

Annual Report and Accounts

Year ended 31 March 2014



children's
hearings
scotland



The Accountable Officer has authorised these financial statements for issue on 26 August 2014



Contents

Management commentary	4
Remuneration report	9
Statement of Board's and National Convener/Chief Executive's responsibilities	14
Governance statement	15
Independent auditors' report	19
Statement of Comprehensive Net Expenditure	22
Statement of Financial Position	23
Statement of Cash Flows	24
Statement of Changes in Taxpayers' Equity	25
Notes to the accounts	26
Annex 1 – Direction by the Scottish Ministers	37



Management commentary

1. Background

Children's Hearings Scotland (CHS) is a Non-Departmental Public Body (NDPB), which was established under the Children's Hearings (Scotland) Act 2011. CHS came into existence on 4 July 2011 with the primary statutory function of supporting the delivery of National Convener functions associated with the recruitment, selection, training, retention and support of panel members. CHS assumed its full statutory responsibilities when the Act came into force on 24 June 2013.

CHS is accountable to the Scottish Ministers and to the Scottish Parliament through the Care and Justice Division in the Children and Families Directorate. Sponsorship responsibility rests with the Children, Young People and Social Care Directorate's Workforce and Capacity Issues Division.

CHS is subject to a Management Statement and Financial Memorandum agreed with its sponsor department. CHS is wholly financed by grant-in-aid.

CHS' Head Office is located at 2/1/1, Ladywell House, Ladywell Road, Edinburgh EH12 7TB.

2. Financial results

In the year ended 31 March 2014, CHS reported expenditure of £3.3 million (2013: £1.151 million) against revenue grant-in-aid of £3.3 million (2013: £1.25 million). The General Fund has a surplus of £0.321 million as at 31 March 2014 (2013: £0.321 million).

The Board of CHS has no reason to believe that the department'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 accordance with IAS 19 '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 £0.044 million (2013: £0.020 million) on its pension reserve at 31 March 2014.



3. Review of principal activities

During 2013/14, CHS' principal activities were those required to ensure that all the necessary arrangements and structures were in place to facilitate a seamless transition of the functions and duties in the 2011 Act from the Scottish Government to the National Convener and Children's Hearings Scotland. This transfer of functions and duties took place on 24 June 2013, with the implementation of the Children's Hearings (Scotland) Act 2011. Key areas of focus included:

- carrying out qualitative research with children, young people and their carers to establish their views and experiences of the Children's Hearings System
- signing up to and attending the Who Cares? Scotland National Participation and Engagement Forum to ensure that young people are able to influence the work and policy of CHS
- providing induction events, training and support to the newly appointed members of the 22 Area Support Teams across Scotland
- publishing core policies for the operation of the Children's Panel and Area Support Teams, which include policies covering expenses, complaints, health and safety, data protection, equalities, recruitment and selection and recommendation process, competence framework, training pathway, panel practice observation, rota management, resignation and removal process
- establishing a national AST forum to enable regular liaison, information and practice exchange between CHS and the AST management teams
- appointing 2,187 panel members to the national Children's Panel on 24 June 2013
- issuing practice guidance to panel members in the form of the Practice and Procedure Manual and thereafter practice briefing notes
- successfully managing CHS' first panel member recruitment campaign
- awarding the contract for the training of panel and AST members to West Lothian College following a full EU procurement exercise - the transition to the new CHS Training Unit was completed by the end of September 2013
- providing pre-service training to 267 newly recruited panel members
- establishing a training reference group to steer, support and monitor the quality, suitability and progress of the delivery of panel member training and also to make recommendations to the National Convener about the development of the national training curriculum
- gaining accreditation for the professional development award for 'Children's Hearings in Scotland: Panel Members' at SCQF Level 7
- ensuring that the necessary data processing contracts were in place to allow third parties, including local authorities and SCRA, to process information on CHS' behalf
- implementing an information management framework with key policies, procedures and guidance for panel members, AST members, Clerks, staff and Board members to refer to when handling information relating to the Children's Hearings System
- conducting a consultation with partner agencies on the feedback loop
- commissioning an organisational review to gather stakeholder views and experiences of CHS
- launching a new corporate public website and a secure online portal for panel and AST members

The activities undertaken in 2013/14 contribute towards achieving CHS' mission:

"Our mission is to improve outcomes and experiences for children and young people in Scotland who



may be at risk. We will do this by supporting the Children's Panel, working with partners and using our influence to drive improvements across the Children's Hearings System."

CHS also contributes to the Scottish Government's national outcomes by working to accomplish our corporate outcomes as set out in our Corporate Plan 2012-2015:

- hearings are centred around the child or young person where their rights and those of their families are respected and upheld
- panel members feel valued, respected, supported and well trained to make and record consistent, sound decisions in the best interests of children and young people
- outcomes for children and young people in the Children's Hearings System are improved by working together with partners in a whole systems approach
- CHS is an effective, efficient and enabling organisation that meets the needs of its stakeholders

CHS is committed to measuring and reporting on progress towards delivery of our outcomes. Our performance management framework is linked to the CHS vision, mission and values and our corporate and business plans. Our performance management framework tracks how well CHS is doing to deliver our goals as set out in these plans, and how we are performing as an organisation, through a suite of key performance indicators (KPIs). We publish a quarterly performance report on our website which reports against the KPIs using a balanced scorecard.

Since quarter two 2013/14, CHS has also produced a quarterly performance report for each of the 22 AST areas, designed to provide AST management teams with a high level overview of the national Children's Panel in their area.

4. Future developments in activities

For the financial year 2014/15 CHS has been allocated revenue grant-in-aid of £3.7 million (2013/14: £3.3 million per prior accounts). This grant will be allocated in full toward CHS' activities and priorities as set out in the approved Business Plan for 2014-2015.

Priority areas of focus for 2014/15

In working to deliver these four outcomes, CHS set out five business objectives to be achieved in the 2014/15 Business Plan:

- meaningfully involve children and young people in shaping our service to ensure the Children's Hearings System meets the needs of children, young people and their families
- strengthen support for panel members and AST members
- deliver high quality, consistent training for all panel and AST members



- consolidate relationships with our partners and build relationships with new partners
- embed effective governance and support arrangements across CHS, ASTs and the CHS community

5. Board members

Board Members in 2013/14	Date of appointment	End of appointment
John Anderson	11 March 2013	30 June 2015
Brian Baverstock	4 July 2011	30 June 2014
Alastair Hamilton	4 July 2011	30 June 2014
Marian Martin	11 March 2013	30 June 2015
Andrew Thin	4 July 2011	30 June 2014
Linda Watt	4 July 2011	30 June 2014

Mr John Anderson was appointed Interim Chair on 1st October 2013 following the resignation of Mr Craig Spence. Mr Anderson continued as Interim Chair until 7th April 2014 when he reverted to a Member again upon Mr Garry Coutts' appointment as the new Chair on 8th April 2014.

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.

6. Equalities

CHS is committed to a Single Equality Scheme and will meet the General and Specific duties for public bodies. Whilst we will continue to address the need and right of all employees to be treated with respect and dignity, CHS will develop good equality outcomes as well as equality impact assess all decision-making procedures and policies/practices that affect both internal and external services users. Employment and equal pay data statistics and results will be regularly published and appropriate action plans agreed.

7. 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 2011/12 to 2015/16 the Auditor General appointed PricewaterhouseCoopers LLP 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.



8. Consultation with employees

CHS has adopted the principles of openness and participation in the organisation. This is supported by providing access to management papers, through oral briefings and by staff meetings. Information is only withheld where this can be shown to be justified or where a duty of confidence is owed to a third party.

9. Payment performance

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 2014 CHS paid 97% (99%) of all invoices within the terms of its payment policy.

10. Staff absence

In the year to 31 March 2014 average staff absence was 4.8 days (5.4 days).

11. Sustainability

CHS will develop an Environmental Policy which sets out the organisation's commitment to the environment and CHS' contribution to the Scottish Government's 'Greener Scotland' strategic objective. CHS has introduced video conferencing facilities and introduced a Flexible Working Strategy with a view to reducing the revenue and environmental costs associated with travel and office space.

12. Register of Interests

A Register of Interests for Board members and senior staff is maintained by CHS and may be accessed by contacting the Director of Finance and Corporate Services at 2/1/1 Ladywell House, Ladywell Road, Edinburgh, EH12 7TB.

Boyd McAdam
Accountable Officer
26 August 2014



Remuneration Report

1. 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 Committee

For the financial year under review, the Remuneration and Appointments Committee consisted of:

- Alastair Hamilton (Chair of committee)
- Craig Spence (to 19th September 2013)
- Linda Watt
- Andrew Thin (from 20th September 2013)

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

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.



2. Audited remuneration report

Senior managers' service contracts

	Date of contract	Unexpired term	Notice period
Bernadette Monaghan ¹ <i>National Convener/Chief Executive</i>	01 April 2011	Fixed term contract to 31 March 2016	
Fiona Greig ² <i>Director of Finance and Corporate Services</i>	14 December 2011		3 months
Alison Gough <i>Director of Panel and Area Support Teams</i>	09 January 2012		3 months

Remuneration	Salary and allowances 2013/14 £000	Salary and allowances 2012/13 ³ £000
National Convener/Chief Executive		
Bernadette Monaghan	65-70	65-70
Executive Management Team		
Alison Gough <i>Director of Panel and Area Support</i>	50-55	45-50
Fiona Greig <i>Director of Finance and Corporate Services</i>	50-55	45-50
Non-Executive Board Members		
Craig Spence (to 30 th September 2013)	5-10	20-25
John Anderson	10-15	0-5
Brian Baverstock	0-5	0-5
Alastair Hamilton	0-5	5-10
Marian Martin	5-10	0-5
Andrew Thin	0-5	0-5
Linda Watt	0-5	0-5
Mid-point of highest paid director's total remuneration	£72,400	£67,500
Median total remuneration	£28,704	£30,610
Ratio	2.52	2.21

¹ resigned 6th April 2014

² resigned 7th February 2014

³ comparatives restated to exclude employer nic and pension costs



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 banded remuneration of the highest-paid director in CHS in the financial year 2013/14 was (£69,690-75,075) (2012/13: £65,000-70,000). This was 2.52 (2012/13: 2.3) times the median remuneration of the workforce which was £28,704 (2012/2013: £30,610). In 2013/14 no employees received remuneration in excess of the highest-paid director.

No benefits in kind were received in 2013/14.

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.

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.

Compensation

CHS made no compensation payments to any members of the senior management team during 2013/14.

Special Payments

CHS made no special payments to any employee during 2013/14.



Senior managers' pension entitlements

Senior Management Team Members	Real increase in pension in year to 31 March 2014 £000	Real increase in lump sum in year to 31 March 2014 £000	Total Accrued pension as at 31 March 2014 £000	Total accrued lump sum at 31 March 2014 £000	CETV at 31 March 2013 £000	CETV at 31 March 2014 £000	Real increase in CETV during year £000
Bernadette Monaghan <i>National Convener/Chief Executive</i>	0-2.5	0-2.5	0-5	0-5	28	43	15
Fiona Greig <i>Director of Finance and Corporate Services</i>	5-10	5-10	5-10	10-15	87	n/a	n/a ⁴
Alison Gough <i>Director of Panel and Area Support</i>	0-2.5	0-2.5	0-5	0-5	11	21	10

Prior year comparatives

Senior Management Team Members	Real increase in pension in year to 31 March 2013 £000	Real increase in lump sum in year to 31 March 2013 £000	Total Accrued pension as at 31 March 2013 £000	Total accrued lump sum at 31 March 2013 £000	CETV at 31 March 2012 £000	CETV at 31 March 2013 £000	Real increase in CETV during year £000
Bernadette Monaghan <i>National Convener/Chief Executive</i>	0-2.5	0-2.5	0-5	0-5	14	28	14
Fiona Greig <i>Director of Finance and Corporate Services</i>	0-2.5	0-2.5	5-10	5-10	3	87	84
Alison Gough <i>Director of Panel and Area Support</i>	0-2.5	0-2.5	0-5	0-5	2	11	9

In respect of any Non-Executive Board Members, CHS does not make any contribution to the Local

⁴ figures as at the date of leaving employment (07/02/2014)



Government Pension Scheme nor provide any other form of pension benefit.

Senior managers' remuneration as a single figure

<i>Senior Management Team Members</i>	Salary	Pension Benefits ⁵	2013/14 Total	Salary	Pension Benefits	2012/13 Total
	£000	£000	£000	£000	£000	£000
Bernadette Monaghan <i>National Convener/Chief Executive</i>	65-70	34	100-105	65-70	14	80-85
Fiona Greig <i>Director of Finance and Corporate Services</i>	50-55	n/a	50-55	45-50	n/a	45-50
Alison Gough <i>Director of Panel and Area Support</i>	50-55	16	70-75	45-50	16	65-70

⁵ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) 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.

Boyd McAdam
Accountable Officer
26 August 2014



Statement of Board's and National Convener/Chief Executive's responsibilities

Section 21(1) of the Children's Hearings (Scotland) Act 2011 requires CHS to prepare a statement of accounts for each financial year in the form and on the basis determined by the Scottish Ministers.

The accounts are prepared on an accruals basis and must give a true and fair view of CHS' state of affairs at the year-end and of its income and expenditure, total recognised gains and losses, and cash flows for the financial year.

Under section 15 of the Public Finance and Accountability (Scotland) Act 2000 the Principal Accountable Officer of the Scottish Government appointed the National Convener/Chief Executive of CHS as its Accountable Officer. As Accountable Officer, the National Convener/Chief Executive is responsible to the Scottish Ministers.

In preparing the accounts the Accountable Officer is required to comply with the 'Government Financial Reporting Manual', 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 have been followed as set out in the 'Government Financial Reporting Manual', and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that CHS will continue in operation

The responsibilities of the 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 CHS assets are set out in the Memorandum to Accountable Officers from the Principal Accountable Officer.

Boyd McAdam
Accountable Officer
26 August 2014



Governance statement

Statement of governance

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 2014 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 achieved 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 an Audit and Risk Management Committee and a Remuneration and Appointments Committee. Each Committee has developed a terms of reference which is documented and approved.

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
- legal and regulatory compliance



The Committee scrutinises all internal audit reports and the actions taken by managers in response to audit recommendations.

The Remuneration and Appointments Committee also meets quarterly 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
- ensuring that appropriate employment policies are in place

CHS has an internal audit service provided under contract, which operates to standards defined in the Public Sector Internal Audit Standards. During the year Internal Audit undertook reviews of Strategic and Operational Planning, Financial Planning and Budget Management, AST and Panel Member Management and Information Security. Internal Audit gave a satisfactory assurance rating for each of the above audits and made recommendations for improvement that were accepted and are being implemented by Management.

The Internal Auditors are required to provide the Audit and Risk Committee with assurance on the whole system of internal control and for 2013/14 their independent opinion is that CHS has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of the organisation's objectives and the management of key risks.

Operation of the Board

The Board met six times during 2013/14 (15th May 2013, 18th June 2013, 18th September 2013, 6th November 2013, 21st January 2014 and 25th March 2014) as well as holding one Board development days and a joint meeting with the Board of SCRA. Key issues for the Board in 2013/14 included:

Business Planning and Corporate Planning
Performance Management
Strategic Risks
Annual Budget
Information Governance
Organisational Review
Board Strategic Engagement Strategy
National Recruitment Campaign
Procurement of National Training Provider
On-going Development of Portal (CHIRP)
Feedback Loop



Resignation of National Convener and Chief Executive

Ms Bernadette Monaghan, the National Convener and Chief Executive resigned post year end on 6th April 2014. Mr Boyd McAdam, a Senior Official, has been seconded from Scottish Government to fill the Chief Executive role on an interim basis. The recruitment process for the permanent post of National Convener and Chief Executive commenced on 30th May 2014. Legislation came into force on 20th June 2014 to ensure that the statutory functions of National Convener are appropriately allocated and administrative continuity is maintained.

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
- assurances from senior staff in CHS' 2013/14 Certificate of Assurance which was submitted to the Sponsor Division as part of the Scottish Government's Certificates of Assurance process

Risk management arrangements

A framework for identifying, measuring, controlling and monitoring strategic risks has been in place throughout the financial year. A regular 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 risk management is embedded in CHS' corporate and business planning processes and project management arrangements.

The key strategic risks identified and monitored during 2013/14 included CHS' ability to deliver adequate support to the panel community through a number of significant projects in the context of tight financial and staff resources. One of these projects relates to CHS's ability to provide efficient IT systems to support Panel and Area Support Team Members. Part of this risk relates to the capacity and resources required to roll out and provide training on the new business processes on CHIRP to



22 separate ASTs which if not adequately resourced could lead to CHIRP being underused.

Significant Issues

Data Security

During 2013/14, CHS had three reportable data breaches where sensitive panel papers were mislaid by panel members which were reported to the Information Commission Office. These data breaches were also reported to both the Audit and Risk Management Committee and the Board, and Officers have put in place mitigating measures to reduce the likelihood of recurrence. Measures included compulsory training for all panel members and developing case studies 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 data breach occurs.

Conclusion

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

Boyd McAdam
Accountable Officer
26 August 2014



Independent auditors' report

Independent auditors' report to the members of Children's Hearing Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Children's Hearings Scotland for the year ended 31 March 2014 under the Children's Hearings Scotland Act 2011. 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 the related notes. 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 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially



incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the 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 2014 and of its net operating cost 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 2013/14 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.

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.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Children's Hearings Scotland Act 2011 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.



Matters on which we are required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

Martin Pitt for and on behalf of PricewaterhouseCoopers LLP
Glasgow
26 August 2014



**Children's Hearings Scotland
Statement of Comprehensive Net Expenditure
for the year ended 31 March 2014**

	Note	Year to 31 March 2014 £000	Year to 31 March 2013 £000
Expenditure			
Staff costs	2	852	674
Other administration costs	3	2,447	478
Net expenditure		3,299	1,152
Other finance cost/(income)	7	1	(1)
Net expenditure before Scottish Government funding		3,300	1,151

The notes on pages 26 to 36 form part of these accounts



Children's Hearings Scotland Statement of Financial Position as at 31 March 2014

	Note	2014 £000	2013 £000
Non-current assets			
Pension asset	7	0	0
<i>Total non-current assets</i>		0	0
Current assets			
Trade and other receivables	4	23	22
Cash and cash equivalents	5	802	461
<i>Total current assets</i>		825	483
Total assets		825	483
Current liabilities			
Trade and other payables	6	495	174
<i>Total current liabilities</i>		495	174
Non-current assets plus net current assets		330	309
Non-current liabilities			
Pension liability	7	53	8
Assets less liabilities		277	301
Taxpayers' equity			
General fund		321	321
Pension reserve		(44)	(20)
Total taxpayers' equity		277	301

The notes on pages 26 to 36 form part of these accounts

The financial statements set out on pages 26 to 36 were approved by the Board on 26 August 2014 and signed on its behalf by

Boyd McAdam
Accountable Officer
26 August 2014



Children's Hearings Scotland Statement of Cash Flows for the year ended 31 March 2014

	Note	2014 £000	2013 £000
Cash flows from operating activities			
Net expenditure before Scottish Government funding		(3,300)	(1,151)
<i>Adjustments for non-cash items</i>			
Increase in pension fund liability	7	45	9
Decrease in pension reserve	7	(24)	(17)
<i>Movements in working capital</i>			
Increase in trade and other receivables	4.1	(1)	(10)
Increase in trade and other payables	6.1	321	3
Net cash outflow from operating activities		(2,959)	(1,166)
Cash flows from financing activities			
Scottish Government funding for year		3,300	1,250
Net increase in cash and cash equivalents		341	84

The notes on pages 26 to 36 form part of these accounts

**Children's Hearings Scotland****Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014**

	Note	General Fund £000	Pension Reserve £000	Total Reserves £000
Balance at 1 April 2012		222	(3)	219
Actuarial loss on pension reserve	7	0	(17)	(17)
Net expenditure for the year		(1,151)	0	(1,151)
Total recognised income and expense for 2012/13		(929)	(20)	(949)
Funding from Scottish Government		1,250	0	1,250
Balance at 31 March 2013		321	(20)	301
	Note	General Fund £000	Pension Reserve £000	Total Reserves £000
Balance at 1 April 2013		321	(20)	301
Actuarial loss on pension reserve	7	0	(24)	(24)
Net expenditure for the year		(3,300)	0	(3,300)
Total recognised income and expense for 2013/14		(2,979)	(44)	(3,023)
Funding from Scottish Government		3,300	0	3,300
Balance at 31 March 2014		321	(44)	277

The notes on pages 26 to 36 form part of these accounts



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 2013/14 Government Financial Reporting Manual. The accounting policies contained in the manual follow International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 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

1.4 Intangible assets

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of CHS' business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, CHS and where the cost can be measured reliably.

Intangible assets that meet the recognition criteria are capitalised where they are capable of being used in CHS' activities for more than one year and they have a cost of at least £1,000 including non-recoverable VAT.

The main classes of intangible assets recognised are:

- acquired computer software licences

Software licences 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. The Scottish Government retains the title to all software purchased for use on SCOTS assets.

1.5 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 2011. Details of this valuation were included in a report published by Lothian Pension Fund.

The contribution rates for 2013/14 were an average of 7.14% by employee and 19.1% by employer.

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.

1.6 Income

CHS does not undertake any activities which generate income.

1.7 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.

1.8 Government grants

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

1.9 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.

1.10 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.

1.11 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.

1.12 Related Party Transactions

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

2. Staff numbers and related costs

2.1 Staff costs – staff with a permanent (UK) employment contract

	2013/14 £000	2012/13 £000
Salaries	431	367
Social security costs	36	31
Contributions to pension scheme	93	64
	560	462

2.2 Staff costs – other staff

	2013/14 £000	2012/13 £000
Salaries	279	208
Social security costs	7	1
Contributions to pension scheme	6	3
	292	212



2.3 Staff costs – all staff

	2013/14 £000	2012/13 £000
Salaries	710	575
Social security costs	43	32
Contributions to pension scheme	99	67
	852	674

2.4 Average number of employees

Category of staff	2013/14	2012/13
Staff with permanent contract	12	11
Staff with short-term contract and seconded staff	5	4
Total	17	15

3. Other administration costs

	2013/14 £000	2012/13 £000
Board fees and expenses	61	72
Shared services	112	76
Legal fees	6	2
Running costs	583	166
Direct support for panel	78	41
Training, recruitment and other staff costs	29	30
Auditor remuneration	10	10
Internal auditors' remuneration	15	9
Recruitment of Panel Members	397	24
Training of Panel and AST Members	533	37
Panel and AST Member Expenses	623	11
	2,447	478



4. Trade and other receivables

4.1 Amounts falling due within one year

	2014	2013
	£000	£000
Other receivables	2	19
Prepayments	21	3
	23	22

4.2 Intra governmental balances

	Receivables: amounts due within one year	Receivables: amounts due within one year
	2014	2013
	£000	£000
Balances with other central government bodies	0	16
Balances with bodies external to government	23	6
at 31 March	23	22

5. Cash and cash equivalents

	2014	2013
	£000	£000
Balance at 1 April	461	377
Net change in cash and cash equivalents	341	84
Balance at 31 March	802	461
Bank accounts	802	461
at 31 March	802	461

All bank balances at 31 March 2014 are held in commercial banks.



6. Trade and other payables

6.1 Amounts falling due within one year

	2014	2013
	£000	£000
Trade payables	222	68
Tax and social security	0	16
Other payables	0	8
Accruals	273	82
	495	174

6.2 Intra governmental balances

	Payables: amounts due within one year 2014 £000	Payables: amounts due within one year 2013 £000
Balances with other central government bodies	18	42
Balances with Local Authorities	290	0
Balances with bodies external to government	187	132
at 31 March	495	174



7. Pensions

Information about the assumptions underlying the figures in this note can be found in Note 1.5.

Change in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability for year ended 31 March 2014

	Assets £000	Obligations £000	Net (liability) £000
Fair value of employer assets	151	0	151
Present value of funded liabilities	0	159	(159)
Opening Position as at 31 March 2013	151	159	(8)
Current Service Cost	0	99	(99)
Past Service Cost	0	0	0
Total Service cost	0	99	(99)
Interest income on plan assets	9	0	9
Interest cost on defined benefit obligation	0	10	(10)
Total Net Interest	9	10	(1)
Total defined benefit cost recognised in profit or (loss)	9	109	(100)
Plan participants' contributions	29	29	0
Employer contributions	79	0	79
Expected closing position	268	297	(29)
Remeasurements			
Change in demographic assumptions	0	0	0
Change in financial assumptions	0	27	(27)
Other experience	0	0	0
Return on assets excluding net interest	3	0	3
Total remeasurements recognised in Other Comprehensive Income (OCI)	3	27	(24)
Fair value of employer assets	271	0	271
Present value of funded liabilities		324	(324)
Closing position as at 31 March 2014	271	324	(53)



Change in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability for year ended 31 March 2013

	Assets	Obligations	Net (liability)
	£000	£000	£000
Fair value of employer assets	36	0	36
Present value of funded liabilities	0	37	(37)
Opening Position as at 31 March 2012	36	37	(1)
Current Service Cost	0	67	(67)
Past Service Cost	0	0	0
Total Service cost	0	67	(67)
Interest income on plan assets	5	0	5
Interest cost on defined benefit obligation	0	4	(4)
Total Net Interest	5	4	1
Total defined benefit cost recognised in profit or (loss)	5	71	(66)
Plan participants' contributions	26	26	0
Employer contributions	76	0	76
Expected closing position	143	134	9
Remeasurements			
Change in demographic assumptions	0	0	0
Change in financial assumptions	0	25	(25)
Other experience	0	0	0
Return on assets excluding net interest	8	0	8
Total remeasurements recognised in Other Comprehensive Income (OCI)	8	25	(17)
Fair value of employer assets	151	0	151
Present value of funded liabilities		159	(159)
Closing position as at 31 March 2013	151	159	(8)



Fair value of employer assets

The below asset values are at bid value as required under IAS19

	2014			2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	£000	£000	£000	£000	£000	£000
Equities	175	0	175	87	0	87
Bonds	19	0	19	12	0	12
Private Equity	2	31	33	0	17	17
Property	0	21	21	0	12	12
Investment Funds	3	4	7	11	5	16
Derivatives	0	0	0	0	0	0
Cash and Cash equivalents	16	0	16	7	0	7
	215	56	271	117	34	151

Analysis of projected amount to be charged to operating profit for the year to 31 March 2015

Year ended:	31 March 2015 £000	% of pay
Projected current service cost	(129)	(27.6%)
Interest income on plan assets	14	3.0%
Interest cost on obligations	(17)	(3.6%)
Total	(132)	(28.2%)

Year ended:	31 March 2014 % p.a.	31 March 2013 % p.a.
Pension increase rate	2.9	2.8
Salary increase rate	5.2	5.1
Discount Rate	4.3	4.5

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in



practice. Mortality assumptions have been based on the Fund's VitaCurves, with improvements from 2008 in line with the medium cohort and a 1% p.a. underpin.

8. Commitments under leases

CHS has no commitments under non-cancellable operating leases. CHS occupies office space in 2/1/1 Ladywell House under a Memorandum of Terms of Understanding with National Records of Scotland (NRS). The agreement is for five years and CHS pays NRS £42,000 p.a. for rent and rates.

9. 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.

The majority of financial instruments relate to cash or cash equivalents and to contracts for non-financial items in line with CHS' expected purchase and usage requirements. CHS is therefore exposed to little credit, liquidity or market risk.

10. 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 the year CHS had a number of transactions with other government departments and agencies. No Board Member, key manager or other related party has undertaken any material transactions with CHS during the year.

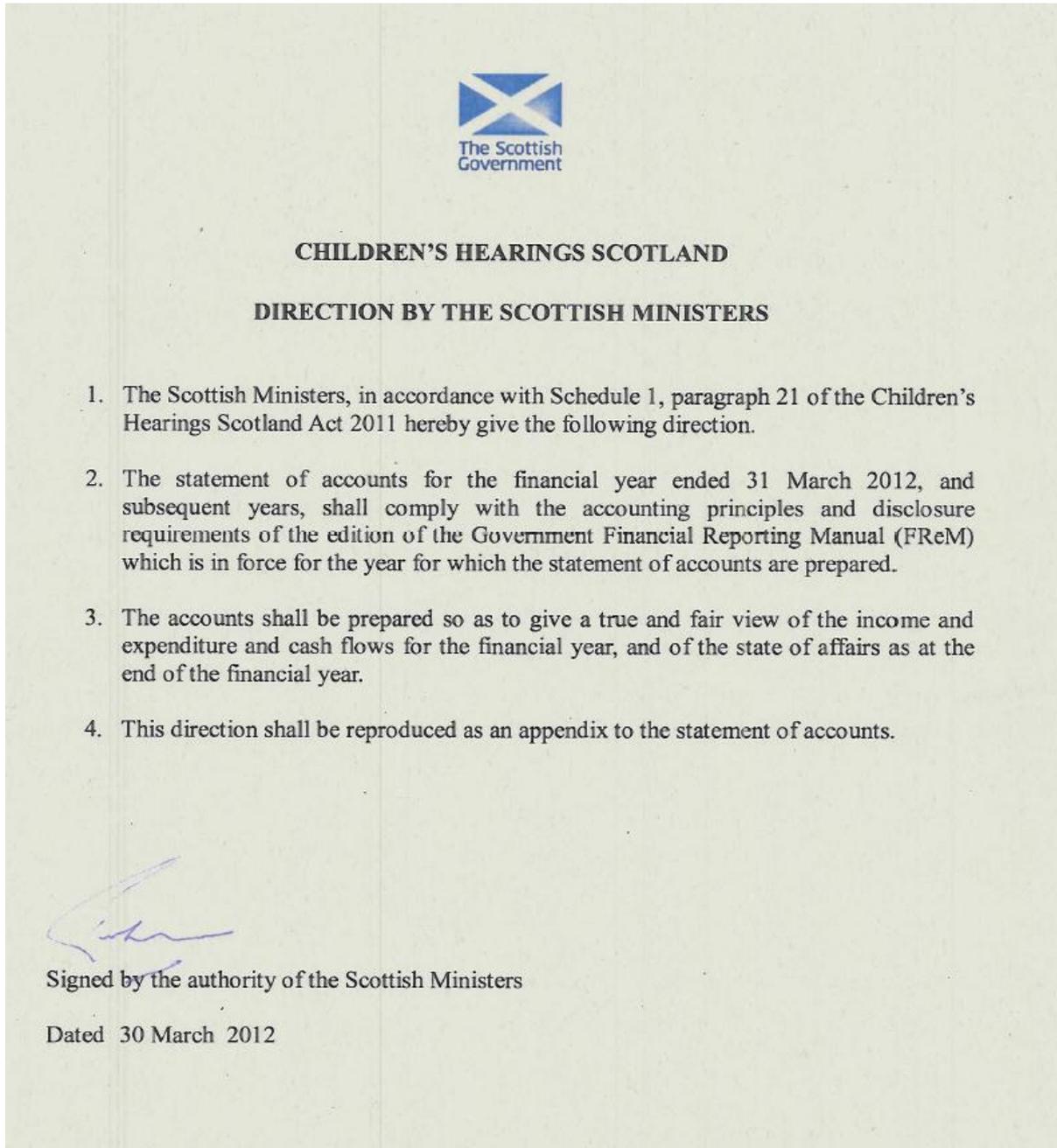
11. Contingent liabilities

CHS has no contingent liabilities as at 31 March 2014.



Annex 1

Direction by the Scottish Ministers





Annual Report and Accounts

Year ended 31 March 2014

Children's Hearings Scotland

Area 2/1/1 Ladywell House

Ladywell Road

Edinburgh

EH12 7TB

t: 0131 244 3696

www.chscotland.gov.uk



The Children's Panel — life changing.

