equality and Diversity refresher training was undertaken in March 2018 and delivered to Board, SMT and staff. Since then, CHS has experienced a 40% turnover of Board Members (now achieving 50:50 male/female) and more significantly the organisation has experienced an 82% increase in its employee headcount. A further programme of training in this area will therefore be scheduled once all Board and employee new starts are up and running within their respective roles and it is therefore anticipated that this programme will be completed by 2019 year end.

Our Volunteer Community are also fully aware of and undertake their functions with equality in mind. Our CHS Learning Academy (West Lothian College) incorporate Equality and Diversity learning and assessment into essential training for our panel members before they are appointed. All new panel members complete a qualification awarded by the Scottish Qualifications Authority (SQA) – the Professional Development Award (PDA) Children's Hearings in Scotland – Panel Members.

The training delivered by our CHS Training Unit focuses on the 2010 Equality Act. In particular the qualification focuses on the acquisition of skills and knowledge that demonstrate awareness of the equality and diversity needs of children and young people and how to address them.

Our Area Support Teams receive training in the recruitment and selection of new panel members. This includes input on key principles of equality and diversity and an emphasis on understanding the importance of diversity when assessing and supporting candidates.

#### Parliamentary Accountability Report

CHS is required to report on any high-value losses and special payments incurred in the financial year, any fees and charges receivable in the financial year and any remote contingent liabilities as at the date the accounts were signed by the Accountable Officer.

- No reportable losses were incurred in the financial year to 31 March 2019.
- No reportable special payments were made in the financial year to 31 March 2019.
- No reportable fees or charges were received in the financial year to 31 March 2019.
- There are no remote contingent liabilities at the date the accounts were signed.

#### Conclusion

As Accountable Officer, I am satisfied that CHS has effective corporate governance arrangements in place.

A handwritten signature in black ink, appearing to read 'Boyd McAdam', followed by a long horizontal line extending to the right.

**Boyd McAdam**  
**Accountable Officer**  
**17 September 2019**

# Independent Auditor's Report to the members of Children's Hearings Scotland, the Auditor General for Scotland and the Scottish Parliament

## Report on the audit of the financial statements

### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Children's Hearings Scotland for the year ended 31 March 2019 under the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2019 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 January 2018. The period of total uninterrupted appointment is 2 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

### Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body'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 deemed inappropriate.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I

therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

#### *Other information in the annual report and accounts*

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### *Report on regularity of expenditure and income*

##### *Opinion on regularity*

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

##### *Responsibilities for regularity*

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

#### *Report on other requirements*

##### *Opinions on matters prescribed by the Auditor General for Scotland*

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers.

*Matters on which I am required to report by exception*

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

*Conclusions on wider scope responsibilities*

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

*Use of my report*

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Alasdair Craik FCCA  
Senior Audit Manager  
Audit Scotland  
4th floor  
102 West Port  
Edinburgh  
EH3 9DN

*Alasdair Craik*

18 September 2019



## Children's Hearings Scotland

### Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

	Note	Year to 31 March 2019 £000	Year to 31 March 2018 £000
<b>Expenditure</b>			
Staff costs	2	1,278	1,166
Other administration costs	3	2,769	2,733
Depreciation	4 & 5	262	36
		<b>4,309</b>	<b>3,935</b>
<b>Income</b>	1.8	-	(1)
<b>Net expenditure</b>		<b>4,309</b>	<b>3,934</b>
<b>Other comprehensive net expenditure</b>			
Other finance cost	9	27	9
<b>Net expenditure before Scottish Government funding</b>		<b>4,336</b>	<b>3,943</b>

The notes following the financial statements form part of these accounts.

# Children's Hearings Scotland

Statement of Financial Position as at 31 March 2019

	Note	2019 £000	2018 £000
<b>Non-current assets</b>			
Property, plant and equipment	4	222	23
Intangible assets	5	273	498
<b>Total non-current assets</b>		<b>495</b>	<b>521</b>
<b>Current assets</b>			
Trade and other receivables	6	156	9
Cash and cash equivalents	7	975	847
<b>Total current assets</b>		<b>1,131</b>	<b>856</b>
<b>Total assets</b>		<b>1,626</b>	<b>1,377</b>
<b>Current liabilities</b>			
Trade and other payables	8	(837)	(595)
<b>Non-current assets plus net current assets</b>		<b>789</b>	<b>782</b>
<b>Non-current liabilities</b>			
Net pension asset/(liability)	9	(1,493)	(907)
<b>Net assets/(liabilities)</b>		<b>(704)</b>	<b>(125)</b>
<b>Taxpayers' equity</b>			
General fund		336	495
Pension reserve		(1,040)	(620)
<b>Total taxpayers' equity/(deficit)</b>		<b>(704)</b>	<b>(125)</b>

The Accountable Officer authorised these financial statements for issue on 17 September 2019.



**Boyd McAdam**  
**Accountable Officer**  
**17 September 2019**

# Children's Hearings Scotland

## Statement of Cash Flows for the year ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
Net expenditure before Scottish Government funding		(4,336)	(3,943)
<i>Adjustments for non-cash items</i>			
Increase in pension fund liability	9	586	655
(Decrease)/Increase in pension reserve	9	(420)	(521)
Depreciation charges	4 & 5	262	36
<i>Movements in working capital</i>			
(Increase)/Decrease in trade and other receivables	6	(147)	28
Increase/(Decrease) in trade and other payables	8	242	338
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(3,813)</b>	<b>(3,407)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	-	(6)
Purchase of intangible assets	5	(37)	(480)
(Increase)/Decrease in assets under construction	4 & 5	(199)	270
<b>Cash flows from financing activities</b>			
Scottish Government funding		4,177	4,053
<b>Net increase in cash and cash equivalents</b>		<b>128</b>	<b>430</b>
Opening cash balance		847	417
<b>Closing cash balance</b>		<b>975</b>	<b>847</b>

## Children's Hearings Scotland

### Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

	Note	General Fund £000	Pension Reserve £000	Total Reserves £000
<b>Balance at 1 April 2017</b>		385	(99)	286
Actuarial gain/(loss) on pension reserve	9	0	(521)	(521)
Net expenditure for the year		(3,943)	0	(3,943)
<b>Total recognised income and expense for 2017/18</b>		<b>(3,558)</b>	<b>(620)</b>	<b>(4,178)</b>
Funding from Scottish Government		4,053	0	4,053
<b>Balance at 31 March 2018</b>		<b>495</b>	<b>(620)</b>	<b>(125)</b>
<b>Balance at 1 April 2018</b>		<b>495</b>	<b>(620)</b>	<b>(125)</b>
Actuarial gain/(loss) on pension reserve	9	0	(420)	(420)
Net expenditure for the year		(4,336)	0	(4,336)
<b>Total recognised income and expense for 2018/19</b>		<b>(3,841)</b>	<b>(1,040)</b>	<b>(4,881)</b>
Funding from Scottish Government		4,177	0	4,177
<b>Balance at 31 March 2019</b>		<b>336</b>	<b>(1,040)</b>	<b>(704)</b>

## Notes to the Accounts

### 1. Accounting policies

#### 1.1 Basis of accounting

The accounts have been prepared in accordance with the accounting principles and disclosure requirements of the 2018/19 Government Financial Reporting Manual (FRM). The accounting policies contained in the manual follow International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context and in accordance with the Accounts Direction given by the Scottish Ministers. Where the manual permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of CHS for the purposes of giving a true and fair view has been selected. The accounting policies selected have been applied consistently in dealing with items that are considered material in relation to the accounts.

#### 1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets to fair value as determined by the relevant accounting standard.

#### 1.3 Property, plant and equipment

The threshold for capitalisation of property, plant and equipment is £5,000, including non-recoverable VAT. Individual items of plant and equipment whose cost falls below the threshold, but are of a similar nature, are grouped and capitalised.

Expenditure on furniture, fixtures and fittings is charged to the statement of net expenditure in the year the cost is incurred and is not capitalised.

Given the short useful economic lives and low values of property, plant and equipment and intangible assets, these assets are disclosed on a depreciated historical cost basis, which is used as a proxy for fair value.

Depreciation is provided on all property, plant and equipment on a straight-line basis, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

- ICT equipment – three years
- Office equipment – five years

Depreciation is ordinarily charged from when the asset was ready for use, rounded to the nearest whole month, up to point of disposal.

#### 1.4 Intangible assets

Intangible assets are stated at historic purchase cost less accumulated amortisation. Acquired computer software licences, developed software and developed ICT infrastructure environments are capitalised on the basis of the costs incurred to acquire and bring to use

the specific software. These costs are amortised using the straight line method over the shorter term of life of licence and its estimated useful economic life.

#### 1.5 Assets under construction

Where expenditure is incurred in creating an asset (tangible or intangible), but that asset is not ready for use by the end of a financial year, it is deemed as an asset under construction. Depreciation is not ordinarily charged on such assets although they will be reviewed for potential impairment or obsolescence, with any write-down charged to the Statement of Comprehensive Net Expenditure if appropriate.

#### 1.6 Employee benefits

CHS has an agreement with Edinburgh City Council under which all staff are eligible to enter the Local Government Pension Scheme managed by the Council in accordance with scheme rules. It is a defined benefit scheme providing pension benefits and life assurance for all staff members.

The defined benefits pension scheme's assets are included at market value and this is compared to the present value of the scheme liabilities using a projected unit method and discounted at a rate in accordance with the FReM and consistent with IAS 19. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to net expenditure. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to reserves and are recognised in the Statement of Changes in Taxpayers' Equity.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected accrued benefit method. The valuation used was at 31 March 2017. Details of this valuation were included in a report published by Lothian Pension Fund.

#### 1.7 Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised in the financial statements.

#### 1.8 Income

CHS recognises income in the year to which it relates.

#### 1.9 Leases

CHS occupies office space within a Scottish Government owned building under a Memorandum of Terms of Occupation (MOTO). This arrangement is treated as an operating lease and the rental is charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the MOTO.

### 1.10 Government grants

It is CHS policy to credit all government grants and grant-in-aid to the General Reserve in line with the FReM.

### 1.11 Financial instruments

Cash requirements for CHS are met through the Scottish Government and therefore financial instruments play a more limited role in creating and managing risk than would apply within a non-public sector body. The majority of financial instruments relate to receivables and payables incurred through the normal operational activities of CHS. CHS is therefore exposed to little credit, liquidity or market risk.

### 1.12 Value Added Tax

CHS has no chargeable activities within the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

### 1.13 Provisions

Provision is recognised in the statement of financial position when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 1.14 Related party transactions

Material related party transactions are disclosed in line with the requirements of IAS 24.

### 1.15 Review of accounting policies and estimation techniques

These financial statements have been prepared under IFRS.

Areas of judgement in how CHS' accounting policies are applied include:

- the fair values of properties; and
- pension estimation technique.

The most significant financial impact arises from assumptions used to calculate the pension deficit. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Changes in assumptions at 31 March 2019	Approximate increase to Defined Benefit Obligation %	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	15	550
0.5% increase in the Salary Increase Rate	4	153
0.5% increase in the Pension Increase Rate (CPI)	11	382

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life

expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme liabilities at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in this report.

The above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

## 2. Staff costs

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Wages and Salaries	912	833
Social security costs	91	80
Contributions to pension scheme	136	128
IAS 19 Pension Charge	139	125
	<b>1,278</b>	<b>1,166</b>

A detailed breakdown of Staff Costs and Numbers is contained within the Remuneration and Staff Report section of the Accountability Report.



### 3. Other administration costs

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Board fees and expenses	46	45
Shared services	40	49
Legal fees	10	10
Running costs	594	435
Direct support for panel	3	1
Training, recruitment and other staff costs	36	29
Auditor remuneration	11	11
Internal auditors' remuneration	13	14
Recruitment of Panel Members	321	393
Training of Panel and AST members	1,122	1,161
Panel and AST members' expenses	573	585
	<b>2,769</b>	<b>2,733</b>

#### 4. Property, Plant and Equipment

<b>2018/19</b>	<b>Computer Equipment £000</b>	<b>Assets under construction £000</b>	<b>Total £000</b>
<b>Cost/Valuation</b>			
Opening balance	57	0	57
Additions	0	218	218
Transfers	0	0	0
Disposals	0	0	0
<b>Closing balance</b>	<b>57</b>	<b>218</b>	<b>275</b>
<b>Accumulated depreciation</b>			
Opening balance	34	0	34
Provided in year	19	0	19
Withdrawn on disposal	0	0	0
<b>Closing balance</b>	<b>53</b>	<b>0</b>	<b>53</b>
<b>Net book value</b>			
At 1 April 2018	23	0	23
<b>At 31 March 2019</b>	<b>4</b>	<b>218</b>	<b>222</b>
<b>2017/18</b>			
<b>Cost/Valuation</b>			
Opening balance	51	307	358
Additions	6	0	6
Transfers	0	(307)	(307)
<b>Closing balance</b>	<b>57</b>	<b>0</b>	<b>57</b>
<b>Accumulated depreciation</b>			
Opening balance	17	0	17
Provided in year	17	0	17
<b>Closing balance</b>	<b>34</b>	<b>0</b>	<b>34</b>
<b>Net book value</b>			
At 1 April 2017	34	307	341
<b>At 31 March 2018</b>	<b>23</b>	<b>0</b>	<b>23</b>

## 5. Intangible Assets

<b>2018/19</b>	<b>Developed Software £000</b>	<b>Assets under construction £000</b>	<b>Total £000</b>
<b>Cost/Valuation</b>			
Opening balance	480	37	517
Additions	0	18	18
Transfers	37	(37)	0
<b>Closing balance</b>	<b>517</b>	<b>18</b>	<b>535</b>
<b>Accumulated amortisation</b>			
Opening balance	19	0	19
Provided in year	243	0	243
<b>Closing balance</b>	<b>262</b>	<b>0</b>	<b>262</b>
<b>Net book value</b>			
At 1 April 2018	461	37	498
<b>At 31 March 2019</b>	<b>255</b>	<b>18</b>	<b>273</b>
<b>2017/18</b>			
<b>Cost/Valuation</b>			
Opening balance	0	0	0
Additions	173	37	210
Transfers	307	0	307
<b>Closing balance</b>	<b>480</b>	<b>37</b>	<b>517</b>
<b>Accumulated amortisation</b>			
Opening balance	0	0	0
Provided in year	19	0	19
<b>Closing balance</b>	<b>19</b>	<b>0</b>	<b>19</b>
<b>Net book value</b>			
At 1 April 2017	0	0	0
<b>At 31 March 2018</b>	<b>461</b>	<b>37</b>	<b>498</b>

## 6. Trade and other receivables

### 6.1 Amounts falling due within one year

	2019 £000	2018 £000
Other receivables	5	0
Prepayments	151	9
	<b>156</b>	<b>9</b>

### 6.2 Intra governmental balances

	Receivables: amounts due within one year 2019 £000	Receivables: amounts due within one year 2018 £000
Balances with other central government bodies	(5)	0
Balances with local government bodies	0	0
<b>Intra governmental balances</b>	<b>(5)</b>	<b>0</b>
Balances with bodies external to government	161	9
<b>at 31 March</b>	<b>156</b>	<b>9</b>

## 7. Cash and cash equivalents

	2019 £000	2018 £000
Balance at 1 April	847	417
Net change in cash and cash equivalents	128	430
<b>Balance at 31 March</b>	<b>975</b>	<b>847</b>
Bank accounts	975	847
<b>at 31 March</b>	<b>975</b>	<b>847</b>

All bank balances at 31 March 2019 are held with commercial banks.

## 8. Trade and other payables

### 8.1 Amounts falling due within one year

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Trade payables	737	456
Tax and social security	28	22
Other payables	0	12
Accruals	72	105
	<b>837</b>	<b>595</b>

### 8.2 Intra governmental balances

	<b>Payables: amounts due within one year 2019 £000</b>	<b>Payables: amounts due within one year 2018 £000</b>
Balances with other central government bodies	46	123
Balances with local government bodies	171	185
<b>Intra governmental balances</b>	<b>217</b>	<b>308</b>
Balances with bodies external to government	619	287
<b>at 31 March</b>	<b>836</b>	<b>595</b>

## 9. Pensions

Information about the assumptions underlying the figures in this note can be found in note 1.6, Employee Benefits.

<b>Changes in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability for the year ended 31 March 2019</b>	<b>Assets £000</b>	<b>Obligations £000</b>	<b>Net (liability) £000</b>
Fair value of plan assets	1,700	0	1,700
Present value of funded liabilities	0	2,607	(2,607)
<b>Opening position as at 1 April 2018</b>	<b>1,700</b>	<b>2,607</b>	<b>(907)</b>
Current service cost	0	273	(273)
Past service cost	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>273</b>	<b>(273)</b>
Interest income on plan assets	48	0	48
Interest cost on defined benefit obligation	0	75	(75)
<b>Total net interest</b>	<b>48</b>	<b>75</b>	<b>(27)</b>
<b>Total defined benefit cost recognised in profit or (loss)</b>	<b>48</b>	<b>348</b>	<b>(300)</b>
Plan participants' contributions	55	55	0
Employer contributions	134	0	134
Benefits paid	(4)	(4)	0
<b>Expected closing position</b>	<b>1,933</b>	<b>3,006</b>	<b>(1,073)</b>
<b>Remeasurements</b>			
Change in demographic assumptions	0	0	0
Change in financial assumption	0	546	(546)
Other experience	0	0	0
Return on assets excluding net interest	126	0	126
Change in asset ceiling	0	0	0
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>126</b>	<b>546</b>	<b>(420)</b>
Fair value of plan assets	2,059	0	2,059
Present value of funded liabilities	0	3,552	(3,552)
<b>Closing position as at 31 March 2019</b>	<b>2,059</b>	<b>3,552</b>	<b>(1,493)</b>

<b>Changes in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability for the year ended 31 March 2018</b>	<b>Assets £000</b>	<b>Obligations £000</b>	<b>Net (liability) £000</b>
Fair value of plan assets	1,109	0	1,109
Present value of funded liabilities	0	1,361	(1,361)
<b>Opening position as at 1 April 2017</b>	<b>1,109</b>	<b>1,361</b>	<b>(252)</b>
Current service cost	0	248	(248)
Past service cost	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>248</b>	<b>(248)</b>
Interest income on plan assets	32	0	32
Interest cost on defined benefit obligation	0	41	(41)
<b>Total net interest</b>	<b>32</b>	<b>41</b>	<b>(9)</b>
<b>Total defined benefit cost recognised in profit or (loss)</b>	<b>32</b>	<b>289</b>	<b>(257)</b>
Plan participants' contributions	48	48	0
Employer contributions	123	0	123
Benefits paid	(3)	(3)	0
<b>Expected closing position</b>	<b>1,309</b>	<b>1,695</b>	<b>(386)</b>
<b>Remeasurements</b>			
Change in demographic assumptions	0	19	(19)
Change in financial assumption	0	(53)	53
Other experience	0	946	(946)
Return on assets excluding net interest	391	0	391
Change in asset ceiling	0	0	0
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>391</b>	<b>912</b>	<b>(521)</b>
Fair value of plan assets	1,700	0	1,700
Present value of funded liabilities	0	2,607	(2,607)
<b>Closing position as at 31 March 2018</b>	<b>1,700</b>	<b>2,607</b>	<b>(907)</b>

Fair value of employer assets	2019	2019	2019	2018	2018	2018
	Quoted £000	Unquoted £000	Total £000	Quoted £000	Unquoted £000	Total £000
Equity securities	1,181	0	1,181	1,037	0	1,037
Debt securities	209	0	209	165	33	198
Private equity	0	28	28	6	26	32
Real estate	0	139	139	0	111	111
Investment trusts and unit trusts	20	308	328	16	205	211
Derivatives	1	0	1	1	0	1
Cash and cash equivalents	173	0	173	100	0	100
<b>Total</b>	<b>1,584</b>	<b>475</b>	<b>2,059</b>	<b>1,325</b>	<b>375</b>	<b>1,700</b>

Analysis of projected amount to be charged to operating profit for year to 31 March 2020

Year ended	31 March 2020 £000	% of pay
Projected current service cost*	(306)	(39.5%)
Interest income on plan assets	54	7.0%
Interest cost on obligations	(93)	(12.0%)
<b>Total</b>	<b>(345)</b>	<b>(44.5%)</b>

  

Year ended	31 March 2019 % per annum	31 March 2018 % per annum
Pension increase rate	2.4	2.3
Salary increase rate	4.1	3.0
Discount rate	2.5	2.7

\* The current service cost includes an allowance for administration expenses of 0.3% of payroll. The monetary value is based on a projected payroll of £775,000.

McCloud Judgement

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age which ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes. Similar transitional protections in the Judges' and Firefighters' Pension Schemes have been ruled to be unlawful on the grounds of age discrimination. The Government has been refused permission to



appeal and as a result LGPS benefits accrued from 2015 will need to be enhanced so that all members, regardless of age, will benefit from the underpin.

Quantifying the impact of this is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

Given the relatively low value of CHS' liabilities, pension deficit and salary costs, it is felt that the impact of McCloud on CHS will not be material.

#### *Guaranteed Minimum Pension (GMP) equalisation and the LGPS*

A High Court judge has ruled that UK defined benefit schemes must compensate members for differences attributable to guaranteed minimum pensions (GMPs). The impact on liability values will depend on how many members reaching State Pension Age (SPA) after 2016 have GMP benefits. The actuary has estimated that the impact for a typical LGPS fund may be no more than a 0.5% increase in liabilities, although the figures could be greater for mature employers where a large proportion of members are approaching SPA, with some having significant levels of GMP.

CHS' Senior Management Team believes that GMP is not a material concern for CHS, where average age is relatively low.

## 10. Commitments under leases

CHS has no commitments under non-cancellable operating leases. Throughout 2018/19, CHS occupied office space in 2/1/1 Ladywell House under a Memorandum of Terms of Understanding with National Records of Scotland (NRS). The agreement, originally for five years from 1 November 2011, was renewed in 2016 on the understanding that occupancy would cease on or before 31 March 2019. CHS paid NRS £51,102 p.a. for rent and rates.

In June 2019 CHS signed a Memorandum of Terms of Occupation (MOTO) with Scottish Legal Aid Board (SLAB) for occupancy of office space at 91 Haymarket Terrace, Edinburgh. The agreement is for 1 year ending 31 March 2020 but may be terminated with six months' notice on either side and is envisaged to be extended until 31 March 2024. CHS now pays SLAB £52,233 p.a. in respect of this MOTO.

## 11. Financial Instruments

As the cash requirements of CHS are met through grant-in-aid, financial instruments play a more limited role in creating and managing risk than would apply in a non-public sector body of a similar size.

## 12. Related party transactions

CHS is a Non-Departmental Public Body sponsored by the Care and Justice Division in the Children and Families Directorate. CHS receives funding from the Care and Justice Division in the Children and Families Directorate which is regarded as a related party. During 2018/19, CHS received grant-in-aid of £4,177,000 (2017/18 £4,053,000).



**CHILDREN'S HEARINGS SCOTLAND**  
**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of Schedule 1 of the Children's Hearing Scotland Act (2011), hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2019, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given in February 2018 is hereby revoked.

*LA Sheppard*

A member of the staff of the Scottish Ministers

Dated 17 May 2019

