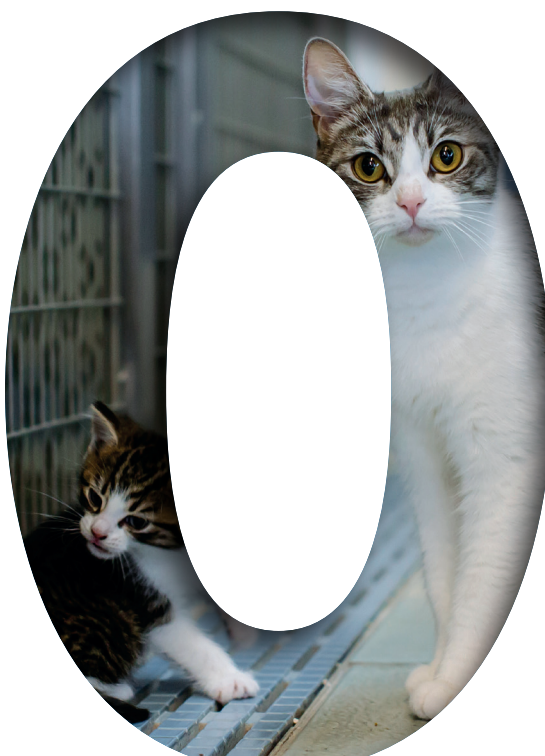




Pets change lives
We change theirs



An unprecedented year

Blue Cross annual report and accounts

Who we are

Blue Cross is a charity that has been helping sick, injured, abandoned and homeless pets since 1897. Pets help us in so many ways and they depend entirely on us. That's why at Blue Cross we believe in helping pets because pets help us. We help thousands of pets in need every month, providing veterinary care, expert behavioural help and find them loving homes, as well as advice and education for current or future pet owners and pet bereavement support. We develop lifelong relationships with pets and owners, providing quality care that is accessible and non-judgemental. With your support we can give back to more pets in need.

Pets change lives. We change theirs.

Vision

Every pet will enjoy a healthy life in a happy home.

Mission

To improve the welfare and quality of life for all pets.



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Welcome from our Chairman and Chief Executive

2020 has been an unprecedented year. We cannot be more proud of the manner in which Blue Cross and all our people have responded to the Covid-19 crisis. Their resilience, optimism and exceptional dedication to the pets in our care have been utterly inspirational. They have shown immense commitment and flexibility in their response to Covid-19 and the changes it has necessitated. We are extremely grateful to all our teams, staff and volunteers, for how they have confronted the challenges of this extraordinary year.

Supporting our people through Covid-19 has been the cornerstone of our response to the pandemic. Our investment in IT allowed an almost seamless transition to working from home. We decided that Blue Cross would top up all furlough payments to 100 per cent for every employee put on furlough during the year. This decision reflects the value of our people to the organisation and ensured that we were supporting our hard working and dedicated employees through these challenging times. The weekly webinars, regularly attended by over 300 staff and volunteers, allowed the Executive Team to communicate transparently on all issues affected by Covid-19 and have been incredibly positive in their impact.

We continued to invest heavily in the personal development of our people and expanded our mental health support. Above all, there have been some wonderful examples of individual and team support for each other, which has been incredibly heartening.

Once again, we have published our impact report which highlights Blue Cross's achievements in 2020 structured in line with our focussed Impact Framework. The impact report can be found at bluecross.org.uk/publications and should be read in conjunction with this annual report.

The Covid-19 outbreak has brought major challenges but also significant opportunities, most notably accelerating change. We have transformed many of our services and introduced new ways of working and these developments will continue. The progress of our digital capability has been hugely beneficial.

Our veterinary teams continued to provide a 24/7 service, prioritising emergency and essential cases with 57 per cent of consultations performed by telephone or video. Overall our veterinary services helped 32,059 pets, just 1.4 per cent lower than in 2019, which is an outstanding achievement in these times.

We rehomed 4,831 pets, a fall of 46 per cent as a result of the need to close our 14 rehoming centres during lockdown. However, we were able to continue

to rehome pets at those times through a 45 per cent increase in the use of our extensive foster care network and the use of virtual introductions to pets. Our behaviour specialists provided invaluable support to the increasing numbers of pet owners who struggled to cope with their pets during lockdown.

Face to face education talks ceased after quarter one. However, the demand for our online pet advice grew by 36 per cent with just over nine million visits to our advice pages. Our unique Pet Bereavement Support Service continued to be extremely active.

Our retail activities were significantly impacted with a 44 per cent reduction in income but were consistently impressive in the speed with which they entered and safely came out of the successive lockdown periods and achieved record results in the pre-Christmas trading period.

We were delighted with the success of the ITV documentary **Inside Animal A&E** following our Victoria and Grimsby hospitals teams, which reached audiences of around three million for most of the eight episodes.

Covid-19 has undoubtedly caused us to review our strategy going forward and we have ambitious plans, allowing us to build back better for the future. We believe that affordable veterinary care should be accessible to all pet owners and we are exploring potential models to achieve this. We are changing the focus of our rehoming service to make this much more accessible through an assured and national rehoming network. The need for our behaviour services has never been greater and we see considerable potential in making this a commercial income source. The demand for high quality pet advice has grown insatiably and we are looking to develop easily accessible advice services, in conjunction with growing our evidence base to campaign and raise awareness of key issues affecting pets and their owners. We wish to work collaboratively with other parties where there is mutual benefit, as exemplified by our recently announced collaboration with the RSPCA. As a result of the investment that we will be making in these and other

initiatives we are planning on a deficit budget for 2021.

Covid-19 has had a significant impact on our financial results and throughout the year the Trustees and staff have focused on controlling costs to maintain our financial stability. Overall we experienced a reduction in budgeted income of £7.5m. The Executive Team took immediate action to stabilise the position by cutting £5.9m of budgeted operational costs, agreeing a freeze on repayments on our existing £8.5m loan until April 2021 and securing an additional £2.5m of borrowing. Legacies and donations were only marginally below the record levels of 2019. As a result of the national lockdowns our retail income was £2.1m lower than 2019 and our service income was £0.7m lower. In what has been a very challenging year, Blue Cross recorded an operating deficit of £1.6m before much needed government furlough and retail grant support of £1.7m. With investment markets recovering towards the end of the year, an overall surplus of £2.1m was achieved. This increased net assets to £71.8m.

We welcomed Chris Burghes to Blue Cross as Chief Executive in June, he previously held a similar role at the Royal Free charity. There was a very smooth transfer of leadership from Sally de la Bedoyere to Chris and our recognition of Sally's contribution to Blue Cross can be found in our 2019 Trustees' report.

Steve Goody, our Deputy Chief Executive and Chief Operating Officer, retired in November. We thank Steve for his outstanding contribution to Blue Cross

and the animal welfare sector over a 30 year career and wish him a very happy retirement. An appreciation of Steve's considerable service can be found below. We congratulate Iain Heaton and Kelly Grellier on their respective appointments as Deputy Chief Executive and Chief Operating Officer and Philip Edwards, our Chief Information Officer, on joining the Executive Team.

Zair Berry, our former chairman, and Fleur Roper-Curzon will retire from the Board at the Annual General Meeting having served as trustees for 17 and 28 years respectively. We are extremely grateful to them for their dedicated service and will miss their wise advice. We are delighted that Zair will become chairman of our 125th anniversary committee.

2020 has been a year none of us will ever forget but we are extremely proud of how everyone involved with Blue Cross has responded to the pandemic. To help as many pets and pet owners as we have is a great achievement. We enter 2021 with a clear strategy that will allow us to build back better and we are confident that we will deliver the very best services to help pets and pet owners across the UK.



Tim Porter FCA
Chairman



Chris Burghes
Chief Executive



Steve Goody

The Trustees wish to thank and record their appreciation of Steve's outstanding contribution over his 30 year career with Blue Cross. Steve joined Blue Cross as Head of Animal Welfare in December 1990 and in 2014 took on responsibility for our Pet Bereavement Support Service, leadership of which he continued throughout the rest of his tenure, spearheading many innovations and partnerships. These included the set-up of a virtual call centre and email communications and the introduction of e-learning bereavement support training for animal professionals in 2015.

The last three decades have seen transformative change on a massive scale across society, as well as in charities and the animal welfare sector. Throughout it all, Steve demonstrated a deep love, knowledge and understanding of animals and helped to secure numerous positive changes in animal welfare legislation including the following:

- Animal Welfare Act 2006
- Compulsory microchipping of dogs 2016
- Creation of the Pet Advertising Advisory Group and promotion of minimum standards for

classified websites which are now an industry standard of best practice

- The Welfare of Racing Greyhounds Act 2010
- Update to Pet Animals Act 1951 as part of a cross-charity working group on new Animal licensing laws
- The Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations 2018

Steve was frequently called to Westminster to share his expert knowledge at the EFRA (Environment, Food and Rural Affairs) Select Committee on a range of

issues including Breed Specific Legislation and Anti-Social Behaviour involving dogs. Almost single-handedly, Steve helped advance the reputation of Blue Cross through our public affairs work helping us to achieve a stronger voice and achieve greater impact.

Steve was also passionate about educating future generations of pet owners and he championed the growth of our education network across the

UK, including the set-up of a network of regional education officers, reaching well over 100,000 young people a year.

Throughout his time with us, Steve demonstrated an unwavering commitment to Blue Cross. He leaves a legacy where, thanks to his efforts, many tens of thousands of dogs, cats, small animals and horses have been helped by Blue Cross and future generations of pets face a brighter future.

Trustees' report

2020 has been one of our most difficult years, yet the charity has shown great strength and ability to adapt. This report reflects the outstanding efforts made by everyone at Blue Cross to rise above these challenges to continue helping as many pets in need as possible.

We produce a separate impact report alongside our Trustees' annual report. The impact report contains more details and case studies of our work and the impact we have made in 2020. The impact report can be downloaded from bluecross.org.uk/publications.

The annual report includes the Strategic report as required by the Companies Act 2006. The Strategic report is made up of the following sections: Our achievements and progress, Our plans for the future, The challenges we face, Financial review and outturn, and Risk management.

Public benefit

As laid out in our Memorandum and Articles of Association, our charitable activities aim to ensure that knowledge and understanding of a pet's needs are widespread; that pets are valued for the benefits they bring to society; and that pets (and their owners) have access to help when they need it. The Trustees have given due regard to the Charity Commission's guidance on public benefit when exercising relevant powers and duties, and this report gives details of how we have helped pets and people during this challenging year.

The Directors consider the key stakeholder groups for Blue Cross to be its clients (pets and owners), supporters, employees and volunteers, its partners and its suppliers. In the Structure, governance and management section of the annual report on page 24 they have included details on how they look to engage and listen to all these stakeholder groups.

During the year the Board made a number of significant decisions, notably;

- how to deal with the operational and financial challenges presented by Covid-19
- recruitment of a new CEO
- further development of our strategy to 2023

Consideration of Directors' responsibilities

Under Section 172 of the Companies Act 2006 the Board of Trustees, as Company Directors, have a duty to promote the long-term success of Blue Cross. They have done that during 2020 by duly considering the impact of the decisions they make on the future of the organisation. They have taken into account the view of different stakeholder groups who will be affected by the decisions and have weighed and considered the different options that were available to the organisation on each occasion. The Board believes they have acted throughout the year in the best interests of the charity and in a manner which will bring about long-term success.

The Board worked with the wider Executive Team throughout the year to ensure the charity could weather the challenges created by Covid-19. To address the severe financial and cash flow impacts of the Covid-19 crisis, they took the decision to draw down £1.5 million from the investment portfolio in the early stages of the year to ensure the charity had sufficient cash flow to meet their obligations, and also approved further borrowings of £2.5 million under the government Coronavirus Business Interruption Loan Scheme to ease any financial challenges in the latter stages of the year and early 2021. From an operational perspective the Board supported the Executive Team and the wider organisation in the

decisions that were taken to temporarily close sites and alter ways of working throughout the year, in line with Covid-19 government guidance. All Board and committee meetings since March 2020 have been held online and the AGM was also held virtually. This allowed for continued strong governance of the organisation, while ensuring the safety of participants. More information on how the charity responded to the Covid-19 crisis, safeguarding our people and clients whilst seeking to help as many pets as possible, is included on page 12.

Following a robust appointment process with a strong field of candidates, the Board completed the recruitment of Chris Burghes as the new CEO of Blue Cross in the early stages of 2020 and he joined the charity in June. The Board has supported

him since his recruitment and made sure he was inducted into the organisation, to ensure the smoothest possible transition from our outgoing CEO, Sally de la Bedoyere.

Using learning from these unprecedented times, the Board has also worked with the Executive Team on further development of the charity's strategy through to the end of 2023. The Board has taken part in a number of workshops, both on the overall strategy and on specific initiatives within it, to share their knowledge and expertise on a range of topics with the Executive Team to help them further shape the charity's strategy. More details of this strategy are included in the Our plans for the future section on page 14.

Strategic report

Our achievements and progress

As noted in our 2019 annual report we will look to report our achievements and performance against the three pillars of our Impact Framework.

Improved knowledge and understanding

As with other areas of our work, our teams needed to fundamentally adapt their approach throughout 2020. This required a shift from supporting and training people in person, to providing more education, advice and information online – including reaching young people via live video links.

In spite of the challenges, we continued to improve knowledge and understanding of animal welfare across all age groups – amongst the general public and professionals. Demand for our online advice was significantly higher in 2020 and we were quick to respond in March by providing coronavirus related content for pet owners, with a dedicated page on our website offering advice across a range of species.

Talks and workshops

During the first quarter of the year we delivered 983 talks in person to schools and youth groups, reaching 34,569 people. For the six months prior to the first national lockdown in March 2020 we had piloted virtual workshops online, so our teams were quickly able to adapt to an online offering when restrictions were introduced.

Achievements from our education work and online pet advice

People reached:	2020	2019
- through education talks and workshops	56,449	118,700
- through partnership activity	2,450	14,304
- through visits to our pet advice pages	9.4m	6.9m

Take-up was initially slow as teachers and youth group leaders adapted to new ways of working, but by June we received a steady flow of requests for talks. Later in the year we saw a huge demand from primary schools and for evening talks from youth groups, so by December we were able to deliver sessions to 21,880 young people using a variety of online video platforms. Our safety alliance partnership continued to give us access to additional young people with 2,450 reached during quarter one, although this number dropped thereafter due to Covid-19 restrictions.

Online pet advice

Visits to our online pet advice pages were significantly higher (9.4 million page views in 2020 against 6.9 million in 2019). We also responded rapidly to produce specific Covid-19 content which received nearly 200,000 visits, with a spike in visits in March.

To support owners we continued to offer our Puppy and Kitten Knowhow programmes, where people register for advice emails focussed on the first year of their new pet's life. Considering the increase in the number of new pets, particularly puppies, purchased during lockdown, we received significantly higher sign-ups in 2020 (39,322 Puppy Knowhow sign-ups in 2020 against 13,528 in 2019, and 15,581 Kitten Knowhow sign-ups in 2020 against 7,096 in 2019).

We produced two series of podcasts which included a range of animal care topics, with each episode hosted by a different celebrity and were listened to 12,204 times. We also created new online resources, including interactive workshops and downloadable worksheets to support parents who were home-schooling their children.

In October, with the support of our digital team, we delivered a Howl-o-ween live YouTube event for children, full of spooky facts and ideas to keep pets happy. The event received 910 views and provided a lot of valuable learning for future digital projects.

During 2021, we will be reviewing, measuring and seeking to improve the impact of our education programmes, including continuing to implement new ways of reaching people and professionals with the information and advice they need.

Supporting pet owners and professionals

Blue Cross has continued to be a leading charity and authority on pet loss in the UK. Calls to our Pet Bereavement Support Service (PBSS) helpline dipped during the first lockdown in March 2020, but numbers increased steadily throughout the rest of the year, resulting in very similar call numbers to 2019 (14,199 in 2020 against 14,209 in 2019).

Many of our trained PBSS volunteers found themselves spending more time at home during 2020, giving us greater flexibility with helpline rotas and we also continued to recruit volunteers over the year.

Our PBSS volunteers reported an increase in calls from distressed owners who had experienced pet euthanasia during lockdown, but hadn't been able to stay with their pets at this very emotional moment due to government restrictions. Sadly, 40 per cent* of pet owners who had to have their pet put to sleep during the first lockdown were unable to be with them.

During 2020 we moved our in-person training for animal professionals online. Enrolment for our e-learning courses was impacted due to the increased pressure the pandemic placed on veterinary professionals. However, this lull gave us time to look ahead and develop new courses for 2021. We also produced new guidance for veterinary professionals on how to best support bereaved pet owners – and over the summer we delivered talks at several online conferences.

*National research commissioned by Blue Cross, completed by YouGov in the summer of 2020.

Responsible pet ownership

We continued to work with external partners in 2020 to achieve our responsible pet ownership goals.

We worked with StreetVet (a charity which provides support for pet owners experiencing homelessness) to create an e-learning course for staff and volunteers working at hostels for the homeless, encouraging and enabling them to be more pet friendly.

Our responsible dog ownership course, which we continued to run in 2020 with West Midlands Police, gave dog owners whose dogs had committed a lesser offence the opportunity to attend our course instead of going to court. This was adapted during the pandemic to be offered online and 90 per cent of owners reported that it increased their knowledge and understanding around dog safety and communication.

Help for pets in need

Our teams showed exceptional commitment and flexibility in their response to Covid-19, the changing government measures, and corresponding protocols at work and in their personal lives. Our people adapted incredibly well and introduced new ways of working that we anticipate will bring long term benefits beyond Covid-19.

Veterinary services

Teams at our animal hospitals rose to the challenges of Covid-19 to continue providing a 24/7 service to support owners who cannot afford private veterinary care.

At the start of the outbreak, we transformed our services and introduced new ways of working almost overnight. In order to help keep our clients and our people safe during the worst moments of the pandemic, we met pet owners at the doors of our hospitals when admitting patients for treatment. Blue Cross teams went the extra mile, often working long shifts in order to keep our hospitals open. Our veterinary professionals adapted by carrying

out telephone and video consultations wherever possible. Of the 76,734 consultations performed in 2020, 57 per cent were conducted remotely.

As a result of social distancing and other government restrictions, our veterinary hospitals had no choice but to prioritise emergency and essential cases. The inevitable outcome was that Petwise MOTs and vaccination rates dropped in 2020. Operations and investigations continued unabated, with veterinary teams wearing full PPE all day every day in order to reduce the potential spread of infection when working in close proximity to one another. A quite remarkable outcome is that our hospitals helped only 91 fewer pets during 2020 compared to 2019.

Veterinary practice partnerships

In partnership with 220 veterinary practices, our Emergency Care Fund helped 622 pets (580 in 2019) who may otherwise have gone without emergency treatment. Our six Pet Care Clinics, also run in conjunction with private veterinary practices, registered 3,720 pets, down 12.1 per cent on 2019 due to the impact of Covid-19.

Other ways of supporting worried pet owners

During 2020 we supported clients unable to access medication for their pets by delivering the medicines they urgently need directly to their doorstep. We also partnered with Pawsquad (who provide access to qualified veterinary advice by video consultation or online chat), enabling any pet owner eligible for our services to speak to a vet 24/7. This valuable service can give peace of mind to worried pet owners who aren't sure whether their pet needs to be seen urgently or not. Over 2,000 people have registered for this service and 1,653 consultations have been provided.

Donations income

A worrying trend was a substantial reduction in our hospital income. Donations from pet owners reduced by 30 per cent in 2020 compared to 2019. We need to remain sustainable and continue to help as many pets as we can, so we are having to look at introducing an element of charging for some pet owners in 2021 and beyond. That said, we will continue to support the most vulnerable people free of charge.

Inside Animal A&E

A primetime ITV documentary, **Inside Animal A&E**, looked behind the scenes of two of the UK's busiest animal A&E departments, following the fortunes of Blue Cross teams at our Victoria and Grimsby hospitals, volunteers and, of course, the patients. The series ran for eight episodes and had an average of 2.9 million viewers per episode.

Achievements from our veterinary services

2020	2019
32,059 pets helped overall	32,512
84,496 consultations*	92,204
4,878 operations*	6,814
851 hospital PetWise MOTs	1,639
622 ECF grants	580
1,653 Pawsquad consultations	

*excludes ECF treatments

Rehoming services

Covid-19 had a huge impact on our ability to rehome animals during 2020. We had to temporarily close our 14 rehoming centres to visitors during lockdown, which resulted in large numbers of longer staying pets. Social distancing guidelines meant fewer of our people on site, which forced us to cap the number of pets we could care for.

The restrictions and subsequent measures we needed to take had a significant impact on rehoming results, with 46.5 per cent less pets helped overall compared to 2019. However, figures varied significantly across the species. We rehomed 68 per cent fewer dogs, which was largely due to the need to restrict the number of pets at our sites – combined with more interactive assessments by teams and specific matching requirements with new owners.

At the other end of the scale we rehomed only 9 per cent fewer horses than in 2019. This was achieved by creating a faster turnaround for each individual horse, balanced with an increasing number of horses helped through our Home Direct scheme.

Hertfordshire centre rebuild

Following an appeal to supporters, redevelopment of our Hertfordshire centre began on site early in 2020. No sooner had we started than we were forced to delay work due to Covid-19. Our dedicated team continued to help 318 pets in need by running our Home Direct scheme from a temporary office. Work resumed on site in June 2020 and we're planning to reopen in summer 2021 – by which point we anticipate that the entire cost will have been funded by legacies or donations to the Hertfordshire Centre Rebuild Appeal.

Achievements from our rehoming teams

2020	2019
4,831 total pets helped**	9,023
1,923 pets helped through agile services	3,696
1,010 horse welfare visits (includes virtual visits)	1,318
1,392 behaviour interventions†	2,362
428 calls to Behaviour helpline	

**includes pets helped through agile rehoming services

† excludes helpline calls

Virtual rehoming

Instead of physical visits by people to meet pets, we introduced virtual appointments by phone or video call. Virtual rehoming has proved to be highly efficient in terms of time and particularly successful when rehoming cats. Rather than coming to a centre and trying to look at a cat that is nervously hiding in a corner of its pen, people could watch videos filmed by our people or foster carers, which captured the true personalities of the cats.

By implementing virtual visits, the Horse Welfare Team actually increased the number of appointments with borrowers, compared with the same period last year – and also increased the number of transfers of ownership.

The value of foster carers

Government restrictions limited the number of pets we could rehome through our centres in 2020, so foster carers played a crucial role. Overall figures for every species including our horses showed a 45 per cent increase in the use of foster carers in 2020 – and at the first peak of the pandemic in April, 60 per cent of Blue Cross pets were in foster care. Increasing the number of pets in foster also reduced the cost per pet helped, helping to increase our efficiency at a crucial time and providing learning that will shape future rehoming practices.

Behavioural advice and support

To support people struggling to cope with their pet during the worst moments of the pandemic we launched a new Behaviour Helpline in April 2020, delivered by our central behaviour team and our centre behaviourists.

The new service has demonstrated the value of our behaviour expertise during unsettling times. As a result of receiving donations from grateful callers to the helpline, we're investigating the possibility of this service providing a future income stream. We also launched a horse advice line, resourced with experts from our horse team.

Cross site working

Covid-19 accelerated our plans to operate as an integrated national rehoming service, rather than individual parts. Our teams embraced technology, in order to work more collaboratively and learn together nationally, rather than in pockets. This approach has been pivotal to honing agile services like our Home Direct scheme, our Rehoming and advice unit services and our national network of foster carers. This has optimised our ability to help pets whilst being Covid-19 safe and within government guidelines consistently anywhere in the country.

New centralised processes such as 'Space Finders' enabled us to manage our intake nationally. Ensuring that if an individual centre did not have space for a pet and owner in need, instead of just being put onto that centre's waiting list, our new national list of all centre and foster spaces is reviewed with the aim to admit the pet where we have space elsewhere.

Strategic partnerships

Covid-19 stretched the resources and finances of many charities further than ever before in 2020. To maximise our impact cost effectively, we are speaking to the RSPCA to identify key areas where we can work together to make the best use of our respective funds – allowing us to invest more in supporting pets and pet owners across the country.

One area being explored by the two charities is the purchasing of supplies, where there may be savings to be made through economies of scale and to ensure robust supply chains for food, medicine and other essentials for animals. We are talking to other charities in 2021 about similar collaboration opportunities.

Pets are a valued part of society

There's no doubt that pets played an even more important role in people's lives during 2020. The joy and companionship of pet ownership provided much-needed solace to individuals during lockdowns, helping to curb feelings of loneliness and anxiety.

The impact of Covid-19 on pets and owners

A survey featured in our 'Covid-19 pets and pet owners' report showed that 89 per cent of respondents who self-identified as suffering from anxiety said their pets had benefitted their wellbeing during lockdown.

The report also highlighted the behavioural impact of the pandemic and how the huge change in our lifestyles placed a strain on the relationships we have with some of our pets. The greater exposure to physical contact, overhandling and a lack of respite from busy home life resulted in behavioural problems developing in an increasing number of pets.

Covid-19 restrictions also meant that puppies were unable to be socialised in all the normal ways and, as a result, many younger pets developed behavioural issues during lockdown. In response, we launched our Behaviour Helpline in order to help as many owners and pets as possible during this difficult and unsettling time.

We also worked with DEFRA to produce guidance for pet owners on how to comply with restrictions, including advice for those who were shielding and how they could get appropriate support for their pets.

The impact of Covid-19 on pets and pet owners has been profound, so collecting comprehensive data is vital – giving us a better understanding of the ongoing welfare needs of pets and enabling service teams to be well placed to respond.

In addition to our own research completed by YouGov, Blue Cross supported a collaborative project between the University of York, University College London, and Queen's University Belfast. Their survey 'Interactions with and attachment to animals in the Covid-19 pandemic (INTACT)' looks into the coronavirus epidemic and its impact on pet owners. We also delivered a talk at the related conference on the benefits and barriers of pet ownership during Covid-19.

Affordable and accessible vet care

The rising cost of private veterinary services, coupled with the financial impact of Covid-19, has contributed to an increase in the number of pet owners who struggle to afford everyday veterinary treatment, or the pet insurance necessary to provide that care. In 2020 we began to look at potential new affordable services which can be provided in partnership with private veterinary practices, offering the veterinary services that are most needed and can have the greatest impact. The charity is currently reviewing and considering a number of options to deliver this service, with a view to launch in 2021.

Food bank pilot

There are many pet owners who struggle to afford pet food – and Covid-19 has only exacerbated this situation. In March 2020, several pallet loads of pet food were donated by a major manufacturer, which we distributed to 16 rural food banks across a number of counties including Gloucestershire, Worcestershire and Oxfordshire.

Blue Cross research, highlighted in our 2019 'Link in the Chain' report, showed that existing food banks don't supply pet food and other pet products for their clients. To address this need, we began a 3-month pet food bank pilot scheme in November 2020 in Sheffield, with initial food distribution starting in December. Building on our learning from this pilot, volunteers will play a key role in the wider roll-out of the scheme during 2021. Their roles will be to establish the pet food banks, develop relationships with the community and help to promote the service locally.

Celebrating the role of pets

In order to highlight how pets helped people cope with the impact of Covid-19, we launched a competition to find Wales' most loyal pet. MSs and MPs in Wales asked their constituents to nominate a pet that supported their wellbeing during 2020. A nominated pet from each constituency was shortlisted and the overall winner was Border Collie Mae from Brecon.

As well as celebrating the amazing difference pets make to people, the competition has built relationships with key politicians, stakeholders and decision makers in Wales, in order to influence animal welfare policy development in each political party ahead of the 2021 May Senedd election.

Supporting our people through COVID-19

One of our ongoing aims is to invest in and support our amazing people and volunteers – and never has this been more important than in 2020. As an organisation, we have supported one another during these unprecedented times.

All our teams have adapted brilliantly to the considerable challenges presented by Covid-19. The amazing response of our rehoming, veterinary and education teams have been highlighted within the 'Our achievements and progress' section, but we must also pay tribute to our retail teams for the magnificent way they reconfigured for safety and reopened our shops during 2020. We are also very grateful to our loyal customers who returned when we were able to reopen, helping to generate much needed income.

Utilising technology

Blue Cross IT support worked highly effectively, enabling teams to switch to working from home quickly. We also introduced fortnightly webinars giving all our people an opportunity to get involved, raise questions and share experiences; another fantastic example of cross-charity communication.

Covid-19 created a sudden shift in work culture that brought many new challenges. Our people displayed great flexibility and resilience throughout 2020 and as the pandemic continued into 2021.

Key issues for Blue Cross were how to keep people engaged, look after their wellbeing and provide the right communication channels and tools for remote working. In addition, significant work was put into the coordination, management and reporting of the government's Job Retention Scheme. During 2020 we furloughed 307 employees on a full furlough and 39 were flexi-furloughed. We continued to pay their full salary, topping up the 80 per cent paid by the government scheme.

An internal Coronavirus Hub was created to support Blue Cross teams. The hub contains all the latest information on our furlough policy, wellbeing, health and safety, working from home and returning to the workplace in a safe and compliant way. Extensive plans and procedures were developed across the charity, including return to work discussions and an online Covid-19 workplace training module. We also developed a framework for each directorate to use and adapt to help build their return to workplace plans.

During the first two weeks of June 2020 we ran a Coronavirus staff survey, in order to gather people's

opinions on how our charity handled the crisis and to help shape our Covid-19 strategy moving forward. A total of 256 responses were received and 94 per cent of respondents reported that they knew where to go to for support regarding their health, safety and wellbeing.

Our Health and Safety Framework and various health and safety policies have been updated to incorporate the impact of Covid-19. A managers' mental health training guide has been produced as well as the introduction of wellness action plans. A Wellbeing Hub has also been created containing an extensive range of services and resources, including Mental Health First Aider meetings, online return to work discussion groups, guidance on workstations and wellbeing virtual chats.

Volunteering

In 2020 our volunteers gave us an incredible 267,529 hours of their time (200,000 hours down on 2019). This equates to 20 per cent of the total hours worked at Blue Cross.

Volunteering has faced considerable challenges as a result of the Covid-19 pandemic. Like many charities, Blue Cross developed new roles and digitised volunteering opportunities wherever possible during 2020. We worked hard to engage volunteers with new activities which could be performed remotely, growing the campaigning volunteer team by 34 per cent. One important new task these volunteers undertook was the reporting of Facebook adverts for illegal pet sales. We shared this role with other charities, and it was introduced by Cats Protection, Canine Partners and RSPCA.

In October 2020 we were delighted to offer further support to our volunteers by giving them access to our Employee Assistance Programme. We also worked with our Public Affairs Team to develop new volunteering roles, including opportunities to support food banks.

Covid-19 highlighted a need for an accessible platform for volunteer communications. A small pilot of Workplace by Facebook proved successful and it was launched for all volunteers in November. We are now able to engage volunteers in charity-wide activities such as Paws for Tea, which previously marketing preference restrictions would have disallowed.

Moving forward, plans are being put in place to review the roles and opportunities for volunteers within our teams. As part of this process, our vision is to recruit and train volunteers who can support our wellbeing agenda – ensuring we provide the best possible mental health and wellbeing support for every member of the Blue Cross team.

Streamlined energy and carbon reporting

Blue Cross is reporting energy and carbon emissions in compliance with The Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

		2020	2019
Energy consumption (kWh)	Gas	1,806,963	1,893,315
	Electricity	2,139,787	2,662,709
	Heating oil and LPG	1,224,999	1,316,167
	Transport fuel	793,473	1,429,741
	Total	5,965,222	7,301,932
Emissions (tCO₂e)	Gas	332	348
	Electricity	499	681
	Heating oil and LPG	293	304
	Transport fuel	201	371
	Total	1,325	1,704
Intensity ratio (tCO₂e/FTE)	Emissions per FTE	2.03	2.62

Methodology

Methodology follows best practice and is based on HM Government Environmental Reporting Guidelines, 2019.

All emissions factors are taken from the latest 2019 and 2020 versions of the UK Government GHG Conversion Factors for Company Reporting.

Scope 1 and Scope 2 consumption data (gas LPG, heating oil and electricity) is taken from validated and verified utility supplier invoices.

Scope 1 and Scope 3 data for transport fuel is taken from Blue Cross internal systems which record mileage driven by fleet vehicles and the grey fleet (which relates to mileage driven in private vehicles by employees on company business). Mileage driven in company fleet vehicles are classed as Scope 1 while the grey fleet is classed as Scope 3. This is in line with HM Government Guidelines.

Energy saving actions taken in 2020

Our emissions have reduced dramatically in 2020. This is primarily due to the impact of Covid-19 on our ways of working but we did also take the following positive steps to reduce our emissions:

- We worked with Melissa Ortiz-Mora from the University of Cranfield to review our environmental impact across a range of areas; energy, transport, waste, water, sustainable buildings, procurement, investment and biodiversity and land use. Melissa put together for us a draft environmental strategy that we will now refine and start to put into action in 2021. We are very grateful to Melissa and the University of Cranfield for their help in this area.

- We continued with our goal to make the transition to energy efficient LED lighting and heating systems, in addition to increasing our use of renewable energy. Solar panels at our Burford, Suffolk and Bromsgrove sites should generate a total of 40,000 kWh of electricity each year.
- We partnered with the Wychwood tree project to plant over 1,000 new trees around the paddocks at our Burford Horse rehoming site. These should help offset the impact of our activities by removing CO₂ from the atmosphere and locking away carbon.
- We started to roll out a programme of fitting LED lighting in our major sites, starting with our Grimsby hospital.
- As part of our values based investment policy we track the environmental impact of our portfolio as well as the financial performance. We are delighted that our portfolio had an estimated Weighted Average Carbon Intensity (WACI) of 122.54. This measure refers to CO₂ emissions per million pounds of sales and is 48 per cent lower than the MSCI All Countries World Index of 236.69. However it is still slightly higher than the MSCI World Low Carbon Level WACI of 109.53 and so we will look to work with our investment advisors to improve it further in future years.

We acknowledge that Covid-19 has been the primary driver for the decrease we have witnessed but we are focused on trying to keep our emissions lower in future years by both adopting new environmentally friendly technologies at our sites and also new ways of working.

Our plans for the future

In response to the challenges created by the pandemic, we reviewed the objectives that we had previously identified in our Impact Framework, while taking into account the impact of Covid-19.

This work has resulted in the development of a detailed strategic plan, officially launched in March 2021, to enable Blue Cross to evolve and step forward as the predominant UK pet charity.

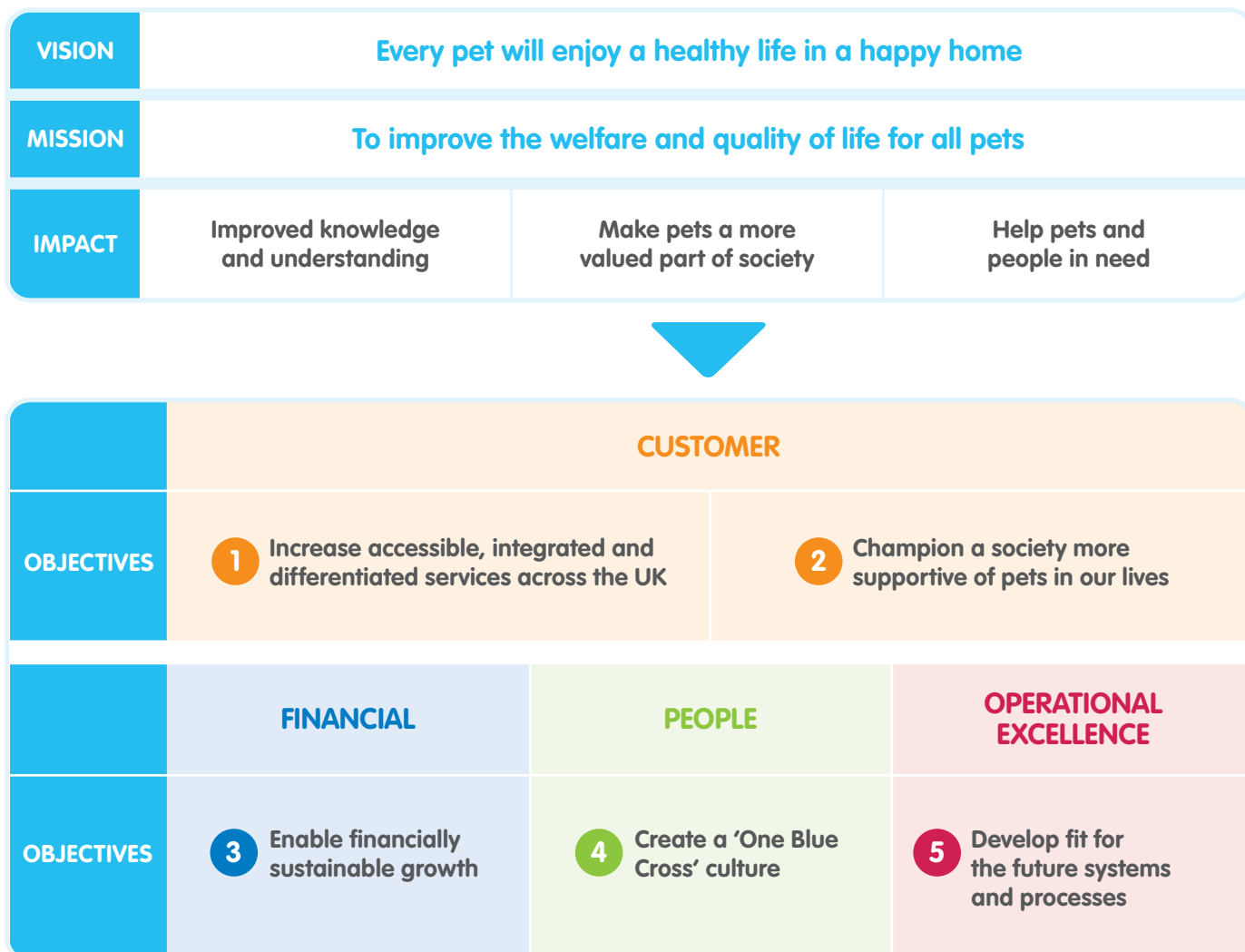
To help us achieve that goal we need to increase accessibility to our services and grow in a financially sustainable way. We also want to create a more

distinct brand and develop an inclusive and collaborative culture, where we think and act as 'One Blue Cross'.

2020 highlighted the importance of being agile and efficient in how we respond to a changing environment, so we will continue to develop fit for the future systems and processes that allow us to do this.

The ultimate aim of our new three year strategy is to help and support more pet owners across the UK and to achieve our vision that every pet enjoys a healthy life in a happy home.

To achieve that we have five clear objectives:



On the opposite page is a list of initiatives for each of the five objectives. For each of these initiatives we have created detailed plans which will seek to deliver our objectives over the next three years. During the early stages of 2021 we will fully define the measurement criteria and targets for each of our objectives and initiatives and will report on our progress in future annual reports.

1 Increase accessible, integrated and differentiated services across the UK

Develop affordable vet care. Veterinary care should be accessible for all pets and owners who require it. We wish to explore and develop models which will make this a reality.

Develop commercial behaviour services.

Behaviour issues in pets result in challenges for them and their owners. They can even end in the pets being rehomed or put to sleep. We want to develop behaviour services that will enable owners to work with their pets to solve these issues and allow them to live a happy life.

Develop accessible, assured, national rehoming services.

We know there are thousands of pets who are sold and rehomed every year in ways which are not suitable and don't achieve the best outcome for the pet. We want to be able to offer our safe and assured pet rehoming services nationally through a range of models to all who need our help.

Optimise our operating models, service offerings and locations to integrate our services and maximise our impact and income.

We know that to deliver our plans we have to ensure that we are as efficient and integrated as possible. We will review the ways in which we currently deliver our services to identify how to improve the way we work and achieve more.

Develop easily accessible advice and education services.

Many pet owners need advice and support. We wish to further develop our advice and education services to ensure they can easily access the help they need when they need it.

2 Champion a society more supportive of pets in our lives

Develop impactful campaigns and support for pet welfare and wider societal issues.

We want to continue to campaign and raise awareness on a wide range of issues. To do this we need strong evidence and so we will work over the next few years to develop the evidence base required for the issues we will campaign on.

Develop an integrated brand. Our brand is crucial to our success and we need to ensure that it flows consistently through all that we do. We will define the focus of our brand and then use this in our marketing, fundraising and campaigning activities.

3 Enable financially sustainable growth

Maximise our income from fundraising and retail sources. We will continue to grow our income wherever possible, so that our vital work can continue.

Review our cost base and suppliers to ensure value for money and their environmental, social and governance (ESG) approach.

We are proud of our achievements with the income we have but we are determined to do more and so we will review our cost base to identify opportunities where we can reduce our expenditure and also ensure that our purchasing choices align with our values.

4 Create a 'One Blue Cross' culture

Review our organisational design. We believe that to deliver against our objectives we need a modern and dynamic organisational design. We will put in place a structure and supporting processes that allow us to achieve our ambitions.

Develop an inclusive and collaborative culture where we think and act as One Blue Cross.

We know the importance of organisational culture and in order to deliver this strategy we know we need to be truly integrated and aligned. We will work to achieve this and ensure all our people feel part of Blue Cross.

5 Develop fit for the future systems and processes

Improve and integrate our customer care.

Our teams deal with thousands of customers and supporters every year. We believe we can improve how we operate to deliver even better customer service while minimising costs.

Investment in technology solutions.

Technology is absolutely crucial to all our ambitions. We will upgrade existing technology and where necessary develop new solutions to allow us to deliver our objectives digitally as well as physically.

Achieve greater value from data. The potential value of data to support the achievement of our goals is huge, be that in the form of continuous operational improvements or to support our campaigning work. We are developing a unified data strategy that will build increased capabilities and move us up the data maturity scale, ultimately leveraging greater value from our data, in compliance with GDPR.

Challenges we face

As a charity, we will face challenges in the following key areas over the next few years.

Financial pressures

The Covid-19 crisis, coupled with an unsettled UK economy has created a tough and highly competitive fundraising environment for charities. The charity suffered a significant loss of income during 2020. However, the generosity of supporters, coupled with the tireless work of our teams to bring in income and minimise costs, enabled us to stay financially solvent. Moving forward we must continue to operate smartly in terms of how we generate income and make efficient use of funds. We must also ensure we have sufficient reserves in the event of a worsening economic climate.

Making the best use of technology and data

The past year has seen a big shift in how we use technology. We must continue to invest in our digital infrastructure to ensure we can provide our people with the right communication channels and tools for office or remote working. Further investment is also required to help us deliver our future technology and data strategies, which will be essential for our long term survival.

How people want to access our services

In recent years we have responded to the increasing numbers of people looking to access our services digitally. Covid-19 heightened the need for us to deliver our services effectively online. We must continue to develop user-friendly services that people can easily access via their preferred channels, whilst supporting pet owners who cannot readily access or use technology.

Environmental impact

We know that running a national charity has an environmental impact and, along with everyone else, we must take steps to minimise that impact. That's why we are reviewing the environmental implications of our activities and looking at ways to make more use of renewable and clean energy technology for our buildings and vehicle fleet. We will also encourage our people to take whatever steps they can to recycle and use energy efficiently.

Tackling the unregulated pet market

A rise in demand for puppies during the pandemic, at a time when less rehoming could take place, fuelled a rise in unscrupulous breeders in the UK and abroad seeking to exploit the situation.

Despite lockdown, there were a high number of puppies available to buy online with over 400 adverts placed daily and prices for some breeds increasing by 40 per cent ('Covid-19 pets and owners' report) due to additional demand.

As the unregulated pet market continues to thrive, more people are unwittingly buying unsuitable, ill or poorly bred pets. Many of these pets end up needing to be rehomed or being treated at our animal hospitals, adding to our workload and costs.

Managing uncertainty

Covid-19 has created a great deal of instability and uncertainty. We know that employees are affected mentally by not knowing what the future holds for them, or what measures the charity will need to take to ensure continued financial sustainability. Managing this ongoing uncertainty is therefore crucial.

Possible increases in homeless pets

Blue Cross is concerned that, sadly, due to Covid-19 and the resulting financial hardship many families may experience in 2021, there will be a rise in the incidence of animal neglect and abandonment. We are also concerned for the welfare of horses who have been abandoned and left uncared for throughout the Covid-19 pandemic.

Financial review and outturn

Financial outturn

The overall result for the year was a surplus of £2.1m but only after government support of £1.7m and investment gains of £2m. Setting aside the government support (in the form of the furlough scheme and grants) and the investment gains, we made an operating deficit of £1.6m. This would have been far larger if it had not been for stronger than expected legacy income in the latter stages of the year, after Covid-19 had had a significant impact on the finances of the organisation throughout most of the year.

Our subsidiary the Blue Cross Trading Company continued to trade when possible throughout the year. Although Covid-19 had an impact on its activities it produced a profit of £386k that was donated to the charity.

We are immensely grateful to our supporters for their donations, and our people for their efforts during 2020; they have enabled us to stay financially solvent. Our teams have worked tirelessly to continue to bring in income and minimise costs wherever possible and it is only through this work we managed to end the year in a far more financially healthy situation than we were anticipating.

Income

We are dependent on donations for everything we do. On behalf of all the animals helped we would like to thank every one of our supporters for their generosity. We'd also like to thank our corporate partners, trusts and foundations, and individuals, especially those mentioned on page 49.

This year saw disruption to a number of our income streams due to Covid-19. At £19.9m (2019 £20.3m), legacy income under-performed our original budget but it did pick up considerably in the last four months of the year as Her Majesty's Courts and Tribunals Services (HMCTS) started to clear the backlog created by Covid-19 and previous processing delays. We believe we have a strong pipeline of legacy income that will come through over the next few years, after two years of disruption at HMCTS.

Fundraising income was at £9m (2019 £9.7m). We saw a marked downturn in areas like fundraising events and corporate donations but our core income stream of individual giving stayed remarkably strong, with our Covid-19 emergency appeal in April bringing in £335k, which was a record for a single appeal. We also received a healthy level of income from our philanthropy and trusts income streams. However, we struggled to recruit new donors, particularly

due to the restrictions on face-to-face fundraising, and this could have an impact on our future year income streams.

With Covid-19 forcing our shops to shut for a number of months our charity shop income dropped to £2.4m (2019 £4.4m). When our shops were able to open they performed strongly and this was typified by a hugely successful pre-Christmas sale. We did continue to expand our e-commerce offering and intend to grow this area further.

Service delivery income was also down, dropping to £1.5m (2019 £2.5m). This was again because we had to shut our service locations at points during the year and so helped fewer pets. We also had to carry out more services remotely, which led to fewer customers and beneficiaries donating than we believe would have happened if the same services had been delivered in person. We were also grateful to receive government grants totalling £798k for our shops and rehoming centre locations under the government's Covid-19 support scheme and we also benefitted from the rates relief scheme.

Expenditure

Our salary costs remained static at £21.5m (2019 £21.5m). We froze staff salaries for most of the year and minimised recruitment for all but essential roles. We awarded small performance related pay increases in September, as our financial situation started to improve, to reward our people for their hard work during the pandemic.

We furloughed a large number of employees throughout the year and received repayment under the government furlough scheme for 80 per cent of their salaries. We received a total of £950k under the scheme and the maximum staff we had furloughed at any time was 309. The charity took the decision to top up the earnings of furloughed employees to 100 per cent of their normal salaries throughout the year, which reflected the commitment we have to our people and also our appreciation of the understanding and loyalty of individual team members.

Operational costs and overheads dropped to £14.4m (2019 £18.3m). Primarily this decrease is due to lower operating costs due to the closure of a number of sites for periods of the year, delaying and minimising expenditure where possible and, sadly, Covid-19 limitations in our services leading to reduced activity and a decrease in pets helped numbers.

During the year, Blue Cross spent £25.9m (2019 £28.1m) on charitable activities, which represents

72 per cent of total expenditure in the year (2019 71 per cent). For every £1 invested in raising funds, we received £6.52 back (2019 £5.38).

Balance sheet

Our balance sheet comprises net assets of £71.8m (2018 £69.7m). The legacy debtor increased to £17m (2018 £16m). This was due to a large number of legacies being recognised in the last few months of the year. A high number of those estates have not yet managed to convert all assets to cash for distribution to Blue Cross and other beneficiaries, hence our debtor value has increased.

Work is progressing on redevelopment of our Hertfordshire site and this is represented as work in progress in our fixed assets at year end with a value of £1.46m.

Our cash holdings increased to £4.8m (2019 £2.3m). £2.5m of this increase was due to the additional borrowings we took under the government Coronavirus Business Interruption Loan Scheme. This was done to ensure that we had a strong cash flow in the latter stages of 2020 and into the early part of 2021 to support any operational needs due to the current uncertainties.

We also withdrew £1m of cash from our investment portfolio in April and agreed with our bankers, Barclays, to freeze all repayments on our existing loan of £8m until April 2021, to enable us to better manage our cash flow during the Covid-19 pandemic.

Investment policy and performance

The performance of the portfolio within the agreed risk profile was good in the turbulent conditions of 2020. The portfolio made a combined realised and unrealised gain of £2m (5.3 per cent) from the end of 2019. The portfolio lost considerable value in the early stages of the Covid-19 pandemic but then recovered steadily over the remainder of the year. The investment portfolio is managed on a discretionary basis, subject to appropriate policies and limits established by the Trustees.

We publish our investment policy on our website. This policy guides our investment decisions and makes sure we are considering the nature of our investments, to ensure that they reflect our values and principles, as well as driving a financial return for the organisation. The focus on sustainability investment has continued to progress throughout 2020 meaning that as at the end of 2020, 90.5 per cent of the portfolio is invested in companies demonstrating strong social and environmental management and corporate governance with clear positive ethical and sustainability attributes. These are classified as 'thematic', 'ESG leader', 'responsible'

and as 'sustainability features'. The remainder is invested in Government stock and cash. We will continue to work closely with Rathbones Greenbank to ensure that our portfolio is supporting the changes we believe are necessary in the world today. During the year the Investment sub committee undertook a detailed review of investments in collective funds to understand further where there might be risks of conflict with our investment policy. We will be further reviewing this area and updating our investment policy accordingly in 2021, as part of the annual review the Trustees undertake of the policy in conjunction with our investment advisors. The charity also holds cash as part of its liquid reserves and does seek to obtain a return on these amounts, while minimising the risk of any loss on these holdings. The target for the overall portfolio is Consumer Price Inflation plus 3 per cent and in the year to 31 Dec 2020 it generated a total return of 8.3 per cent. This total return figure includes investment income and unrealised and realised gains.

Accounting policies

There have been no changes of accounting policies during the year. The 2020 annual report and financial statements have been prepared in accordance with current statutory requirements, the Memorandum and Articles of Association, Companies Act 2006, Charities SORP – issued 2019 and Charities and Trustee Investment (Scotland) Act 2005.

Planned expenditure

Our capital expenditure plans are shown in Note 20 to the accounts.

Reserves policy

The charity holds general reserves to support the organisation in countering short term financial risks, while recognising the interaction between reserves and long term strategic objectives and capital plans. The Board's policy is to maintain sufficient unrestricted liquid reserves to counter the most significant short term financial risk to the organisation, which has been identified as a sudden fall in income. Liquid, unrestricted reserves is defined as the total balance of cash, debtors (excluding debtors related to legacies), investments and creditors that the charity holds, minus the balance of any restricted funds. This differs from the standard definition of free reserves due to the exclusion of the legacy debtor. This is excluded due to its potential for a high level of illiquidity, as it is dependent on the relevant estates being converted to cash for distribution by executors.

The appropriate benchmark has been determined as the ratio of liquid, unrestricted reserves to the amount

required to cover the following expenditure:

- Six months' future budgeted expenditure which has been determined as being a sufficient timeframe to manage material cost reductions or fund emergency appeals while minimising the impact on our service delivery and core organisational capabilities
- All contracted capital expenditure
- All expenditure committed under leases through to their expiry

The Board reviews this measure annually and has decided that the minimum target ratio is 0.5, subject to minimum liquid, unrestricted reserves of £15m. At 31 December 2020 the charity was operating at a ratio of 1.06 (2019 1.0) with a liquid, unrestricted reserve of £29.2m (2019 £28.2m).

Free reserves at year end are £46.2 million (2019 £44.2 million).

Risk management

Blue Cross Trustees are responsible for identifying and assessing risks and opportunities for the organisation and deciding how best to deal with them. This includes assessing whether they are manageable and worth taking or where exposure is too great to continue with operations. They are supported in this by the Executive Team, who manage those identified risks on a day-to-day basis. The Audit Committee reviews the effectiveness of assurance processes and the management of key risks, including undertaking detailed reviews of key risks to assure themselves that they have been correctly identified and mitigations are appropriate and effective.

2020 was dominated by the impact of Covid-19 on the country and on the charity. Throughout the year Trustees and the Executive Team focussed on the impact of Coronavirus on our existing risks, and the identification of new risks posed by the unusual conditions. An additional strategic risk has been identified specifically dealing with Covid-19, and this has been updated on several occasions as the external environment has changed. This is clearly a priority area for the Executive Team and Trustees to keep under continuous review as we move into 2021.

Throughout 2020 management assurance reviews took place on all the strategic risks during the year by the designated Executive Team member responsible for each risk. The assurance map, which is a comprehensive summary for the Board of the sources and quality of assurance the strategic risk owners use when forming their opinions of how risks are being managed, continues to mature so that this can become an integral part of our risk and assurance framework.

The charity has an in-house internal audit function, reporting to the Audit Committee. Each year the Head of Internal Audit agrees a programme of work to be undertaken, focused on the main risks of the charity, to provide the Board with assurance

over governance, risk management and internal controls. Due to the impact of the pandemic, a number of operations and controls needed to be adapted to new working arrangements such as more staff working remotely. Delivery of the internal audit programme was also affected by operational challenges from working remotely, but refocused effectively to provide assurance over these new working arrangements.

Principal risks and uncertainties

The following are the principal strategic risks that were considered to be present at the end of 2020. All but the last were also principal strategic risks at the end of 2019:

- Adverse publicity leading to reputational damage
- Failure to respond to changes in the external environment, demography and/or service user needs
- Lack of financial sustainability
- Failure to recruit or retain the right people
- Weak, inadequate or failure of corporate governance
- Inability to respond to significant organisational disruption
- Failure of IT systems (including website) due to internal errors or external attacks from hostile third parties
- Inability to respond appropriately to changes in Covid-19 guidelines based upon the regulatory requirements at a National and/or local level.

For each of these risks there is an assigned owner on the Executive Team and a detailed plan of controls to protect the organisation, either by reducing the likelihood of them occurring or reducing their impact if they do occur.

Actions to mitigate the failure of IT systems are underway following the strengthening of the IT function, with further control improvements planned for 2021. The other principal strategic risks are all being considered as part of the charity's ongoing strategic review. The risk management priority for 2021 will be ensuring that we consider the implications of existing risks, as well as identifying any new principal risks and opportunities connected with the development of our new strategy. The aim is to make sure that appropriate strategies are in place to address these risks.

The charity is seeking to delegate operational risk management and control activities where appropriate to our people across the organisation

and develop a culture of local accountability and responsibility. More work needs to be done to ensure this aim is delivered consistently across the charity, and therefore we will build on the work undertaken in 2020 to further improve our control culture and risk management processes and embed them in the culture of the organisation through training and awareness raising.

We will continue with data cleansing work to improve the clarity and usefulness of our risk management data to provide decision makers with a more effective resource, while pushing risk management and ownership to more frontline managers to allow for improved accountability and responsiveness.

Structure, governance and management

Governance

Blue Cross was founded in 1897 under our former name, Our Dumb Friends League. The organisation is a charitable company limited by guarantee, incorporated on 11 September 1940 and registered as a charity on 8 February 1965.

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. These Articles were reviewed in 2012 and updated in line with current legislation and the amended Articles were approved at an Extraordinary General Meeting on 14 November 2012.

The charity is registered in Scotland with the OSCR (registration number: SC040154). The primary focus of its work in Scotland is the delivery of educational talks and working with the Scottish government on a range of animal welfare measures, to try and improve the lives of pets in Scotland.

Trustees

Blue Cross is governed by a Board of Trustees, all of whom are Members of the charity and are volunteers. Trustees meet a minimum of four times per year. The Articles of Association require a minimum of five Trustees and a maximum of 15.

During the year the actual number of Trustees varied between 12 and 15 at any one time, as shown on page 48.

In appointing Trustees, the Board is mindful of the need to ensure diversity and that a wide range of skills and experiences appropriate to the charity's activities are represented. Recruitment of Trustees is delegated to a committee of Trustees under the Chairman's leadership, which makes recommendations to the Board. In its recent recruitment, the Board has sought to achieve greater diversity and to lower the average age of Trustees. It also aimed to ensure there are a sufficient number of potential future trustees by appointing a number of independent members and an observer. No more than one third of Trustees at any time can serve beyond nine years where their skills and experience are desirable to be retained. The ongoing contribution of such Trustees is reviewed annually by the Board.

The Chairman is subject to an annual appraisal process by a senior Trustee based on feedback from each Trustee. The Chairman discusses on an annual basis with each Trustee their current and future contribution and any development needs.

Trustees attend development days as part of their continuing professional development. In 2020, Trustees took part in virtual workshops regarding a number of aspects of the future Blue Cross strategy, to ensure there was a strong understanding of the overall strategy and these specific areas of development.

The Trustees regularly review governance best practice and pay particular attention to the Charity Commission Governance Code, using it as a benchmark to guide their activities as Trustees

and ensure that they are giving sufficient time and attention to the seven principles contained within it. In 2020 they ensured that progress was made with the two key areas identified in 2019: Equality Diversity and Inclusion (EDI) and Risk management. The Covid-19 pandemic limited to some extent the steps that could be taken and so we will continue to focus on moving forwards with the areas of EDI and Risk management, with particular focus on how we make sure our Board and organisation is diverse and reflects all parts of society.

The Trustees have received and reviewed the refreshed Charity Commission Governance Code issued on December 2020. We have done an initial assessment on the expanded sections on Integrity and EDI. This did not reveal any large gaps in our approach to these areas but we have built any additional actions into our plans for 2021. We will do a complete review of all areas of the Governance Code again in 2021 and then plan to have an independent review of our performance against the code conducted in 2022.

Independent Board Members and observers

In 2020, as a result of the review of governance, the Board appointed two Independent Board members, who attend board and committee meetings and participate fully in discussions and share their expertise although they do not have formal voting rights. The Board also appointed an independent member of the audit committee who participates on that committee on a similar basis. In addition, as part of a Board development initiative, they appointed an Independent Observer who attends committees.

Related Parties and subsidiary charities

The charity has two subsidiary undertakings, Blue Cross Trading Company Limited and Blue Cross D&B Limited. The results of these subsidiaries are included in the charity's consolidated financial statements. Further information on these subsidiaries can be found in Notes 17 and 18 of the financial statements.

There are also a number of other related parties and subsidiary charities. Full details of these can be found in note 19 of the financial statements.

Committees

In addition to the main Board there are five committees which operate under the delegated authority of the full Board and advise or make recommendations.

These committees are:

Audit Committee (Audit): satisfies itself on behalf of the Board that adequate and effective systems of governance and risk management are in place across the organisation.

Commercial and Retail Committee (Comco): considers all matters relating to the commercial, marketing, communications and income generating activities of the charity.

Finance and Support Committee (Fisco): supports the implementation of the charity's strategic plan and oversees financial and operational effectiveness against agreed business plans and the annual budget.

Remuneration Committee (Remco): considers the remuneration of the Chief Executive and Executive Team (see page 22) and overall pay policy of the charity.

Service Delivery Committee (Sedco): monitors the strategic and operational performance of the service delivery activities of Blue Cross, against the agreed business delivery plan, and encourages innovation and continuous improvement.

The Investment Subcommittee (ISC): is a subcommittee that reports direct to Fisco and meets quarterly with our investment managers to review investment performance and ensure investments are held in accordance with Blue Cross's ethical investment policy.

Membership of these committees and sub-committee at 31 December 2020 is as follows:

Zair Berry FCA Comco, ISC (Chairman), Sedco (due to retire June 2021)

Catherine Brown Fisco, ISC, Remco (elected 2016)

Professor Stuart Carmichael BVMS, MVM, DSAO, MRCVS Audit, Sedco (elected 2019)

Niki Brooks-Coppard Fisco, Remco (elected 2020)

Lara Dewar (Independent member) Comco, Fisco (appointed 2020)

Clive Everest MA, FCA Audit (Chairman), Fisco (elected 2017)

Alison Forrestal (Independent member) Comco, Sedco (appointed 2020)

Caroline Gosling Comco, Fisco (elected 2019)

Nico Lutkins Comco, Fisco (elected 2017)

Chris Martin BSc Comco, Fisco (elected 2019)

Joseph Nhan-O'Reilly Audit, Sedco (elected 2020)

Dr Nick Park BVetMed Audit, Sedco (elected 2020)

Charmion Pears Fisco (Chairman), ISC, Sedco (elected 2020)

Tim Porter FCA Chairman of the Board (elected 2012)

The Hon Fleur Roper-Curzon Comco, Fisco, Remco (due to retire June 2021)

Dr Jeremy Stewart BVetMed CertVR MRCVS Comco, Sedco (Chairman) (elected 2015)

Stephen Swift Comco (Chairman), Fisco, ISC, Remco (Chairman) (elected 2012 and 2015)

Helen Wilkie FCA Independent member of the Audit Committee (appointed 2020)

As Chairman of the Board of Trustees, Tim Porter is an ex-officio Member of all committees. Dr Jeremy Stewart is the Trustee overseeing safeguarding. Vikramaditya Ghosh attends committees as an observer. Any expenses reclaimed from the charity by Trustees are set out in note 6 to the accounts.

In recruiting Trustees and Independent Board Members a skills matrix is employed. They contribute Veterinary, Animal welfare, Commercial, Marketing, Fundraising, Strategy, Communication, Governance, Banking, Finance, HR, Technology, Education and Advocacy skills.

Membership

On 31 December 2020 there were 73 Members of Blue Cross entitled to vote at the AGM. Admission to Membership requires approval of the Trustees.

Executive Team

The Trustees delegate responsibility for the day to day management of the charity to the Chief Executive and the Executive Team who also attend Board and Committee meetings as required. The Executive Team reports to the Board on the performance of their respective directorates against the strategic plan set out by the Trustees and on financial and operational trends measured against the annually approved budget. Key performance indicators are in place to facilitate this process.

Members of the Executive Team at 31 December 2020 were as follows:

Chief Executive **Chris Burghes**

Chief Financial Officer and Deputy Chief Executive **Iain Heaton**

Director of Clinical Services **David Catlow**

Director of Fundraising, Marketing and Communications **Julia McKechnie-Burke**

Director of People and Development **Beth Verrechia**

Director of Rehoming Services **Kelly Grellier**

Chief Information Officer **Phillip Edwards**

Remuneration Committee report

Composition and role

The remuneration committee met twice in 2020. Its members are the Chairman and three Trustees and it is attended by the Chief Executive and the Director of People and Development, who are not present when their performance and remuneration are discussed. No other executives attend the committee.

The objectives of the committee are to:

- review and recommend the remuneration of the Executive Team
- review and approve Blue Cross's overall pay policy
- conduct the Chief Executive's annual review and set their objectives for the forthcoming year

- review and approve any proposed settlement payment proposals to be made

All recommendations made by the committee must then be approved by the Board.

In framing the remuneration policy the committee has fully considered the recommendations of the annual survey of the Association of Chief Executives of Voluntary Organisations (ACEVO) and the National Council of Voluntary Organisations (NCVO) report of April 2014 into charity senior executive pay and guidance for Trustees in setting remuneration.

In 2019 the committee approved total settlement payments to three individuals. Details of these payments are included in Note 6 of the accounts.

Remuneration of Executive Team

Remuneration of the Executive Team comprises annual salary, car allowance, life assurance, pension contribution and continuity of salary in the event of long-term illness. Salary reflects individual performance and experience. Life assurance, pension and salary protection for long-term illness are available to all Blue Cross employees.

The remuneration of the Executive Team is reviewed annually based on sector Xpert HR data. Blue Cross aims to pay the voluntary sector median salary for its senior executives. Total remuneration of the Executive Team is included in Note 6 of the accounts.

The ratio of remuneration of the highest paid employee (£132,000 pa) to the average remuneration of employees (£24,172 pa) was 5.46 (2019 5.01) times to 1.

Fundraising standards

Continuing to build public trust in charity fundraising is vital and it is extremely important to us that we demonstrate our transparency and impact as much as possible. Standards we apply to our fundraising include:

Open and accountable fundraising

We tell our supporters how they can easily change their preferences and we give them the ability to decide exactly what they want to receive. In 2019 we provided this opportunity in every mailing we sent. We regularly ask supporters if they are happy with what they receive from us at the end of every phone call.

Communicating with our supporters

We regularly update our supporters through our supporter magazine, letters and emails about how we spend their valuable donations to help pets in need.

Complying with laws, regulation and standards

We are a member of the Institute of Fundraising and comply with the Fundraising Regulator code of practice. We also work with other charities to share and learn best practice across the sector. In 2020 we were part of the Compliance Forum, alongside other charities.

Protecting vulnerable people

We train our teams to be aware of the needs of vulnerable people and plan to undertake further training in 2021 to create better understanding of people with mental health problems and how to communicate better with them. You can see our approach to vulnerable people on our website.

Complaints and negative feedback

We treat all complaints seriously and respond quickly and fairly. We use the feedback that we get from our supporters and customers to better understand their experience and to help improve the way we do things.

Working with partner agencies

We continue to work with trusted suppliers and, where we need to identify new suppliers, we use a comprehensive procurement process wherever possible. Through this process we aim to ensure we deliver the best in terms of supporter care, value for money and are fully compliant with UK laws, regulations and standards. Regular reviews are also undertaken for all key suppliers and performance monitored on an ongoing basis.

Our full supporter charter, complaints procedure and fundraising policies can be read on our website: bluecross.org.uk/supportercharter

We undertake a range of fundraising activities to encourage the donations that are so vital to funding our work, both through our own internal teams and by employing external fundraising agencies. In 2019 we partnered with Capll to provide our door-to-door fundraising. Each external company we work with on fundraising is carefully selected through an agreed process and monitored as they conduct work as ambassadors of Blue Cross. In 2020 we received 171 complaints about our fundraising (2019 201). The number differs from that submitted to the Fundraising Regulator (a total of 212 complaints year ending 31 March 2020) as we are now required to report in line with the financial year.

We are also proud to have committed teams of volunteer fundraisers based around our Blue Cross rehoming centre and animal hospital sites who engage in raising funds within the local community. In spite of the challenges they faced in 2020, they made a valuable contribution to generating income for our charity.

Engagement with stakeholders

Engagement with employees

We know that to be successful we need a happy and engaged workforce. We always look to engage and consult with our employees when making decisions regarding the operations and the future of the charity and to get their input to ensure we make decisions that reflect the reality of what they are seeing every day in their roles. This engagement is done through a number of formal channels, such as staff forums, conferences and surveys, as well as more informally through conversations between team members and the Trustees. The Executive Team will also act as a conduit for the views of our people; conversations between the Executive Team and employees take place throughout the year to get their input on what they feel the crucial areas are that the charity needs to focus on to ensure it continues to deliver on its charitable objectives.

Business relationships

In order to ensure that Blue Cross continues to thrive we look to establish strong working relationships with our suppliers, customers and any other stakeholders, such as our partner vet practices. Most of the direct engagement with these groups is delegated by the Board of Trustees to the Executive Team, who then ensure that supplier, customer and many other major relationships are well looked after throughout the organisation by ensuring the correct practices and policies are in place.

Major supplier agreements and relationships such as those with our partner vet practices will be subject to regular communication and review meetings to ensure that both sides are comfortable with the relationship and any points of concern can be addressed quickly. These will be carried out by the relevant team or person within Blue Cross who owns the relationship with the supplier in question. We also engage with our suppliers on areas such as the Modern Slavery Act 2015 to help ensure that their standards and practices are in line with our own.

Our customers constitute a wider body of people and other organisations, including customers in our shops, members of the public adopting pets in our rehoming centres, pet owners seeking veterinary care in our hospitals and the many thousands of donors who support our work every year. Indeed some people will be in a number of these groups of customers.

We look to engage with all these groups through a variety of communication means, such as face to face conversations, emails and supporter magazines. We always welcome feedback and our Supporter Care Team capture any complaints or compliments that are raised with them and then pass this information on to the relevant teams within the organisations so it can be considered as part of constantly reviewing working practices.

Major donor relationships, be they individuals or in areas such as trusts, will have regular ongoing engagement, through meetings and other communication means to ensure that the donors are fully aware of how their generous gifts are being utilised. We communicate regularly to all our donors via mail and email, though making sure we take into account their communication preferences and consent in line with GDPR regulations.

Equality, diversity and inclusion (EDI)

As a values-led organisation, we aim to ensure that the values, encompassing equality and diversity, are at the heart of all we do in both the services we provide and as an employer. There has been a strong focus on inclusion during 2020 and we have made significant progress.

In July 2020 we held our first EDI online workshop, for both volunteers and employees. We explored what we thought inclusion should look like at Blue Cross and welcomed feedback from attendees. We have been resolute in our desire to keep engaging our people in the EDI dialogue and as such have run several webinars, created an EDI newsletter which will be published on a quarterly basis and have a dedicated EDI page on our internal intranet. This intranet page is a place where people can share best practice and gain access to a host of resources and information.

We now have nine EDI workstreams which focus on specific subjects such as age; disability; LGBTQ+/gender; mental health; neurodiversity; race; religion and belief; sex and socio economic. These groups meet on a regular basis to discuss best practice, seek feedback from our people and offer appropriate support. Their findings and recommendations are reported and form part of the organisational EDI

action plan. Specific actions on the organisation action plan include reviewing our estates for accessibility, particularly for disabled/older people but also regarding quiet spaces, faith rooms, breastfeeding spaces, gender free facilities and reviewing all our databases to ensure there are non-binary options on pronouns.

A number of changes have taken place during 2020 as a result of our EDI work including, but not limited to, revised EDI job statements in all adverts; the use of a diversity job board when recruiting; the use of gender pronouns on our e-signatures and providing hardship loans for laptops for those home schooling.

We continue to work towards four broad objectives that we consider to encompass best practice:

- To develop and deliver our services and ways of working to ensure they are inclusive and accessible to the people they're intended for
- To ensure equality, diversity and inclusion is embedded within the values of Blue Cross and viewed by all as integral to what we do
- To commit to a zero tolerance approach to discrimination and/or harassment
- To equip our people to deliver services that are focussed on the user and that provide social value

Safeguarding

What does safeguarding mean for us?

As an organisation we regularly come into contact with children, young people and adults who could be at risk of harm. We have a responsibility to make sure anyone working for or using Blue Cross services are safe from harm. We take this responsibility very seriously.

We are committed to ensuring that:

1. Anyone who works for Blue Cross or who uses our services are safe
2. People can rely on us to be aware of what's going on and to take the appropriate action to protect them
3. People know who they can talk to or where to get help

We have a number of measures in place to help us fulfil our responsibilities:

- A dedicated support phone line and email, which is open seven days a week 24 hours a day
- An intranet site containing a wealth of information and resources relating to safeguarding
- On-line safeguarding training for everyone, which is compulsory for managers and Trustees and signposting to information detailing how to report a concern
- Appointment of designated safeguarding leads and a Trustee responsible for safeguarding
- A safeguarding board which meets every six weeks to review cases and implement best practice initiatives
- Robust policies, procedures and code of conduct, supported by frequent monitoring and reporting to the Executive Team and Trustees

This year, we capitalised on National Safeguarding week (w/c 16 November) to help raise awareness of Safeguarding within Blue Cross. We held two live webinar events as part of Blue Cross Safeguarding

Week. The aim of the week was to give our people more confidence in knowing where to get help and how to respond when safeguarding situations arise.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the strategic report, the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charity and of the incoming resources and application of resources, including the income and expenditure, of the group and charity for that period.

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website

is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

At the time of approval of the report, as far as each of the Trustees are aware there is no relevant audit information of which the auditors are unaware and, the Trustees have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

BDO LLP acted as charitable company's auditors during the year. In 2021 we will formally tender our external audit relationship, in line with guidance for strong charity governance.

The Trustees' report and strategic report were approved by the Trustees in their capacity as Directors of the company on 1 April 2021 and are signed on their behalf by:



Tim Porter FCA Chairman

Independent auditor's report

To the Members and Trustees of Blue Cross

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 December 2021 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010.

We have audited the financial statements of Blue Cross ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the consolidated statement of financial activities, the consolidated statement of financial position, the consolidated cash flow statement 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

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

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report & Accounts, other than the financial statements and our auditor's report thereon. The other information comprises: Welcome from our Chairman and Chief Executive, Trustees Report (incorporating the Strategic Report) and Thank you. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the Trustees' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report, which are included in the Trustees' Report, have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Trustee's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 requires us to report to you if, in our opinion;

- proper and adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees 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 Trustees are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the sector in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error, the Group's compliance with laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 and other laws and regulations applicable to the group such as employment law, taxation legislation, data protection, health and safety legislation and the Animal Welfare Act 2006. We considered financial performance, key performance indicators and other performance targets. We also considered the risks of non-compliance with requirements imposed by the Charity Commission, and other regulators, and we considered the extent to which non-compliance might have a material effect on the group financial statements.

We also communicated relevant identified laws and regulations, potential fraud risks and that there were no known matters of significant non-compliance

with laws and regulations, to all engagement team members including internal specialists audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

As a result of these procedures we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: donations and legacy revenue recognition.

Our tests included:

- agreeing the financial statement disclosures to underlying supporting documentation
- enquiries of the Audit Committee, management and internal audit, review of minutes of meetings of those charged with governance
- reviewing correspondence with HMRC
- reviewing a sample of gift aid claims and ensuring these have been made in accordance with the regulations
- challenging assumptions made by management in their significant accounting estimates in particular in relation to the legacy accrual
- enquiries of third parties, where information from that third party has been used by the Group in the preparation of the financial statements
- reviewed any Serious Incident Reports submitted to the Charity Commission and performed an assessment of any Whistleblowing matters and
- performed audit procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluations, whether there was evidence of bias in accounting estimates by management or the Board that represented a risk of material misstatement due to fraud.

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

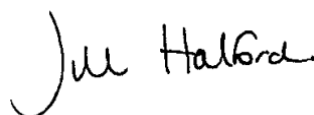
A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charitable Company's trustees, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charitable Company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company, the Charitable Company's members as a body and the Charitable Company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Jill Halford Senior Statutory Auditor

For and on behalf of BDO LLP, statutory auditor
London, UK

Date: **2 April 2021**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financials

Consolidated statement of financial activities incorporating an income and expenditure account

for the year ended 31 December 2020

	Note	Unrestricted Funds £'000	Restricted Funds £'000	2020 Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	2019 Total £'000
Income and endowments from:							
Donations and legacies		25,219	3,689	28,908	24,225	5,824	30,049
Charitable activities		1,526	-	1,526	2,506	-	2,506
Other trading activities		3,065	-	3,065	5,163	-	5,163
Investment income		786	-	786	1,025	-	1,025
Grant income		1,748	-	1,748	-	-	-
Net profit on sale of asset		16	-	16	1,181	-	1,181
Total income	3	32,360	3,689	36,049	34,100	5,824	39,924
Expenditure on:							
Charitable activities:							
Clinical		(10,186)	(846)	(11,032)	(7,941)	(3,353)	(11,294)
Rehoming		(6,984)	(3,592)	(10,576)	(8,823)	(2,704)	(11,527)
Raising awareness		(3,259)	-	(3,259)	(4,072)	-	(4,072)
Advice and support		(1,081)	-	(1,081)	(1,177)	-	(1,177)
Raising funds		(4,432)	-	(4,432)	(5,589)	-	(5,589)
Other trading activities		(5,495)	(25)	(5,520)	(6,108)	-	(6,108)
Total Expenditure	4	(31,437)	(4,463)	(35,900)	(33,710)	(6,057)	(39,767)
Net income/(expenditure)		923	(774)	149	390	(233)	157
Net gains on investments	9	1,970	-	1,970	4,920	-	4,920
Net movement in funds		2,893	(774)	2,119	5,310	(233)	5,077
Reconciliation of funds							
Total funds brought forward at 1 January		67,144	2,571	69,715	61,834	2,804	64,638
Total funds carried forward at 31 December	15	70,037	1,797	71,834	67,144	2,571	69,715

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 16 to the financial statements.

Total net profit for the parent entity during the year was £2.12m (2019 £5.08m).

Consolidated statement of financial position

for the year ended 31 December 2020

	Note	As at 31 December 2020		As at 31 December 2019	
		Group £'000	Charity £'000	Group £'000	Charity £'000
Fixed assets					
Tangible assets	8	23,421	23,421	22,661	22,661
Investments	9	37,757	37,757	37,413	37,413
		61,178	61,178	60,074	60,074
Current assets					
Stocks	10	368	156	329	155
Debtors	11	18,852	19,128	19,254	19,673
Cash and cash equivalents		4,828	4,600	2,301	1,880
		24,048	23,884	21,884	21,708
Liabilities					
Creditors: Amounts falling due within one year	12	(11,392)	(11,228)	(6,243)	(6,067)
		12,656	12,656	15,641	15,641
Creditors: Amounts falling due after more than one year	13	(2,000)	(2,000)	(6,000)	(6,000)
		71,834	71,834	69,715	69,715
The Funds					
Restricted funds	16	1,797	1,797	2,571	2,571
Unrestricted funds		64,239	64,239	63,343	63,343
Fair value investment reserve		5,798	5,798	3,801	3,801
		71,834	71,834	69,715	69,715

The notes 1 to 22 form part of these financial statements.

Approved by the Trustees on 1 April 2021 and signed on their behalf by



Tim Porter FCA
Chairman



Stephen Swift
Vice Chairman

Company number 363197

Consolidated cash flow statement

for the year ended 31 December 2020

	2020 £'000	2019 £'000
Net cash provided by operating activities	663	(1,011) Table A
Cash flows from Investing activities		
Dividends, interest and rents from investments	784	1,014
Proceeds from sale of property, plant and equipment	16	-
Purchase of property, plant and equipment	(2,445)	(1,871)
Purchase of investments	(7,380)	(7,838)
Proceeds from sale of investments	9,006	6,680
Net cash used in investing activities	(19)	(2,015)
Cash flows from financing activities		
Interest received	2	11
Interest paid	(119)	(179)
Repayment of borrowing	(500)	(500)
Cash inflow from new borrowing	2,500	-
Net cash (used in)/provided by financing activities	1,883	(668)
Change in cash and cash equivalents in the year	2,527	(3,694)
Cash and cash equivalents at beginning of year	2,301	5,995
Cash and cash equivalents at end of year	4,828	2,301 Table B
Table A		
Net income for the year	2,119	5,077
Depreciation of fixed assets	1,662	1,686
Dividends, interest and rents from investments	(784)	(1,014)
Interest received	(2)	(11)
Loss on disposal of fixed assets	7	-
(Gains) on investments	(1,970)	(4,920)
Interest paid	119	179
	1,151	997
Working capital movements		
Increase in stocks	(39)	70
Decrease/ (increase) in debtors	402	(2,780)
(Decrease)/ increase in creditors	(851)	702
Net cash provided by operating activities	663	(1,011)
Table B		
Cash at bank and in hand	4,828	2,301
Total cash and cash equivalents	4,828	2,301

Analysis of changes in net debt are included in the note 14.

Notes to the financial statements

for the year ended 31 December 2020

1. Company status

Blue Cross is a registered charity constituted as a private company limited by guarantee and does not have share capital. The liability of each member is limited to £1. It is registered in the United Kingdom under company registration number 00363197 and charity registration number 224392. Its registered address is Shilton Road, Burford, OX18 4PF.

2. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and preceding year, is set out below:

a) Basis of accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (FRS 102) 2nd edition October 2019, applicable accounting standards, the Companies Act 2006, and the Charities and Trustee Investment (Scotland) Act 2005.

The financial statements consolidate the results of the Charity and its wholly-owned subsidiaries Blue Cross Trading Company Limited and Blue Cross (D&B) Company Limited on a line by line basis. Transactions and balances between the Charity and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the organisations are disclosed in the notes. Detailed profit and loss accounts of Blue Cross Trading Company Limited and Blue Cross (D&B) Company Limited are disclosed in notes 17 and 18.

A separate Statement of Financial Activities, or income and expenditure account, Statement of cash flows and corresponding notes for the Charity itself is not presented because the Charity has taken advantage of the exemptions afforded in Section 408 of the Companies Act 2006.

b) Going concern

The directors are of the opinion that the company has adequate resources to continue to operate for the foreseeable future, being not less than one year from the date of approval of the financial statements. They have formed this opinion after reviewing future forecasts and cash flows that take into account the impact of Covid-19 on the organisation. The company did take on additional borrowings of £2.5 million in 2020 to ensure it had sufficient cash flow, without having to call on its reserves. These borrowings are repayable over the next five years and have been included in future forecasts. There are £8 million of borrowings due for repayment in April 2021. The intention is to repay £3 million of these borrowings, using a combination of cash at bank and by realising cash from the investment portfolio, and refinance the remaining £5 million. The terms of this refinancing is currently being finalised with the company's bankers. Covid-19 is likely to have a continued impact on a number of income streams in 2021 but the organisation is able to adapt its cost base to cope with a lower level of income and this change, combined with the fact that the Company continues to hold a healthy level of reserves, means it will have sufficient resources to continue as a going concern through the disruption caused by Covid-19 and beyond. For these reasons, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

c) Critical accounting judgements and estimates

In the process of applying its accounting policies, Blue Cross is required to make certain estimates, judgements and assumptions that it believes are reasonable, based on the information available. These estimates, judgements and assumptions affect the amounts of assets and liabilities at the date of the accounts and the amounts of income and expenditure recognised during the reporting period.

On an ongoing basis, estimates are evaluated using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2020

The following paragraphs detail the certain estimates, judgements and assumptions Blue Cross believes to have the most significant impact on the annual results under the Charities SORP (FRS 102).

i. Income recognition – Blue Cross recognises income on a receivable basis where the amount is reliably measurable and there is adequate probability of receipt. Income recognition policies are detailed in the accounting policy for income and legacies. When it is considered that the key criteria of entitlement, probability and measurement for income recognition are not fulfilled for a transaction, income recognition is delayed until these have been judged to have been met. Payments received in advance of income recognition are recorded as deferred income.

ii. Tangible fixed assets - the charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life. Increasing an asset's expected life would result in a reduced depreciation charge.

The useful lives of Blue Cross' assets are determined at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Depreciation policy is detailed in the accounting policy for depreciation.

iii. Accruals, provisions and contingencies - Expenditure incurred in the reporting period where there is uncertainty as to the final amount to be paid is accounted for on the basis of an estimated value where this treatment is viewed as appropriate. An accrual is recognised when it is probable that an obligation exists for which a reliable estimate can be made. The amount may change in the future due to new developments or as additional information becomes available. Matters that either are possible obligations or do not meet the recognition criteria for a provision are disclosed as contingent liabilities, unless the possibility of transferring economic benefits is remote, in which case no reference is made.

iv. Classification of leased assets - leases held are analysed in order to determine where the risk and reward of the ownership of the asset lies and subsequently classified as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and additional assets are recognised within tangible fixed assets.

d) Income

All income is recognised when the Charity is entitled to the income, it is probable that income will be received, and the amount can be measured reliably. Specific policies for certain types of income are as follows:

i. Raffle income is recognised when the cash is received, and sponsorship income is accounted for when receivable.

ii. Income from Blue Cross Shops includes the sale of donated goods through shops and the income

iii. Income from trading subsidiaries is represented by the commission receivable and on goods sold during the year, excluding VAT.

iv. Investment income is accounted for when receivable.

v. Clinical, Rehoming and Rehabilitation income is accounted for when receivable and includes any associated donations.

vi. Gifts in kind are valued at cost where material and quantifiable.

vii. The policy for legacy income is shown in note 2e below.

viii. Government grants are recognised when conditions of entitlement are met.

e) Legacies

Incoming resources are included gross in the Statement of Financial Activities when the charity is entitled to the income at the date of probate, provided that sufficient information has been received to value the charity's entitlement. Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted and they can be

valued with reasonable certainty. Legacies are included at 95 per cent (2019: 95 per cent) of the estimated value to reflect the inherent uncertainty that exists where a substantial proportion of the estimated income is represented by property and other investments whose value is subject to market fluctuations until realised. This rate is based on historical rates of actual receipts.

Blue Cross is also entitled to receive income from approximately another 130 legacies (2019: 133), which are subject to life tenancies and trust funds and which mainly comprise shares in properties and investments. As Blue Cross' interest is reversionary, income from these legacies is not recognised at this stage. Blue Cross maintains a legacy pipeline system, which in addition to including the above includes further estimated legacy values that do not meet the recognition criteria, and which therefore have not been included in these accounts. See note 3.

f) Tangible fixed assets

Tangible fixed assets represent freehold land and buildings, motor vehicles and equipment. All fixed assets with an expected life of more than one year are included at cost and depreciated on the basis outlined below (except for freehold land). Freehold land is stated at cost.

g) Intangible fixed assets

Intangible fixed assets represent licences and warranties in respect of purchased software and hardware. These are stated at cost less accumulated amortisation. The cost includes cost of asset purchases and other directly attributable costs.

h) Depreciation

The depreciation is charged from the date of acquisition or practical completion of works. The Board has set depreciation rates that are prudent and realistic and use the following rates, all on a straight-line basis, to reduce by annual instalments the cost of the tangible assets over their estimated useful lives:

Freehold properties - hospitals and administration	50 years
Freehold properties - rehoming centres	25 years
Leasehold improvements	5 years
Equipment	4 years
Motor vehicles	3 years
PC and other IT equipment	4 years
Software Warranties and Licenses	4 years

The land element of properties is not depreciated but is tested for impairment.

All additions to fixed assets purchased for more than £5,000 (PC and other IT equipment for more than £500) are depreciated on the basis outlined above. Those that cost less than £5,000 (PC and other IT equipment that cost less than £500) are written off in the year of acquisition.

i) Investments

Investments held as fixed assets are revalued at bid price at the balance sheet date, except for investments in subsidiaries which are valued at cost. The gain or loss for the period is taken to the Statement of Financial Activities.

j) Stocks

Stocks are valued at the lower of cost and net realisable value. Full provision is made for slow moving and obsolete items. The cost comprises raw materials, direct labour and other direct costs but excludes borrowing costs. Stocks also include property under development for future sale.

k) Expenditure

All expenditure is accounted for on an accruals basis and has been listed under headings that aggregate all costs relating to that category. Where costs cannot be directly attributed to an activity or function they have been allocated on a basis of head count, along with a fair proportion of overhead costs.

Costs of generating funds relate to those costs incurred in seeking voluntary donations or as incurred in publicising or marketing the charity. All investment management charges and the costs associated with the trading company, Blue Cross Trading Company Limited, are also included. Charitable activities are all costs incurred in meeting the core objectives of the charity.

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2020

Dilapidations have been calculated on properties where the lease has or is about to expire. Dilapidations are based on contractors' quotes or estimated costs to return the building to the condition that it was in when first leased. Irrecoverable VAT is included in relevant expense categories.

Governance costs are the costs associated with the governance arrangements of the charity. This includes internal and external audit fees and other costs that have arisen from constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

A liability for termination benefits is recognised when the charity is demonstrably committed to:

- terminate the employment of employees before normal retirement date
- termination benefits have been offered to encourage voluntary redundancy.

A termination benefit is recognised as expenditure immediately on recognition. The liability is recognised as the best estimate of the cost at the reporting date.

The support cost of management and administration of the charity (including governance costs), comprising the salary and overhead costs of the central function, is apportioned to charitable activities on the basis of an estimate of staff time attributable to each activity as follows:

	2020 %	2019 %
Cost of generating funds	8.28	8.62
Service Delivery:		
Clinical	29.60	28.77
Rehoming	37.89	37.84
Raising awareness	4.75	4.92
Blue Cross shops	16.41	16.62
Advice and support	2.76	2.92
Governance Costs	0.31	0.31
	100.00	100.00

The number of hours contributed to the charity from volunteers is not included in value terms as in-kind direct labour services contribution.

l) Operating leases

Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities on a straight-line basis over the minimum lease term.

m) Pensions

The Charity contributes to a defined contribution pension scheme for salaried employees. Payments made to the scheme and charged in the accounts comprise current contributions. Pension contributions are charged to the Statement of Financial Activities as incurred. The pension cost charge represents contributions payable under the terms of the employees' contracts. The Charity has no pension liabilities other than for the payment of those contributions.

n) Funds

Restricted funds represent funds which are to be used in accordance with the specific restrictions imposed by the donors or which have been raised for particular purposes. The aim and use of each restricted fund is set out in notes to the financial statements.

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives and which have not been designated for other purposes.

o) Financial instruments

Blue Cross only holds basic financial instruments. Investments are measured at fair value and shown in note 9 to the accounts. Financial instruments held within current assets and current liabilities are measured at the cash expected to be paid or received which is considered to be amortised cost and is shown in notes 11 and 12. The bank loan (note 13) is measured at the value drawn and any associated costs have been taken to the Statement of Financial Activities.

p) Volunteers time

The Charity does not attempt to put a financial value on the hours of work that it receives for free each year from its thousands of volunteers. Therefore, the accounts do not include any income or costs with respect to this time.

3. Total income

	2020 £'000	2019 £'000
Donations and legacies		
Donations and gifts	7,721	8,637
Legacies receivable	19,870	20,304
Events, raffle and sponsorship	1,317	1,108
	28,908	30,049
Charitable activities		
Clinical	1,040	1,542
Rehoming	460	910
Advice and support	26	54
	1,526	2,506
Other trading activities		
Income from Blue Cross shops	2,407	4,407
Income from trading subsidiaries	658	756
	3,065	5,163
Investment income		
Investment income received & receivable	784	1,014
Interest received & receivable	2	11
	786	1,025
Government grants income	1,748	-
Net profit on sale of asset	16	1,181
Total income	36,049	39,924

At the year-end the charity was aware that it was a beneficiary of an estimated 118 (2019: 239) legacies which do not yet meet the recognition criteria detailed in the accounting policies under note 2(d). This is generally because either probate has not been granted and so it was not certain that the legacy would be received, or the value could not be reliably measured. The current estimate of the total amount concerned is £2.98m (2019: £3.19m).

Government Grants income consists of income received under the UK Government's Coronavirus Job Retention Scheme, the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund.

The profit on sale of asset in 2019 arose from the disposal of the former rehoming site at Northiam, East Sussex. This property was sold by the Charity to its trading subsidiary, Blue Cross Trading Company Limited, in 2018 and in 2019 has been disposed of outside the Group.

Total gross income for the parent entity during the year was £35.39m (2019 £37.99m).

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2020

4. Total expenditure

	Raising funds £'000	Other trading activities £'000	Clinical £'000	Rehoming £'000	Raising awareness £'000	Advice & support £'000	Governance £'000	Support costs £'000	Group 2020 Total £'000	Group 2019 Total £'000
Staff costs (note 6)	1,669	2,148	6,603	5,560	1,090	785	64	3,566	21,485	21,461
Other staff related costs	46	28	92	47	30	4	3	214	464	622
Service delivery	-	-	1,628	693	-	-	-	-	2,321	2,897
PR and marketing	1,888	30	34	-	1,762	50	-	-	3,764	5,214
Trading costs	-	191	-	-	-	-	-	-	191	265
Property	5	1,689	368	655	11	19	1	332	3,080	3,699
Equipment and IT	191	145	278	173	53	8	8	627	1,483	1,424
Depreciation	4	119	208	992	11	-	-	328	1,662	1,687
Transportation costs	16	102	56	209	9	27	-	104	523	847
Other operating costs	127	108	28	42	13	29	2	576	925	1,663
Grants	-	-	2	-	-	-	-	-	2	12
Total	3,946	4,560	9,297	8,371	2,979	922	78	5,747	35,900	39,767
Governance reallocation	7	13	23	29	4	2	78	-	-	-
Support costs reallocation	479	947	1,712	2,176	276	157	-	5,747	-	-
Total 2020	4,432	5,520	11,032	10,576	3,259	1,081	-	-	35,900	-
Total 2019	5,589	6,108	11,294	11,527	4,072	1,177	-	-	-	39,767

Governance costs and support costs are allocated on a fulltime equivalent headcount basis – see Accounting Policy (2k).

5. Net Income from the Financial year is stated after charging/(crediting)

	Group 2020 £'000	Group 2019 £'000
Depreciation of fixed assets	1,662	1,686
Loss on disposal of fixed assets	7	-
Loans interest	120	179
Operating lease rentals:		
Buildings	1,438	1,528
Vehicles	271	189
Office Equipment	2	2
Auditor's Remuneration (incl. expenses, excl. VAT):		
Fees for the audit of the financial statements	45	39
Fees for other services	2	11

6. Employees

	Group 2020 £'000	Group 2019 £'000
Group and charity		
Wages and salaries	(17,707)	(18,038)
Social security costs	(1,640)	(1,730)
Pension contributions	(1,585)	(995)
	(20,932)	(20,763)
Other staff costs	(553)	(698)
	(21,485)	(21,461)

In 2020 the remuneration committee approved total settlement payments of £15,735 to three individuals (2019: £4,654 to one individual); in addition, redundancy and PILON payments totalling £114,643 were made to fourteen individuals (2019: redundancy and PILON payments totalling £21,113 were made to eleven individuals). The amount approved by the remuneration committee but not settled at year end was zero.

The average weekly number of employees engaged in the activities of the Charity during the year, shown as number of employees and full-time equivalents, was:

	2020 Average	2020 FTE	2019 Average	2019 FTE
Group and charity				
Generating voluntary income	63	54	64	56
Raising awareness	33	31	34	32
Blue Cross shops	144	107	151	108
Clinical	234	193	220	187
Rehoming	284	247	282	246
Advice and support	19	18	21	19
Governance	2	2	2	2
	779	652	774	650

The Executive team, as defined in the Trustee Report, received total remuneration including pension contributions and employers National Insurance of £862,887 (2019: £844,496).

The number of employees whose emoluments (including taxable benefits in kind) were in excess of £60,000 for the year were:

	2020 Number	2019 Number
£60,001 - £70,000	9	9
£70,001 - £80,000	3*	1
£80,001 - £90,000	-	2
£90,001 - £100,000	5	2
£100,001 - £110,000	-	1
£130,001 - £140,000	-	1*

*Denotes Chief Executive Officer

Due to the change of Chief Executive Officers in June 2020 neither received a full year's salary and so both are within the £70,001 to £80,000 salary bracket.

Contributions made in the year for the provision of defined contribution pension schemes totalled £152,347 for those seventeen employees (2019: £69,656 for sixteen employees).

In accordance with the Memorandum of Association of Blue Cross, the Trustees received no remuneration for their services during the year.

Travelling and subsistence expenses were reimbursed to six Trustees and amounted to £3,082 (2019: £8,615 nine Trustees).

Trustee Indemnity Insurance was provided in the year at a total cost of £10,000 to the Charity (2019: £6,000).

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2020

7. Taxation

The company is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Blue Cross Trading Company Limited makes qualifying donations of taxable profits to Blue Cross. No corporation tax liability arose in the year.

8. Tangible fixed assets

Group and Charity	2020						2019	
	Freehold land and buildings £'000	Leasehold improvement £'000	Equipment £'000	Motor Vehicles £'000	Computers £'000	Assets under construction £'000	Total £'000	Total £'000
Cost								
At 1 January	36,211	1,792	1,796	203	2,453	1,211	43,666	41,795
Additions	725	1	169	21	222	1,307	2,445	1,871
Disposals	-	-	(25)	(42)	-	-	(67)	-
Transfers	955	-	-	-	-	(955)	-	-
At 31 December	37,891	1,793	1,940	182	2,675	1,563	46,044	43,666
Depreciation								
At 1 January	(16,063)	(1,403)	(1,315)	(174)	(2,050)	-	(21,005)	(19,319)
Charge for the year	(1,118)	(109)	(227)	(19)	(189)	-	(1,662)	(1,686)
Eliminated in respect of disposals	-	-	2	42	-	-	44	-
At 31 December	(17,181)	(1,512)	(1,540)	(151)	(2,239)	-	(22,623)	(21,005)
Net Book Value								
At 31 December	20,710	281	400	31	436	1,563	23,421	22,661
Net Book Value								
At 1 January	20,148	389	481	29	403	1,211	22,661	22,476

Assets under course of construction in 2020 relate to the build projects at Kimpton and Hammersmith (2019: Burford, Kimpton, Merton and Hammersmith). The transfer in 2020 related to the Burford and Merton building completion.

	As at 31 December 2020		As at 31 December 2019	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Net receipts on sale				
Motor vehicles	16	16	-	-
Less:				
Cost of Sales	-	-	-	-
Administration and Fees	-	-	-	-
Profit on Sale of Asset	16	16	-	-

9. Investments

Group and Charity	2020 £'000	2019 £'000
Market value at 1 January	36,496	28,895
Investment cash at 1 January	917	2,440
	37,413	31,335
Disposals at brought forward market value	(11,111)	(4,483)
Acquisitions at cost	7,380	7,848
Cash (utilised)/realised	2,105	(2,207)
Unrealised gain/(loss) on revaluation	2,721	4,236
Realised gain/(loss) on disposal	(751)	684
Market value at 31 December	37,757	37,413

The above investments consist of:			2020	2019
	UK	Non-UK	Total	Total
Fixed Interest securities	4,147	737	4,884	7,556
Other listed shares and securities	15,630	14,972	30,602	28,939
Cash	-	-	2,271	918
	19,777	15,709	37,757	37,413
Historical cost as at 31 December			31,951	33,605

10. Stocks

	As at 31 December 2020		As at 31 December 2019	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Net receipts on sale				
Veterinary drugs for charitable purposes	157	156	155	155
Goods for resale	211	-	174	-
	368	156	329	155

11. Debtors

	As at 31 December 2020		As at 31 December 2019	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Due within one year				
Income Tax Recoverable	386	386	576	576
Trade debtors	64	31	1,375	42
Amounts owed by group undertakings	-	334	-	1,755
Legacy debtors	17,049	17,049	15,986	15,986
Other debtors	428	428	333	333
Prepayments and accrued income	925	900	984	981
Total Debtors	18,852	19,128	19,254	19,673

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2020

Trade Debtors for the Group in 2019 included £1.3 million related to the sale of the former rehoming centre at Northiam, East Sussex by Blue Cross Trading Company Limited.

There were no debtors due after more than one year as at 31st December 2019 and 2020.

12. Creditors: Amounts falling due within one year

	Note	As at 31 December 2020		As at 31 December 2019	
		Group £'000	Charity £'000	Group £'000	Charity £'000
Trade creditors		(678)	(656)	(1,160)	(1,130)
Social security and other taxes		(522)	(387)	(517)	(407)
Other creditors		(239)	(239)	(41)	(41)
Accruals and deferred income		(1,453)	(1,446)	(2,025)	(1,989)
Bank loans	13	(8,500)	(8,500)	(2,500)	(2,500)
		(11,392)	(11,228)	(6,243)	(6,067)

The deferred income balance at 1st January 2020 was £21,180, the amount released to income in the year was £11,958 and the amount deferred in the year was £160,510.

The deferred income relates to Pet Bereavement Support Service (PBSS) telephone line, London Marathon Sponsorship, Trust donation for future Victoria works and various other events in 2021.

13. Creditors: Amounts falling due after more than one year

	As at 31 December 2020		As at 31 December 2019	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Bank loans	(2,000)	(2,000)	(6,000)	(6,000)
	(2,000)	(2,000)	(6,000)	(6,000)

During 2016 a long-term loan of £10m was taken out secured on the Victoria Properties (Sheppard House, 1-5 Hugh Street, 7 & 8 Hugh Street and 1 & 8 Hugh Mews, SW1V 1QQ) at LIBOR +1.25%. This was originally repayable over 3 years, with loan repayments of £1m due in 2019, £3m in 2020 with the remaining £6m in 2021.

The balance at the start of 2020 was £8.5m. During 2020 a further repayment of £0.5 million was made and then, due to the impact of the COVID-19 pandemic, the loan agreement was adjusted for a full repayment of the balance to be due in 2021. An additional £2.5m was then borrowed as part of the government CBIL scheme. This is repayable over a 5 year period at a variable rate of Bank of England Base rate +3.1% and is secured against the same Victoria properties but with an additional guarantee from the UK Government under the CBIL scheme. This leaves a balance of £10.5m at 31st December 2020.

14. Analysis of changes in net debt

Group and Charity	As at 1 January 2020 £'000	Cash flows £'000	Non-cash changes £'000	As at 31 December 2020 £'000
Cash and cash equivalents				
Cash at bank and in hand	2,301	2,527	-	4,828
	2,301	2,527	-	4,828
Borrowings				
Debt due within one year	(2,500)	500	(6,500)	(8,500)
Debt due after more than one year	(6,000)	(2,500)	6,500	(2,000)
	(8,500)	(2,000)	-	(10,500)
Total	(6,199)	527	-	(5,672)

15. Analysis of net assets between funds

	As at 31 December 2020			As at 31 December 2019		
	Restricted £'000	Unrestricted £'000	Total funds £'000	Restricted £'000	Unrestricted £'000	Total funds £'000
Tangible fixed assets	-	23,421	23,421	-	22,661	22,661
Investments	-	37,757	37,757	-	37,413	37,413
Net current assets	1,797	8,859	10,656	2,571	7,070	9,641
Net assets at the end of the year	1,797	70,037	71,834	2,571	67,144	69,715

16. Movement in funds

	At 1 January 2020 £'000	Income £'000	Expenditure £'000	Gains/ (losses) £'000	At 31 December 2020 £'000
Restricted funds:					
<i>With transactions above £250k:</i>					
Burford running costs	310	1,472	(1,228)	-	554
Cambridge running costs	191	286	(375)	-	102
Hertfordshire capital	1,109	466	(1,203)	-	372
Hammersmith capital	258	-	(21)	-	237
Other Restricted Funds	703	1,465	(1,636)	-	532
Total restricted funds	2,571	3,689	(4,463)	-	1,797
Unrestricted funds	67,144	32,360	(31,437)	1,970	70,037
Total funds	69,715	36,049	(35,900)	1,970	71,834

Funds for Burford included numerous individual legacies to finance operational activity of the rehoming centre.

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2020

Funds for Hertfordshire related to individual donations to finance the Hertfordshire site building project. Other restricted funds included £669,423 related to clinical services and £770,098 to rehoming sites, as well as £25,369 for retail operation, with majority being legacies.

	At 1 January 2019 £'000	Income £'000	Expenditure £'000	Gains/ (losses) £'000	At 31 December 2019 £'000
Restricted funds:					
<i>With transactions above £250k:</i>					
Burford running costs	-	1,710	(1,400)	-	310
Cambridge running costs	273	326	(408)	-	191
Hertfordshire capital	593	659	(143)	-	1,109
Victoria running costs	1,059	1,265	(2,324)	-	-
Hammersmith capital	-	275	(17)	-	258
Other Restricted Funds	879	1,589	(1,765)	-	703
Total restricted funds	2,804	5,824	(6,057)	-	2,571
Unrestricted funds	61,834	34,100	(33,710)	4,920	67,144
Total funds	64,638	39,924	(39,767)	4,920	69,715

17. Blue Cross (D&B) Company Limited

Blue Cross (D&B) Company Limited (Company number 4879277, registered address Shilton Road, Burford, Oxfordshire OX18 4PF) is incorporated in the United Kingdom and has an accounting year end of 31 December. It is a wholly owned subsidiary whose main activity is to undertake the design and building of the charity's hospitals and rehoming centres in the most cost effective manner for the benefit of the charity. Its turnover is derived from invoicing the charity at cost for each major capital project as the costs are incurred. Any net profits would be transferred to Blue Cross by way of charitable donation. Blue Cross (D&B) Company Ltd. was dormant during 2020 and 2019.

18. Blue Cross Trading Company Limited

Blue Cross Trading Company Limited (Company number: 2203092, registered address Shilton Road, Burford, Oxfordshire OX18 4PF) is a wholly owned subsidiary whose primary purpose is to generate income for the Charity. The trading activities are primarily sale of new goods through Blue Cross shops and commission and licensing agreements. Net taxable profits are transferred to Blue Cross by way of a charitable donation.

In 2018 Blue Cross Trading Company Limited purchased from Blue Cross the site of the Charity's former Northiam rehoming centre for £904,000. This was being held in stock and was sold by the company in 2019.

A summary of the trading result for 2020 is shown below:

Income Statement	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Turnover	658	2,056
Cost of Sales:		
Stock brought forward	175	1,061
Purchases	228	297
Stock carried forward	(211)	(175)
	(192)	(1,183)
Gross profit	466	873
Administrative Expenses	(46)	(80)
Management charge from Blue Cross	(34)	(38)
Profit on ordinary activities before taxation	386	755
Taxation	-	-
Profit on ordinary activities after taxation	386	755
Qualifying charitable deduction	(386)	(755)
Retained profit for the financial year	-	-
Statement of Financial Position		
Total Assets	498	1,932
Total Liabilities	(498)	(1,932)
Net Assets	-	-
Total Funds	-	-

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2020

19. Related parties, subsidiary charities and welfare associates

Other than the transactions with its subsidiaries, which are disclosed in note 17 and 18, and transactions with key management personnel and trustees, which are disclosed in Note 6, there have been no other related party transactions.

Subsidiary Charities

The following dormant charities are classified as subsidiary charities on the Charity Commission's Register. Their reserves from the point they became dormant are included in the Blue Cross charity accounts and are now managed through the restricted reserves. In accordance with the provisions of the Charities Acts regarding small charities, the Charity aims to utilise any small funds held by its subsidiary charities.

The War Horses Fund
 Annie Gordon Fund
 London Institute Mrs Morgan's Fund
 Bertie Copinger Prichard Fund (Captive and Performing Animals Fund)
 Mary Margaret Baroness Seaforth of Brahan (Sister Mabel's Free Dispensary for Sick Animals)
 Edith Alice Bromley-Bourne Fund
 Rosie May Hare Winton Fund
 Amy Alice Baldwin Fund
 Louisa Snow Fund
 Lucy Anne Fraser Oldfield Fund
 M I S Hounsell Fund

Blue Cross is a member of Together for Animals (charity number 1102985) which is a registered charity incorporated as a company limited by guarantee and not having a share capital. Blue Cross's liability as a member is restricted to £10. Together for Animals co-ordinates and promotes payroll giving to benefit the work of five animal charities, including Blue Cross, on a scale that would not be economic for the charities to carry out on an individual basis.

20. Leases and other commitments

At 31 December 2020 the total committed to operating lease payments in future years was:

	31 December 2020 £'000	31 December 2019 £'000
Leases for land and buildings:		
Expiring within one year	1,335	1,375
Expiring between one and five years	3,170	3,343
Expiring thereafter	1,136	1,404
Leases for vehicles:		
Expiring within one year	222	206
Expiring between one and five years	387	432
Leases for equipment:		
Expiring within one year	2	2
Expiring between one and five years	2	4
Total	6,254	6,766

Details of commitments at the accounting date are as follows:

	31 December 2020 £'000	31 December 2019 £'000
Contracted for but not provided for:		
Hertfordshire build	(1,459)	(1)
Hammersmith	-	(2)
Burford	-	(269)
Victoria	(50)	-
	(1,509)	(272)

The commitments contracted for but not provided represent the contract values, less payments made for building projects in progress.

Expenditure planned over next 5 years but not contracted for:

	31 December 2020 £'000	31 December 2019 £'000
Clinical	(880)	(3,711)
Rehoming	(920)	(4,160)
Blue Cross shops	(468)	(1,701)
Infrastructure	(2,469)	(2,660)
Total planned expenditure	(4,737)	(12,232)

Planned capital expenditure in all areas of the Charity has been reduced in the immediate future due to both the financial pressures and new ways of working created by the COVID-19 pandemic. Currently a number of plans are being re-evaluated to determine whether continuing to invest in physical infrastructure of rehoming, centres and shops is the correct approach for the Charity at this time.

21. Pensions

The Charity contributes to a defined contribution and private pension scheme for salaried employees. Payments made to the scheme and charged in the accounts comprise current contributions. These are allocated against the activity to which the related employee is engaged, and no allocations are made against restricted funds.

These contributions payable by the Charity amounted to £1,584,476 (2019: to £994,774). All contributions were paid in the year. The increase in pension costs in 2020 is a result of a salary sacrifice scheme being introduced from 2020. This did not actually increase the gross cost of pensions to the charity but does change how the contributions are made. The salary sacrifice scheme mean that pension contributions are now made to the pension scheme before PAYE is deducted, whereas previously PAYE was deducted from pension contributions and paid to HMRC. This PAYE was subsequently reclaimed by the pension scheme, resulting in employees ultimately receiving the same amount in their pension scheme. However, this change results in some National Insurance Contributions savings for both the charity and its employees.

22. Contingent liabilities

Blue Cross, on occasion, is required to give indemnities to the Executors of estates where Blue Cross is a beneficiary. The charity does not expect these indemnities to crystallise before expiry and aims to ensure that such indemnities are limited to the value of Blue Cross's share of the legacy, have the earliest possible expiry date, and are not given on a joint and several basis. The total value of indemnities given, but not provided in the accounts, outstanding as at 31 December 2020 is £390k (2019: £359k).

Reference and administrative details

For the year ended 31 December 2020

Company number: 363197

Charity number in England and Wales: 224392

Charity number in Scotland: SC040154

Registered office and operational address

Shilton Road
Burford
Oxfordshire
OX18 4PF

Honorary Members

The Rt Hon Earl Cadogan DL
The Lord Kirkham CVO
Mr and Mrs A Langton
WJB Sneath
Sir John Spurling KCVO OBE
RT Vyner CBE

Ambassadors

Amy Clarke
Pam Ferris
Mary King MBE
Chris Packham CBE
Lord Trees

Trustees

Trustees, who are also directors under company law and who served during the year and up to the date of this report were as follows:

Tim Porter FCA (Chairman)
Zair Berry FCA
Niki Brooks-Coppard (appointed 9 January 2020)
Catherine Brown
Professor Stuart Carmichael
BVMS, MVM, DSAO, MRCVS

Clive Everest MA, FCA
Caroline Gosling
Nico Lutkins
Chris Martin BSc
Joseph Nhan-O'Reilly (appointed 9 January 2020)
Dr Nick Park
Charmion Pears (appointed 9 January 2020)
The Hon Fleur Roper-Curzon (Vice-Chairman)
Dr Jeremy Stewart BVetMed
CertVR MRCVS
Stephen Swift (Vice-Chairman)

Independent Board Members

Lara Dewar (appointed 9 January 2020)
Alison Forrestal (appointed 9 January 2020)

Independent Audit Committee Members

Helen Wilkie FCA (appointed 25 June 2020)

Board Observers

Vikramaditya Ghosh (appointed 9 January 2020)

Chief Executive

Chris Burghes

Company Secretary

Iain Heaton

Bankers

Barclays Bank plc
Wytham Court
11 East Way
Oxford
OX2 0JB

Solicitors

BDB Pitmans LLP
50 Broadway
Eastminster
London
SW1H 0BL

Bates Wells Braithwaite LLP
10 Queen Street Place
London
EC4R 1BE

Wilsons Solicitors LLP
4 Lincoln's Inn Fields
London
WC2A 3AA

External auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Investment managers

Rathbone Greenbank
Investments
8 Finsbury Circus
London
EC2M 7AZ

Thank you

We would like to pay particular acknowledgement and thanks to the following trusts, companies and individuals for their generous support during 2020.

Corporate Partners

Petplan Limited
 AmazonSmile
 NVS
 Pets at Home Limited
 Animal Friends Insurance
 Kindred Group
 Oggi's World
 Love Louie Limited
 ProtectaPet Ltd
 Raffolux Ltd

Trusts and Foundations

The Belforte Trust
 The Cadogan Charity
 The Dr Sheila Millar-Danks Charitable Trust
 The Rose Animal Welfare Trust
 The Sir Peter O'Sullivan Charitable Trust
 The Sylvia & Stanley Moss Trust

We would also like to thank our partners across the animal charity sector with whom we have worked closely throughout 2020 to share resources and knowledge, and as such make a positive impact on the lives of pets and their owners.





Pets change lives
We change theirs

MIC-965916218-0221



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