

Blue Cross annual report and accounts 2022



125 years of changing lives
A future of changing millions more

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of annual report and accounts

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Who we are

Blue Cross is a charity that has been helping sick, injured and homeless pets since 1897.

Every month we help thousands of pets, and their people, with specialist care. We love the way that pets can make such an amazing difference to the people they live with. So we offer lifelong support and advice to help that unique relationship thrive.

Pets change lives. We change theirs.

Vision

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

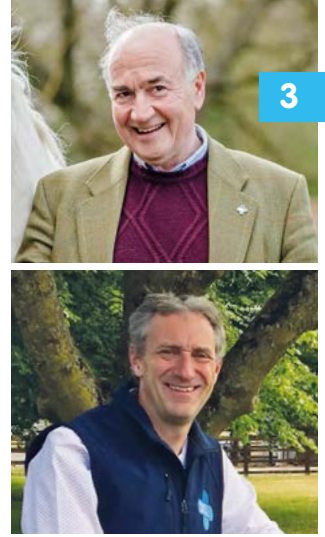
Mission

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

Welcome

from our Chair and Chief Executive

We are delighted to welcome you to the Blue Cross 2022 Annual Report. 2022 marked the 125th anniversary of Blue Cross's foundation on 7 May 1897. A special celebratory event was held to mark this historic occasion, which was particularly joyous as it was the first opportunity for Blue Cross people to come together following the end of lockdown.



Blue Cross was founded at a time of international conflict and economic uncertainty. In 2022 we responded again to conflict as the horrors of the war in Ukraine unfolded. We are very proud of the work we have undertaken in supporting people and their pets fleeing the war, as well as feeding and rescuing animals left behind through our emergency appeal fund, which has enabled us to work in partnership with charities operating in Ukraine and Eastern Europe. The Ukraine conflict also heightened the cost-of-living crisis here in the UK. We responded quickly with the rapid rollout of our Pet Food Banks initiative to help people who are struggling to feed their pets. We are most grateful to Pets at Home plc with whom we are working in partnership to provide pet food collection points in 100 Pets at Home stores, as well as many of our centres and shops. A further notable highlight was our Big Pet Census, with nearly 100,000 respondents, far in excess of expectations, allowing us to substantially raise awareness of our work.

Nonetheless 2022 has been a year of considerable challenge as we emerged from the pandemic and a changing environment for animal welfare. The invasion of Ukraine, the cost of living crisis and adapting to new ways of working have all created additional pressures for the charity and our people. The biggest challenge has undoubtedly been the battle for talent in terms of recruitment and retention, which has had a significant impact on our frontline services. Therefore, our people and supporting them in these difficult times continues to be the corner stone of all we do as a charity.

The recruitment challenge has been particularly noticeable in the veterinary sector. Our veterinary services have faced rising demand due to the growth of the pet population during the pandemic, at a time when personal budgets have been severely squeezed. As a result, we had to focus our efforts on those animals with the greatest need and cut back on more routine treatments, such as neutering and vaccinations. Despite this, the number of pets treated by our veterinary services was only marginally lower than in 2021, which is a great testament to those teams in a very challenging year. We see the development of an affordable vet care service as a key priority in the current climate and are working hard to progress this service.

We had hoped to make more progress in 2022 in rebuilding the number of pets rehomed back to pre-pandemic levels. A number of factors have delayed this. Important resource was diverted to the Ukraine and Pet Food bank initiatives, neither of which were foreseen in our plans at the beginning of 2022. The pressure on our people resources was particularly severe in the first half of the year with up to a 25 per cent vacancy factor. As we came out of the pandemic, we concluded that a new rehoming model was required to improve efficiencies and cut down the time pets spend waiting to be rehomed and allow growth in the number of pets rehomed in the future. We also need to expand our foster carer networks. We have carried out pilot studies for this new approach and intend to start its gradual rollout on a national basis from mid-2023. As a result of the above factors our rehoming performance in 2022 remained static with 2021.

Further details of our veterinary services and rehoming plans are set out in our future plans on page 19 and the consideration of Trustees responsibilities on page 31.

Our priorities for 2023 will be:

- The transition to the new approach to Rehoming
- Nationwide roll out of our Pet Food Banks
- Development of our strategy to expand our veterinary services
- The transition of our IT infrastructure for fundraising and rehoming
- Integration of our contact handling approach for customers and supporters

In a challenging year, it was a particularly creditable achievement to record an operating surplus of £4.7m. However, our investment portfolio was significantly impacted with an overall unrealised loss of £6.2m as a result of the Ukraine war and economic uncertainty. This led to an overall loss for the year of £1.5m. Our income grew by £8.5m to 45.9m with legacies just short of £26m and our fundraising activities exceeded £10m. We are immensely grateful to all our donors who make our work possible. With a full year of operational activity, our retail outlets exceeded £6m income for the first time. Costs were carefully

managed throughout the year. 2023 will be a year of retrenchment, where we are budgeting for a break-even operating result before potential investments in IT infrastructure, our Pet Food Banks and our Rehoming Services of up to £2.4m.

All at Blue Cross were greatly saddened by the passing of our late patron Her Majesty Queen Elizabeth II. A separate appreciation appears after this introduction.

During the year Kath Qualtrough and Kerry Blackstock, who bring financial and fundraising expertise to the Board, were appointed trustees. Michele Jennings who has both a commercial and charity sector background as former Chief Executive of Hearing Dogs, and Vikram Ghosh, who has worked with animal welfare organisations in India, joined as independent Board Members. In addition, Amy Clarke, a former trustee, and Keillian Tai, who are both experienced investment specialists, joined the investment committee.

Nico Lutkins and Lara Dewar stepped down from the Board after the year end. We are very grateful to Nico and Lara for their wise advice and contributions to Blue Cross. We wish them well for the future.

We look forward to Blue Cross's next 125 years in providing outstanding service to pets in need and their owners. The trustees are extremely grateful to all our team members and volunteers without whose dedication, care and compassion, often in very challenging circumstances, it would be impossible to achieve Blue Cross's mission.



Tim Porter FCA
Chair



Chris Burghes
Chief Executive

Her Majesty Queen Elizabeth II

The death of our former patron Her Majesty Queen Elizabeth II was an opportunity for us all to reflect on her outstanding example of dedicated service to our country and its people.

Her Majesty was our patron in 1997, our centenary year until 2002. In 2001 Blue Cross was honoured to welcome Her Majesty to our Victoria hospital to officially open our refurbished animal hospital. We are particularly grateful to Her Majesty for her support for animal welfare and her love of her horses and dogs.



Trustees' report

The Trustees are proud to present their annual report for 2022, in which Blue Cross celebrated its 125th anniversary. The Trustees' 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
- Risk management.

We produce a separate impact report alongside our annual report. The impact report contains more details and case studies of our work and the impact we have made in 2022. The impact report can be downloaded from bluecross.org.uk/publications.

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 2022 in fulfilling our charitable objectives.

Key activities from our 125th year

2022 marked our 125th anniversary, so it's worth taking a moment to reflect on our past and celebrate a few key achievements from this milestone year.

The special bond we share with pets has driven Blue Cross since our very beginning. We've been there for each other, supporting one another, in the best and worst of times since 1897. And it's why we still champion pets and their people today, from our first moments together to our last goodbyes.

With millions more families now having pets in their lives, it's clear that we're needed more than ever. We're determined to provide even more of the vital support, advice and specialist care that vulnerable pets and people need, and to actively campaign to improve pet welfare.

Blue Cross Ukraine Pet Welfare Fund

Blue Cross has a long history of caring for animals in times of conflict. In 1912, The Blue Cross Fund was set up to assist animals during the Balkan Wars. In February 2022, we launched the Blue Cross Ukraine Pet Welfare Fund to support those affected by the war in Ukraine. Our urgent appeal raised over £295,000, providing vital support for people and pets fleeing Ukraine, as well as feeding and rescuing animals left behind because their families were not able to take them with them.

In March, we formalised partnerships with several charities that work in Ukraine, including Save the Dogs, TOZ, TAC.social (Transylvania Animal Care) and the Ukraine Equestrian Federation. Since that time, we've supported their efforts to feed and care for stray dogs in Ukraine, give pets from Ukraine much-needed vet treatment and reunite pets and people who have been separated.



Volunteer risks life for pets of war



Blue Cross Ukraine Pet Welfare Fund – see page 12



Pet Food Banks – see page 12



Campaigning for an end to greyhound racing – see page 12



Our biggest ever pet census – see page 15

We have also supported our partners in offering advice to people who have fled their homes and provided supplies such as food, litter, harnesses, leads and pet carriers.

Alongside this ongoing vital work, we were approached by Defra and APHA (Animal and Plant Health Agency) to help them provide quarantine facilities for pets entering the UK from Ukraine with their owners. Our Blue Cross Hertfordshire Centre was given a temporary licence to house dogs and cats whilst they completed their mandatory three-month isolation period. Read more on page 12.

Pet Food Banks

We have always been here for pets and people in times of crisis. When Canvey Island experienced devastating flooding in 1953, we responded with food for pets and emergency shelter for displaced pets. Another major achievement from 2022 is the expansion of Blue Cross Pet Food Banks.

As the cost of living crisis impacted families across the UK during 2022, we rolled-out our food bank programme in response to the needs of people struggling to feed their pets. As well as collecting and distributing pet food through our centres and retail shops, we launched an exciting partnership with Pets at Home, with the aim of having points where people can donate pet food in 450 stores around the UK. Read more on page 12.

Campaigning for an end to greyhound racing

As well as supporting pets and people, we have always spoken out on pet welfare issues and campaigned vigorously to change government legislation and improve animal welfare standards in the UK.

Early campaigns focused on improving the welfare of London's working horses, and in 1949 we collaborated with RSPCA on a bill to stop the practice of docking and 'nicking' in horses. In 2022, in partnership with Dogs Trust and the RSPCA, we launched a campaign calling for a ban on greyhound racing in the UK within the next five years. Read more on page 12.

Our biggest ever pet census

From 13 April to 30 June 2022 we asked UK pet lovers to get involved in our Big Pet Census. Nearly 100,000 people took part helping to raise awareness of our work and giving us a better understanding of the UK's pet population and the role pets play in our lives. This insight will help to shape our future strategy as part of our ongoing commitment to providing services that effectively meet the needs of pets and people. Read more on page 15.

Strategic report

Our achievements and progress

As noted in our 2021 annual report we report our achievements and performance against the three pillars of our Impact Framework.

Improved knowledge and understanding

As we emerged from the impact of Covid-19, our education teams adapted quickly to the changing environment. We were able to improve knowledge and understanding of animal welfare by reintroducing face-to-face sessions in schools, and this was complemented by the new ways of working we had introduced in 2020, such as online talks, workshops and super sessions.

Achievements from our education and advice activities		
People reached:	2022	2021
Through education talks and workshops	44,263	27,776
- Interaction in person	27,511	3,528
- Virtual interaction	16,752	24,248
Through partnerships	5,070	21,468*
Responsible dog ownership course referrals	53	10
Through advice pages	4m*	8.9m

* For further information on the year on year movements in figures please see page 16.

During 2022 we continued to ensure that children and young people had access to learning about animal welfare, care and empathy. As schools returned to their normal timetable in late 2021, the balance in how we deliver educational talks shifted. Requests for online talks reduced and face-to-face talks increased – and this trend continued throughout 2022. On top of this we reached children and young people through our partners, by collaborating on the delivery of children's educational activities.

We are always keen to explore new opportunities to extend our reach through our partnership activities but, as we are reliant on third party activity, our figures have naturally varied year on year. In 2021 we participated in a major online initiative with London Transport, but when they returned to their pre Covid approach of various face-to-face activities in 2022 we sadly did not have the resourcing to get involved, which was reflected in our figures.

Online live super sessions

Following a successful pilot in 2021, we ran more online live super sessions in 2022. These mass online live events included pet welfare advice for adults and interactive sessions for children. For example, our team delivered large scale online sessions via Facebook Live aimed at the public, such as Rabbit Live which reached over 25,000 people.

Our online super sessions proved a highly effective and cost-efficient way to reach hundreds of children at a time, reaching 7,828 children during 2022. Children were invited to ask questions and share their thoughts, to encourage engagement and stimulate learning.

Training child foster carers and agencies

Following discussions with social workers, foster carers and agencies, we developed sessions for adults to support and encourage positive relationships between fostered children and pets already in the home. The sessions have been piloted and are now being rolled out for foster carers across the country.

Responsible Dog Ownership Course

Our Responsible Dog Ownership Course, which we continued to deliver through online sessions in 2022, gave guidance to those who have been referred to us by police forces as a result of committing a dog-related offence. Having started this initiative working with the West Midlands Police, we started receiving referrals from South Yorkshire Police in 2022 and discussions are underway with a further nine forces.

Pony Club partnership

We continued to enjoy a productive partnership with the Pony Club in 2022, jointly creating educational videos to help young riders better understand

their horses. We continue to be proud sponsors of the Horse and Pony Care competition and we were also involved in education activities at the Pony Club Championships in August.

Improving welfare standards

2022 saw the launch of our Animal Rehoming Knowledge (ARK) training programme as part of the induction process for new animal welfare assistants joining our rehoming team. The induction course runs for a year and aims to help our new team members become confident, knowledgeable and proficient in providing the highest standards of care to pets and people. The ARK programme includes an initial week-long course at Burford, completion of a practical log book, regular tutorials and a suite of animal related e-learning courses.

We have also begun the development of species specific welfare standards, to ensure the animals in our care receive a consistently good experience when staying with us.

Research

Our first ever Research Officer joined us in May 2022 and her first priorities were to develop a research framework and update our welfare strategy. We have also been working with the University of Edinburgh on research into the challenges of pet ownership for owners on a low income. We surveyed 500 pet owners across the UK and carried out interviews to help us understand the challenges they face and how we can better support them.

We have also conducted a human behaviour change survey to better understand small pet ownership and barriers with the Universities of Belfast and Hartpur. They will be writing a paper on the results and it will guide our educational messaging to improve the welfare and care of small pets.

Pet Bereavement Support Service (PBSS)

Achievements from our PBSS services		
People reached:	2022	2021
Telephone calls answered	9,187	8,796
Emails responded to	5,285	4,843
WebChat conversations	2,890	809
PBSS training activity:	2022	2021
People reached via webinar/online training or in person (non Blue Cross)	1,318	577
Elearning courses purchased	330	298
Blue Cross volunteers trained	248	154

The PBSS has gone from strength to strength in 2022. We have seen an increase in both telephone calls and emails and having introduced WebChat in 2021 activity has grown significantly illustrating the importance of having different contact channels for people who may not want to call, but would like a conversation.

We have increased the number of volunteers who deliver the service by 61 per cent. We have also increased the number of Facebook users by 43 per cent. Training levels were up year on year too, with a 128 per cent increase in external people, including many vets and industry professionals, joining our webinar/online training and face-to-face activities. We are currently piloting training courses on the human-animal link which we plan to sell externally to help generate income.

We are focused on expanding our PBSS service, with the aim of raising awareness of this much needed service and to ensure we are both the leading pet bereavement service provider and also the leading training provider on the impact of pet loss.

Help for pets in need

Veterinary services

The veterinary industry in the UK is experiencing a challenging period, with national workforce shortages, stock and supply issues and rising costs. At the same time, demand for veterinary services has increased due to the growth in the pet population, which boomed during the pandemic. In spite of these issues, our hospitals continued to provide 24/7 animal care and we are incredibly proud of the commitment our teams have shown during this period.

Achievements from our veterinary services	2022	2021
Total number of pets helped	24,204	25,081
- At our hospitals	21,207	21,144
- Via our pet care clinics	2,632	3,491
- Via our Emergency Care Fund	365	446

Our pet care clinics are provided by working in partnership with external private veterinary practices. Like us, these partners are struggling to meet demand for their services due to industry-wide recruitment challenges. As a result, two have sadly had to withdraw from the relationship with Blue Cross in 2022, which impacted on the number of pets helped via this route.

Achievements from our veterinary services	2022	2021
Total number of consultations	66,136	71,470
- Hospital (in person)	55,893	44,122
- Hospital (virtual)	5,721	22,334
- Pet care clinics	4,522	5,014
Operations	5,997	10,892

Due to the pressures of rising demand and workforce challenges, it has been necessary to focus our efforts on the animals with the greatest welfare need. These have included many pets that were not seen by veterinary professionals for a long period of time during the pandemic, resulting in multiple and sometimes complex problems. To protect our life-saving emergency services and the wellbeing of our teams, it was therefore necessary to reduce our offering of routine operations and treatments such as neutering and vaccination.

We have continued to offer telephone and video remote consultations and in 2023 we plan to expand our remote consulting capacity to support more people and pets.

The veterinary team continues to support our rehoming centres with advice and by carrying out surgeries on challenging cases.

In the coming months and years, demand for affordable veterinary services will undoubtedly increase. So, as well as optimising our current veterinary service, our focus is on how we can expand our service to more people and pets in the future, as talked about in the "Our Plans for the Future" section of this report.

Looking after our people

Unprecedented challenges within the veterinary sector have put veterinary services and professionals under immense pressure. Mental health issues are being widely reported in the veterinary press, with stress, fatigue and burnout all featuring heavily. At Blue Cross we are very aware of the impact that sector challenges could have on our veterinary teams. Which is why we have taken steps, such as the opening of our wellbeing room at our Victoria hospital, to provide a positive and supportive space for our veterinary professionals. Read more on wellbeing on page 14.

Our service principles

In 2022 the veterinary leadership teams created a set of core principles that will be developed and brought to life throughout 2023. These are:

1. Our service is accessible and client focused
2. We prioritise cases based on immediate welfare needs
3. We keep our service affordable and sustainable through our expertise as charity vets
4. We continually improve and expand our service to help as many people and pets as possible with the resources we have
5. We continually develop our teams and protect their wellbeing

Inventory management

To further improve efficiency in our hospitals, we launched our revised inventory management processes in October 2022. This marked a significant step towards the automation of purchasing medical supplies and stock control.

Our hospitals have embraced the new technology and, looking ahead, we envisage a greener system where wastage is significantly reduced. Most importantly, streamlining this system helps to maximise team efficiency and allows our hospitals to dedicate more time to the people and pets who need us.

Behaviour services

2022 proved to be a challenging but exciting year for our Behaviour team, seeing some dramatic changes to the way we work and new service innovations.

Achievements from our behaviour services	2022	2021
Behaviour consultations	1,731	692*
- Pets in Blue Cross care	957	-
- Hospital clients	136	-
- External consultations (including Adopted pets)	638	-

*The breakdown of this figure was not available for 2021

Lockdown restrictions enforced during the Covid-19 pandemic have created a generation of pets, dogs in particular, that have struggled to cope with daily life after having missed out on essential socialisation and training from an early age. Unfortunately, this has led to an increase in people seeking to rehome their pets, either with a rescue charity or privately. Our first priority

is always to try and keep pets and people together wherever possible, either through practical help and advice, or behavioural support.

In 2022 the Behaviour team provided advice and support to people struggling with their pets' behaviour. They saw an unprecedented number of complex cases as a result of the pandemic. In total they conducted 1,731 advice sessions, including many where owners felt they had no other option but to give their pets up. In a number of cases our behaviour experts were able to prevent that worst case scenario and keep pets and their people together.

Sadly, the cost of living crisis has compounded the issues facing people and pets, and rehoming centres have seen an increase in people relinquishing their pets because they have been evicted from their homes or for other financial reasons. Many of these pets need behavioural support during the rehoming process and once they have been adopted by new families.

New paid for service

After receiving numerous donations from grateful pet owners who had benefitted from virtual consultations with our Behaviour team during the pandemic, we knew that our animal behaviour expertise had the potential to help a wider group of people and the pets in their care, as well as providing an additional income stream for the charity.

Last year we reported our intention to introduce a paid for, but affordable service, to support owners struggling with their pets' behaviour. During 2022 we launched a 12-month pilot of this service, offering pet owners across the UK online advice sessions. As of December 2022, our skilled animal behaviourists delivered over 58 paid for consultations, supporting people and pets with a range of training and behaviour issues.

Consultation numbers are lower than anticipated, which we believe is primarily due to the fact that we have not yet undertaken any marketing activity for the service. This was due to other priorities for our Marketing, Media and PR teams in the second half of 2022, but this has allowed us to ensure the service is running smoothly and is valued by clients. So far, the feedback and reviews we have received for the service has been very high, with a 4.7 out of 5 star rating on average and some wonderful feedback from customers who have made use of the service, which reflects the depth of the team's knowledge and expertise. We will be looking to promote this paid for service further and grow the number of clients in 2023.

A new role for on-site behaviour specialists

In June 2022, our existing on-site Animal Behaviour Coordinators became Rehabilitation Trainer and Behaviour Advisors. This dynamic new role involves sharing their expertise with colleagues, creating a

broader base of behaviour and training knowledge across the rehoming team, in addition to supporting owners who are experiencing problems with their pets.

As part of our commitment to upskill and raise Blue Cross's behaviour and training capability, Rehabilitation Trainers are also being supported in achieving the professional standard of Animal Training Instructor (ATI). This will allow our team members to be placed on the practitioner register with the Animal Behaviour and Training Council (ABTC). This regulatory body represents the animal behaviour and training industry to the public and legislative bodies – Blue Cross, along with other welfare organisations, is one of the ABTC's advisory members.

Rehoming services

Our focus for 2022 was on building back our teams post-pandemic. Above all, the aim for our rehoming service is to keep pets with their owners where we can and only rehome when necessary, as most pet owners do not want to give up their pets, but the cost of living crisis is making it harder for them.

To meet our strategic aims and remain sector relevant, we will need to evolve. This will enable us to respond to unprecedented external factors.

Achievements from our rehoming services	2022	2021
Total number of pets helped	4,003	3,792
- Dogs	660	403
- Cats	1,848	1,847
- Small animals	1,080	1,163
- Horses	415	379
Pets that spent time in short term foster care	1,399	1,590
Pets helped via Home Direct*	764	642
Horse welfare visits	831	962
Horse welfare visits (virtual)	102	271

*Home Direct is where pets are rehomed direct from one home to another without spending time at a centre.

After the site closures of 2021, our aim for 2022 was to get our total pets helped figure back to a pre-Covid level of around 6,000 pets (based on the remaining rehoming sites). This goal proved to be over ambitious as the whole sector struggled to retain and recruit employees. At one point during 2022, Blue Cross saw animal care vacancies rise to over 25 per cent and the impact of recruiting and training team members further reduced our animal care resources, which impacted the number of pets we could help.

In 2022, we also saw an increasing demand for help as we improved our national admission service processes. Pet ownership increased due to the pandemic and it is estimated that 23 per cent of the UK's dogs now belong to the generation known as 'pandemic pups'. When you combine this with the pressures being put on families by the cost-of-living crisis, the inevitable outcome is that more people are giving up their pets due to economic circumstances.

So, whilst there was an increase in enquiries during 2022, we didn't have enough people resource, skills or technological capability to fully meet the admission demand or return our total pets helped figure to pre-Covid activity levels. We also had to ensure that our intake decisions were steered by maintaining pet welfare standards and the wellbeing of our teams.

Improving accessibility, customer experience and expanding our foster capability remains our focus moving forward. Significant, impactful change to meet the pet care and rehoming needs for the future will take time. In 2023, we are investing in the Rehoming and Fostering Directorate, focusing on helping more pets, the adoption journey, uplifting resources and skills, modernising our role structure and improving technical capabilities. We still retain the goal of returning to pre-Covid levels of pets helped, but achieving this may take some time.

The RSPCA and SSPCA remain important partners and we hope they will assist the future expansion of operations. Our behaviour team has been assisting the SSPCA in designing their future behaviour services and we have transferred Scottish pets into our national service. The Horse service has maintained their longstanding working relationship with RSPCA.

Responding in times of crisis

In spite of the pressures mentioned above, we responded to the needs of people and pets fleeing the war in Ukraine by providing foster and quarantine care for Ukrainian pets. And in response to the cost of living crisis, we set up pet food banks within our rehoming sites.

Building back our teams

Blue Cross experienced significant vacancies across our rehoming and fostering services in 2022. To address this, substantial time and effort was spent on recruitment throughout 2022 and into 2023, as we strive to build our teams back following the impact of Covid-19.

Centralising our pet admissions service

To further streamline our national rehoming service, 2022 saw the introduction of a centralised admission call handling team. We now have all our small pet admission requests coming into one virtual call centre, which will be more efficient and provide us with quantifiable rehoming data.

Foster carers network

Developing our foster service has been a key priority over the last few years. In 2022, we started to see the fruits of our hard work in this area, with a 14 per cent increase in our foster capacity. As of the end of December 2022 we had 429 fosterers with an average of 113 active per month. Our foster and Home Direct schemes continued to be an effective and efficient rehoming strategy during 2022. Using these remote services prevents pets from having to spend time in kennels or catteries, reducing stress and improving efficiency of service.

The transition to a new approach

In 2023 we hope to roll out our new approach to the rehoming of pets nationwide. Rehoming of pets has changed greatly during recent years and we need to make sure we have an approach and a structure that reflects how this service now needs to operate. This will involve changes to how our rehoming operations are structured and also the processes and systems we use, some of which we have been adapting in the last two years. This will be a significant undertaking, but we know it is vital for the continued success of our rehoming service and our planned expansion of it. Read more in Our plans for the future section on page 19.

Pets are a valued part of society

In 2022 we continued to fight for greater recognition of the importance of pets, by campaigning on pet welfare issues and fighting for changes to legislation to protect more pets and their people.

Ukraine

As mentioned on page 5, Blue Cross has been actively involved in supporting people and pets caught up in the conflict in Ukraine. The Blue Cross Ukraine Pet Welfare Fund raised over £295,000 to support local partners who have been feeding and caring for stray dogs in Ukraine and reuniting pets and people who have been separated. Through our partners, we helped to support pets and pet owners who had come across the Ukraine border into Poland and Romania.

During 2022 we provided:

- 400 tons of food to dogs and cats
- 90 dog houses
- 100's of dog jackets and blankets
- 1000 flea and worm treatments
- Medical supplies, leads and collars

We supported:

- 30 dogs from the bombed city of Odessa
- 61 pets and their owners who had fled to the Romanian city of Cluj-Napoca
- A stable in Ukraine that houses 40 horses displaced by the war

In addition, our Hertfordshire centre was given a temporary licence to house dogs and cats from Ukraine that had to undergo their three month isolation period before being reunited with their owners. In total we had 5 dogs and 8 cats stay on site.

Cut The Chase

In September, 2022, in partnership with Dogs Trust and the RSPCA, Blue Cross launched Cut The Chase, a major campaign calling for a ban on greyhound racing in the UK.

Together, we have written to MPs and Senedd members in England and Wales to raise our concerns about the inadequate welfare standards greyhounds experience at every stage of their lives. Particularly when it comes to kennelling and the transportation of dogs, as well as the number and severity of injuries sustained during racing.

We are pushing for this cruel sport to be phased out within the next five years, to allow the greyhound racing industry and animal welfare organisations to carefully plan and coordinate the care of the many dogs affected.

Our efforts so far have focussed on calling for a ban of greyhound racing in Wales, as there is one track remaining and it is an issue that has received significant political attention. Working with Dogs Trust, the RSPCA, Hope Rescue and Greyhound Rescue Wales we have engaged with Welsh Government, met politicians from all parties, and held an event on the steps of the Senedd to highlight this issue. We also encouraged supporters to email to their local Senedd members asking for support.

Pet food banks

In the autumn of 2022 we expanded the number of Blue Cross Pet Food Banks to help pet owners who find themselves in financial crisis. As well as collecting and distributing pet food through our centres and retail shops, we launched an exciting partnership with Pets at Home, with the aim of having points where people can donate pet food in 450 stores around the UK.

By the end of 2022 we had:

- 28 Blue Cross sites where people can donate goods
- 11 Pets at Home stores where people can donate goods
- 5 Blue Cross sites where people can pick up pet food
- 77 local food banks being supplied with pet food
- Received 168 pallets of pet food donated in bulk

Overall, we had provided enough food for 838,802 pets to be fed for one day.

We now have a national presence in this respect, with a dedicated community project team covering all four nations of the UK. For now, our focus is Pet Food Banks, but through this work we are also learning more about how Blue Cross can best support local communities. We see this work as being an important step in expanding our geographical footprint within the UK with activity in Scotland, Wales and Northern Ireland, and plan to build on it in our future strategy.

We are promoting Pet Food Banks in a number of ways, including information in our physical locations and further information on our website which includes a digital map.

Working with partners

As referenced where relevant in this report, we continue to work collaboratively with a number of local and national charities, both at home and abroad, as well as corporate partners, to utilise our individual resources collectively reach as many pets and people as possible.

Behind the Scenes

In order for our charity to deliver its services and to raise funds, a huge amount of work goes on behind the scenes. Our dedicated support teams work hard all year round to make sure our frontline teams and fundraisers have access to the systems, data and facilities they require to carry out their work. We can only highlight the most significant projects here, but to all our supporting teams we do say a huge thank you for the vital part you play in the delivery of the charity's services.

Building our strategic planning capability

During 2022 we recruited a new Strategic planning team. This was to aid both the delivery and governance of our current strategy and also our long term strategic planning. This has been an area of focus for the charity since 2020 but progress has previously been slowed by resource constraints as team members across the organisation tried to balance this work with other demands. These changes mean we now have more resource focused on ensuring our strategic priorities are being delivered and the impact of this work is being measured and reported in a consistent manner. It also means we can carry out strategy refreshes on a regular basis, something we feel is very important given the rapidly changing world that we are working within.

Designing new services

Our Service and Product Design team continued to work closely with colleagues across the organisation to aid their work as we developed and explored new services and new ways of delivering existing services. They were heavily involved in our work to launch our new Behaviour service, the rapid expansion of our Pet Food Banks and changes to our admission process for pets into our rehoming and fostering services.

Preparing for system change

In 2022 our Information Services team spent a large amount of time researching and preparing to start our transition from our existing Customer Relationship Management (CRM) systems to a new Microsoft Dynamics based CRM system, which will ultimately store the data relating to our supporters and rehoming customers. This will be a large scale project which should be substantially completed by the end of 2024 but we are on track and pleased with the progress made so far. We have followed a detailed and methodical approach to make sure we have identified the right system and the right partners to work with. The outcome of this is that it will improve our processes and service, and ultimately help more pets and people.

Improving how we handle contacts from our customer and supporters

We have made some important steps forwards in 2022 to improve how we handle the calls and emails we receive from customers and supporters. We have now established in Manchester a new dedicated contact handling centre for our Veterinary Services team, moving pressure away from our frontline hospitals. We employed a number of young people via the government's Kickstart scheme for this new centre as we felt it was important for us to look to help young people in the community by providing a steppingstone for those who might have struggled to find work. We have been very pleased with the quality of the candidates we recruited and most have now gone on to full time employment with the charity.

We have also expanded our work in rehoming to move all admissions related calls to a dedicated team, again relieving pressure on Rehoming Centres. We have also built new reporting capabilities to allow us to see in far more detail the number and type of contacts we are receiving and how we are responding to them. The next stage of this part of our strategy is to more formally integrate the teams and systems that handle this important work.

Enhancing our financial forecasting

In 2022 we focused on building our financial forecasting capability for all areas of the charity. Our Finance team have worked closely with colleagues from across the organisation to ensure that we have long terms models that can show us how our income and expenditure could change in the future. This work will be particularly vital as we go through this challenging economic period and it will allow us to forecast more accurately the impact of planned changes in our services on our financial position. Based on our current forecasts we do see a need to ensure we are continuing to grow and diversifying our income and also that we are continuing to improve our efficiency and productivity, to deal with an increased demand for our services and increasing costs, due to us having to help more pets and also inflationary pressures.

Our people

As a charity, and as individuals, we continued to face many challenges in 2022. A combination of the Covid-19 pandemic and Brexit made recruitment in the UK even more challenging in 2022. In addition to this, a war in Europe, a massive rise in the cost of living and adapting to a post Covid work environment have put pressure on our charity and our people. However, we have responded promptly, collectively and effectively to these challenges, ensuring that our people are looked after, engaged and feel valued.

One Blue Cross

2022 saw the continuation of our work to create a One Blue Cross culture, which is a fundamental part of our three-year strategy. The cultural change we are looking to achieve revolves around collaboration, inclusivity and empowerment.

As part of this work, we refreshed our organisational values at the beginning of 2022.

The new values are:

- We are **Compassionate**: We listen, we are non-judgemental, we are kind and caring to the pets and people we encounter, and we offer support in difficult times.
- We are **Courageous**: We make brave decisions, embrace change and encourage innovation, ensuring we always act with integrity – doing the right thing even when no one is looking.
- We are **Inclusive**: We value all our relationships and work in an open and positive culture where we celebrate our diverse talents and empower you to be you.

Our work to create a truly inclusive culture moved at pace during 2022. In January, we launched the first mandatory Equality, Diversity and Inclusion (EDI) training for our people. We also launched an interactive EDI and One Blue Cross toolkit, along with training on 'Banter at Work', 'Gender Bias' and 'Neurodiversity'.

Our recruitment team also received disability confident training from Leonard Cheshire in February 2022 to enable us to make our recruitment processes more inclusive. We have launched three new EDI policies namely, menopause, carers and Trans and Gender Identity and have an active menopause support group.

Reward and recognition

In 2022, we conducted a full review of our reward and recognition policy, the outcome of which was received very positively by our people in July.

The key changes were:

- Alignment to the Real Living Wage rates
- An increase in holidays of 8 days (with the removal of the three closedown days at Christmas)
- Long service recognition awards
- Introduction of a Manager's recognition toolkit for informal recognition of both volunteers and employees

We continue to offer performance related pay to qualifying employees and in April 2022 awarded pay increases from this of between 1.5 and 4 per cent. In addition, in July in order to bring all employees into alignment with Real Living Wage a further award of on average 3 per cent was made to those who fell below that level.

To further support our people, we provided a one-off payment of £500 to all our employees in October to help with the current cost of living.

Post Covid environment

As Covid restrictions relaxed in 2021, we established a hybrid working model trial which allowed our people to work two or three days in the office and the remainder from home. We regularly collected feedback and carried out a final team survey when the trial ended in September 2022 – and overall people were very keen to implement the hybrid way of working. Wellbeing, flexibility and productivity were noted as the key advantages of working from home. But many people also welcomed the opportunity of coming into the office to meet colleagues face-to-face.

As a result, we formally adopted the hybrid working model from January 2023 for those that are not home based. Support colleagues will be required to work a minimum of two days in the workplace, but managers will have the ability to flex this where appropriate. We are currently looking at ways in which we can provide more flexibility for our frontline teams.

Wellbeing

The wellbeing of our people remained a key priority in 2022. The Wellbeing group continued to support our people through regular 'Be Well' newsletters for both volunteers and employees. During 2022, we focused on our mental health plans and the role of the Mental Health First Aiders, ensuring they had adequate support.

Recruitment

2022 has undoubtedly been one of the toughest times to attract and retain talented people. In response to the highly competitive marketplace, our Talent and Resourcing team made several changes to our recruitment practices. These included updating our career pages on the website to be more candidate focussed and making certain roles more flexible or even remote (as we know this is key to attracting talent).

To enable us to stay competitive in the way we attract, process and manage our people, we are introducing a new system to track ongoing communication with applicants which will be in place for 2023.

Safeguarding

We remain 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 safeguarding board which meets every six weeks to discuss individual case and identifies any gaps in our safeguarding processes
- 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
- Robust policies, procedures and code of conduct, supported by frequent monitoring and reporting to the Executive Team and Trustees

Volunteering

During 2022 year we averaged 2,280 volunteers per month. Over the course of the year they gave us an incredible 254,967 hours of their time, which equates to approximately 23 per cent of the hours worked at Blue Cross.

In 2022, volunteering at Blue Cross began to normalise after the pandemic restrictions of 2020 and 2021. It was wonderful to see volunteers return to in-person roles in our rehoming centres, and in schools as part of our education team, whilst we continued to grow our online team of volunteers. We developed new volunteering roles to support our pet food bank initiative and introduced a British Sign Language signing role to make our education talks more inclusive.

We took several steps to ensure that volunteers are supported, upskilled and feel part of One Blue Cross. A key success this year was the integration of our volunteer online platform with the employee platform, meaning volunteers could access all their training through their online account.

Lastly, we have begun work on our rolling Volunteering Strategy, which will see us focus on diversifying volunteer roles, understanding our volunteers better and working towards volunteer involvement in every Blue Cross team.

Education volunteer recruitment drive

Due to resourcing capacity recruitment of volunteers was suspended during 2022, but the first wave of recruiting started in January 2023 with the aim of getting volunteers on board and trained by April.

Raising awareness and funds

We want people to see us as the charity to come to for anything pet-related, whether it be advice, veterinary help, to give up or adopt a pet, education for future generations, support for when it comes to coping with the loss of a much-loved pet or working to improve pet welfare.

In 2022, we generated great awareness via our website and on Facebook, Twitter and Instagram platforms, earned media coverage through the sharing of newsworthy content and stories as well as paid digital marketing campaigns. We also continued to send our bi-annual printed magazine, fundraising appeals and updates on our work via email newsletters to our supporters.

Brand TV campaign

The first brand TV advert in our newly re-energised brand aired in April 2022. We accessed some of the biggest programming on ITV and exceeded planned impacts. The creative approach developed, received industry recognition and was voted the 'UK's favourite charity ad' in research by The Drum.

Pet census

From the 13 April to the 30 June, we asked UK pet lovers to take part in our Big Pet Census. The aim of the census was to better understand the UK's 34 million-strong pet population and the role pets play in their owners' lives. We also wanted to raise awareness of our charity's work in areas of the UK where Blue Cross is not as well known, with the objective of attracting new supporters, as well as strengthening relationships with existing ones. In total, an incredible 98,389 people took part in the census, which beat hundreds of other organisations to receive the prestigious Data and Marketing Association Gold Customer Acquisition award for bringing in thousands of new supporters and engaging them with our charity's work.

Website and social media

Website and social media activity	2022	2021
Users on our website	6.8m	10.2m
Website sessions	9.3m	14.8m
Users who looked at our pet advice pages for 3 minutes or more	169k	388k
Followers on social media as of year end	517k	505k

Posts referencing acts of animal cruelty caused a significant reaction from our supporters in 2022. Our most popular social media post was our statement about Kurt Zouma. We also had a great response to our joint statement with Dogs Trust and RSPCA calling for a phased end to greyhound racing.

We continued to see a fall in web traffic in 2022. This is primarily driven by a drop in traffic from search engines to our rehoming and pet advice pages. It seems fewer people are looking to adopt pets with Google Trends showing that searches to adopt dogs have fallen 50 per cent over the past year.

We did see an increase in traffic in Q3 and we aim to explore how we can build on this in 2023.

Media coverage

In 2022, we achieved a 24 per cent increase year on year from 7,568 pieces of coverage achieved in 2021 to 9,382 in 2022. Strong themes for the year included our 125th anniversary, the cost-of-living crisis and pet food banks and our Christmas fundraising campaign. Blue Cross spokespeople appeared on BBC Breakfast, Sky News, Times Radio and a number of regional and national broadcast platforms. Print features and interviews were secured in all major outlets, including The Guardian, Telegraph, Times, MailOnline, Mirror and Daily Star. Blanket local and regional coverage continued and we achieved a leading presence in the trade press.

Fundraising

One of our key focusses for 2022 was to integrate the support we offer to both pets and people in our fundraising messages.

Our Christmas campaign focussed on how the cost of living crisis has made life difficult for people and the knock on effect this is having on pets. A multi-media campaign, featuring posters, direct mail and digital marketing reached supporters and pet lovers across the country. It achieved campaign recognition of 23

per cent (as compared to 27 per cent in the Christmas campaign of 2021), generated 116 pieces of media coverage and raised a net income of over £344,000.

Following two years of our fundraising events being affected by Covid-19, we were able to return to normal activities which included physical events. £5m was generated through supporters making regular gifts to us. However, the most significant source of income continued to be from gifts in Wills, where we received £25.6m and saw a two per cent increase in the number of bequests made against 2021.

We are thankful for the valuable contribution made by our committed teams of volunteer fundraisers based around our Blue Cross rehoming centre and animal hospital sites who raised funds within their local communities.

Our full supporter charter, complaints procedure and fundraising policies can be read on our website:

bluecross.org.uk/supportercharter

Our shops

Covid-19 lockdowns significantly impacted trading in 2020 and 2021, so it was a huge relief to have our shops fully open for business in 2022. It has been wonderful to see our loyal customers flocking back and donating large amounts of preloved items. This allowed us to achieve record-breaking sales that saw a 13 per cent increase compared to our last full year of trading in 2019. Our online sales increased year on year by 53 per cent.

We finished the year with 53 shops and we have further plans to increase this number next year. Our heartfelt thanks to all our retail volunteers and shop teams for their fantastic efforts during the year and, of course, to all our customers.

Fundraising standards

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 2022 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 2022 we were part of the Compliance Forum, alongside other charities.

Blue Cross works within the principal of our own supporter charter and complies with the Code of Fundraising Practice issued by the Fundraising Regulator. Information on supporter charter are available on our website. bluecross.org.uk/our-supporter-charter

Protecting vulnerable people

We train our teams to be aware of the needs of vulnerable people and are guided by the Institute of Fundraising guidance on treating vulnerable persons fairly. You can see our approach on our website: bluecross.org.uk/protecting-vulnerable-supporters

Complaints and negative feedback

We use the positive and negative feedback that we get from our supporters and customers to better understand their experience and to help improve the way we do things. All complaints are taken very seriously and are categorised by 'failure' type and are graded from low to high depending on the level of impact to either an individual, a pet or Blue Cross.

The feedback we receive is analysed on a regular basis so that we can spot trends and issues as they occur in real time and implement any recommended process changes.

For example, as a result of complaints regarding our rehoming process we introduced a 'Rehoming Email Journey' to keep applicants informed of the process. Our Digital team also updated the Home Finder application form on our website to make choosing the correct fields much clearer and easier for rehoming applicants.

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. 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. 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.

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 2022 we partnered with Gather Campaigns to provide our door-to-door fundraising. In 2022 our fundraising teams contacted supporters and prospective supporters 6,052,499 times via: direct mail, email, door-to-door, and telephone fundraising. We received a total of 453 fundraising complaints, which is higher than the previous year (2021 334) due to the increase in fundraising activity. This number differs from that submitted to the Fundraising Regulator (a total of 415 complaints year ending April 2022) as we are 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 2022, they made a valuable contribution to generating income for our charity.

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

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.

Energy consumption (kWh)	2022	2021
Gas	1,491,097	1,743,695
Electricity	2,277,821	2,115,331
Heating oil and LPG	540,189	1,140,871
Transport Fuel	753,385	676,215
Total	5,062,492	5,676,112
Emissions (tCO _{2e}) (kWh)	2022	2021
Gas	268	319
Electricity	440	449
Heating oil and LPG	126	245
Transport Fuel	187	168
Total	1,021	1,181
Emissions per FTE	1.56	1.83

Methodology

Methodology follows best practice and is based on HM Government Environmental Reporting Guidelines, 2019. All emissions factors are taken from the latest 2021 and 2022 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 use in 2022

Our overall emissions and our emissions per FTE have continued to decrease in 2022, despite us returning to a more normal working pattern with the emergence from the COVID-19 pandemic. The closure of four rehoming sites half way through 2021 has contributed to this reduction, in particular in the use of heating sources such as Gas, Heating Oil and LPG. The Rehoming centres we now have are for the most part larger, more modern and more energy efficient than those we closed and we will continue to invest in our Rehoming Centre network to improve their energy performance further.

We have seen a small increase in electricity usage and this is mainly due to increased usage in our

shop network, which operated for the whole of 2022, after periods of shutdown in early 2021. As part of our environmental strategy we intend to look at how we can transition to electricity entirely produced from sustainable sources by 2030.

We have also seen an increase in transport fuel emissions and this is due to a higher level of business mileage being driven again. This is an area we need to do further work on and look at how we transition our fleet to lower carbon producing technology.

Energy saving actions taken in 2022

- We established a "Net Zero" working group who have met throughout the year. This group has identified the key areas that they believe Blue Cross needs to focus its future efforts on, areas such as fleet, energy, waste and biodiversity on site, and have developed a draft environmental policy which will lay out our key objectives to help us achieve Net Zero.
- We continue to have a values based investment policy and to 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 88.44. This measure refers to CO₂ emissions per million pounds of sales and is 49.6% per cent lower than the MSCI World Index. It is also now only 2.3% higher than the MSCI World Low Carbon Leaders WACI, which is an improvement from last year when it was 33% higher. We will look to work with our investment advisors to improve it further in future years.
- We now have more detailed information on the recycling rates at our different operations and so can split our analysis between our Retail operations and our Rehoming Centres and Hospitals (which includes our Burford offices):

Recycling rates	Retail Operations	Rehoming centres and hospitals* (non hazardous/ clinical waste)
Recycled	71% (199 tonnes)	19% (4.5 tonnes)
Incinerated for energy recovery	26% (73 tonnes)	81% (61.6 tonnes)
Landfill	3% (9 tonnes)	0% (0 tonnes)

*Rehoming centre and hospital waste numbers are from 1st March 2022 to 31st of December 2022 as prior to 1st of March we did not have this data captured.

We recognise that waste being incinerated for energy recovery is not ideal but feel it is better than it going

into landfill. Hazardous and clinical waste is disposed of securely in line with relevant regulations. We will be doing further work in 2023 to reduce waste and improve recycling rates.

- We have continued to upgrade energy using appliances around our sites to minimise energy use. We have seen the benefits of this in the electricity usage at these sites, with our Rolleston

site which had a full LED upgrade last year seeing electricity usage fall by over a third.

- We have changed our company car policy to incentivise employees who are eligible to have a company car to switch to an electric vehicle. We have done this by offering higher value cars as electric only options and limiting what is available in terms of petrol and diesel vehicles.

Our plans for the future

In 2023 we will be focused on moving further forwards with our current strategy to allow us to increase the number of pets and people helped. We know that to achieve this we need strong foundations in place. Therefore in 2023 our key priorities are as follows:

Start our transition to a new approach to Rehoming

In 2023 we will start to roll out our new approach to rehoming of pets nationwide. Rehoming of pets has changed greatly during recent years and we need to make sure we have an approach and a structure that reflects how this service now needs to operate. This will involve changes to how our rehoming operations are structured and also the processes and systems we use, some of which we have been adapting in the last two years. This will be a significant undertaking, but we know it is vital for the continued success of our rehoming service and our planned expansion of it.

One of our biggest challenges moving forward is to help more pets at a lower cost per pet helped. To this end we are piloting a new way of working at selected Blue Cross sites. This is a key foundation for our future – enabling us to increase pets helped, enhance the customer experience and work more efficiently. Based on learnings from these trials we will be finalising our new Rehoming model and putting in place a plan that will see us move to it over the next year.

Roll out of Pet Food Banks nationwide

We will continue the work we have started in the second half of 2022 to rapidly expand our Pet Food Banks around the United Kingdom. We will work closely with charity and commercial partners to help us deliver our objectives. The cost of living crisis has created unprecedented pressure on household budgets around the UK, so services like our Pet Food Banks have never been needed more. We will be working to establish a network of Pet Food Banks across the country to help more people and pets in need.

Developing our strategy for the expansion of our veterinary services

There are a huge number of people and pets around the UK who need affordable vet care, but are not able to access it. We know we cannot deliver veterinary services across all of the UK from our existing

operations, but we are determined to expand and help meet this need. So our veterinary services leadership team will be working closely with colleagues from across the organisation and with our Trustees to develop a full strategy for this area of unmet need.

The insight gained from research in 2022 has enabled us to create client profiles and given us a better understanding of the people who most need our help. This will inform how we might need to adapt our veterinary service to meet the needs of our current clients. It will also influence the design of future veterinary services.

Start our transition to new central systems for our fundraising and rehoming data

We need to invest in modern Customer Relationship Management (CRM) systems for both our fundraising and rehoming operations. We have now identified the systems that we wish to transition to and also the partners that we intend to start working with. We will undertake in depth work with these partners in the early part of 2023 and then start to deliver this transition in the second half of 2023. This will be a multi-year programme of work and will continue into 2024, but we intend to proceed as rapidly as possible in 2023.

Integrate our approach to handling contact from our customers and supporters

We will be working in 2023 to establish a more fully integrated approach to handling contact from the range of supporters and customers that our charity has. Currently we have different teams and approaches in different services within the organisation and we know this is not the most efficient way to operate, nor does it give a consistent customer experience. Therefore, during 2023 we will be looking to formally centralise our various contact handling teams and make sure that all have access to the same technology and training to give the best possible customer experience, improving access and increasing efficiency to maximise our impact on pets and people in need.

Challenges we face

Recruitment of necessary roles in a challenging market

One of our biggest challenges remains recruiting and retaining key people, particularly in certain fields such as veterinary and IT. However, we are responding to this by trying to make sure we have a competitive offer to make to existing and potential employees and are also a flexible employer who gives them the opportunity to undertake rewarding work. We are seeing increased success with recruiting for roles across the organisation and will continue to focus on this area in 2023.

Ensure our financial sustainability

We know that long term financial sustainability is vital for us to continue our work, but the current economic situation will make this increasingly challenging. We will be working to ensure that we continue to control our costs and maximise our income so that we can have the biggest possible impact. We know that the slowdown in the economy and the resulting impact this has on many of our donors could impact our income. We also know that the demand for our services will grow over the next few years. Therefore, it has never been more important to make sure we are doing all we can to maintain a strong financial position.

Dealing with increased demand for services

As the cost of living crisis continues, we expect to see demand across our services increase considerably. We are preparing ourselves to deal with this challenge by making sure our services are ready

for periods of heightened demand, but we are also realistic that we cannot help all the pets and people who need us. Therefore, we will also work closely with other animal welfare charities to try and ensure that together we are delivering as much as possible and look at how else we can meet the need during the next few years.

Continuing to fundraise in a competitive fundraising market

We are operating in a highly competitive fundraising environment with many other charities and causes all looking to raise funds. We have a very strong focus on continuing to grow our number of supporters and keep them engaged with the charity so that they continue to support our vital work. With household budgets being squeezed by rising prices, we are aware that there might be challenging times ahead for all charities, so we are preparing ourselves for an even tougher future environment.

Deliver the technology improvements that the charity requires

We need to improve our use of technology while being mindful of both cost and time pressures. We need to upgrade a number of our key systems but will need to ensure that we manage these projects effectively and choose our suppliers appropriately to ensure we do not end up with excessive costs and potentially significant delays. We have confidence in our people to deliver these changes, but will be looking to make sure everything we would expect is correctly in place before we commit to large scale technology replacement programmes.

Financial review and outturn

Financial outturn

The overall result for the year was a loss of £1.5m (2021 surplus of £4.4m). This was driven by combined unrealised and realised losses in our investment portfolio of £6.2m (2021 gain of £4.2m) and our actual operations made a surplus of £4.7m (£0.2m in 2021), which was in excess of our original budget for the year. This has come about due to certain income streams exceeding budget and both our salary and overhead costs being under budget, due to recruitment challenges and delays to strategic projects. Our budget for 2023 shows a £2.3 million loss, as we will look to immediately reinvest this operational surplus back into our charity to ensure it can deliver its badly needed services.

Our subsidiary the Blue Cross Trading Company continued to trade successfully and it delivered a profit of £434k that was donated to the charity.

We are immensely grateful to our supporters for their donations, and our people for their efforts during 2022. Our teams have worked tirelessly to continue to bring in income and minimise costs wherever possible and it is through this work that we managed to end the year in a strong financial position which we can then invest in future years.

Income

We are dependent on donations for everything we do. On behalf of all the pets and people 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 56.

Our income streams overall performed in excess of our expectations for the year. At £25.6m (2021 £20.2m), legacy income was stronger than in prior year and in excess of our budget, driven by a particularly strong end to the year. However, we are aware that a downturn in the housing market could have an impact on the value of the legacies we receive in the future, including legacies contained within the year end legacy debtor. However, there is a 5 per cent provision included in the accounts against the year end legacy debtor and so we believe this valuation to be materially accurate.

We were able to fundraise in a wider range of activities than in 2021 with no COVID-19 related restrictions in place. Fundraising income was at £10.3m (2021 £9.6m). In addition to our ongoing fundraising activities to fund our core charitable services, our appeal for our work in Ukraine brought in £295k of donations and our Pet Food Banks campaign brought in £366k. The Pet food Banks donations were predominantly as gifts in kind.

Our charity shops were able to open for their first full year following the COVID-19 pandemic and they performed very well, with a particularly strong end to the year. Income from donated goods increased to £5m (2021 £3.5m) and we had some record breaking weeks.

Service delivery income also increased to £2.5m (2021 £2.2m). This was due to it being the first full year of our new charging system for our veterinary services, which was introduced in 2021. Income for Veterinary Services increased to £1.9m from £1.7m in 2021, while income from other services remained fairly even.

Expenditure

Our salary costs increased to £22.1m (2021 £21.3m). This was below our budget for the year, as we did not recruit as quickly as we anticipated for a number of roles. This was both due to challenges in the recruitment market and also due to us delaying the recruitment of certain roles because projects did not proceed as planned. At the end of the year we were closer to being fully resourced, with 92% of budgeted roles filled and so costs will increase in 2023.

Operational costs and overheads increased to £19.1m (2021 £16m). This was a lower than budgeted increase. The reason for this are twofold; a higher than expected number of vacant roles during the

year has driven down related expenditure and also due to a number of projects not moving as fast as originally budgeted. Expenditure did increase in the latter stages of the year as roles were filled and work on strategic projects accelerated and we expect it to increase further in 2023.

During the year, Blue Cross spent £29.1m (2021 £25.7m) on charitable activities, which represents 71 per cent of total expenditure in the year (2021 69 per cent). For every £1 invested in raising funds, we received £6.66 back (2021 £5.36).

Balance sheet

Our balance sheet comprises net assets of £74.7m (2021 £76.2m). The legacy debtor increased to £21.5m (2021 £14.9m), due to the value and number of estates increasing and the processing speed of His Majesty's Courts and Tribunal Service decreasing.

Our cash holdings decreased to £3m (2021 £4.6m) despite the operational profit we achieved. This due to the increase in the legacy debtor. We monitor cashflow very closely and have in place plans that will allow us to access additional funding if the legacy debtor should continue to increase and create cashflow challenges. We expect our cashflow to be negative in 2023 and so may have to access cash from our investment portfolio or other sources.

We sold off the site of our former cat Rehoming Centre near Torquay and so this is shown in fixed asset disposals in the accounts. We are currently progressing with the disposal of our former sites at both Tiverton and Cambridge and have agreed to lease our vacant site at Lewknor to the Dogs Trust for a period of two years to help them as their own site at Uxbridge is impacted by ongoing construction of HS2.

Investment policy and performance

The investment portfolio had a challenging 2022, making a combined realised and unrealised loss of £6.23m (-13.2 per cent) from the end of 2021 (£4.2m gain in 2021). This was due to particularly challenging market conditions, driven by persistently high inflation and rising interest rates, deteriorating economic conditions and the Russian invasion of Ukraine and subsequent energy crisis. We expect to see the markets remain changeable during 2023 but expect the investment portfolio to gradually regain value over the longer term. Due to this expectation our portfolio has transitioned during the year to be invested in more defensive sectors as the economic outlook remains uncertain.

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. At the end of 2022, all investments demonstrated strong social and environmental management and corporate governance, with clear positive ethical and sustainability attributes.

Using methodology developed by the Impact Management Project, we classify the investments in our portfolio using the following framework:

Other	Does or may cause harm
A	Acts to avoid harm
B	Benefits to people and planet
C	Contributes to solutions
C+	Contributes highly to solutions

Investments in our portfolio	
Cash	3.88%
Other	0%
Acts to avoid harm	36.03%
Benefits people and/or planet	46.64%
Contributes to solutions	12.48%
Contributes highly to solutions	0.95%

As of 31 December 2022, 96.1% of the portfolio was captured under this assessment, with the remainder held in cash. All companies met the minimum standard of demonstrating 'Acts to avoid harm', 46.6% of the portfolio was classified as providing 'Benefits to people and/or planet' and the remainder 13.4% of companies 'contribute to solutions'.

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 Committee reviewed the investment policy and made a number of changes to ensure it aligned with Blue Cross values but still gave sufficient discretion to our investment managers. The revised investment policy is available on our website.

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 return for the overall portfolio is an average of Consumer Price Inflation plus 3 per cent over the long term. In the year to 31 December 2022 it generated a total loss of 13.2 per cent (13.8 per cent gain in 2021).

This total return figure includes investment income and unrealised and realised gains. However, over the longer term the portfolio has gained 20.9 per cent over the previous five years.

Accounting policies

There have been no changes of accounting policies during the year. The 2022 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 time frame 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 2022 the charity was operating at a ratio of 1.12 (2021 1.38) with a liquid, unrestricted reserve of £29m (2021 £36.4m).

Free reserves at year end are £49.7m (2021 £51.4m). Reserves are expected to decrease further in the next few years, as the charity invests in its new Customer Relationships Management (CRM) system and also in a number of its frontline services. However, they should remain above the minimum target ratio and these investments are very important for the future of the charity and to allow it to continue to deliver its wide range of vital services.

Risk management

Our Trustees, supported by the Executive Team, ensure we are taking the necessary steps to manage the risks facing Blue Cross, its employees and its stakeholders. Our 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. All of this work ensures we are able to make decisions based on the best information available. We continue to map our assurances to provide a summary for the Board of the sources and quality of work the strategic risk owners use when forming their opinions of how risks are being managed.

During 2022 we focussed on training and equipping our front-line leaders to better identify and capture risks to improve the overall quality of our understanding. We increased the number of users on the system and rolled out training, both for new

users and refresher training for existing users. This has allowed us to improve the quality of the data in our registers and allow for more effective reporting. We also continued to refine the risk appetite within the organisation, to allow for more effective decision making and to ensure employees are aware of their delegated responsibilities and authority.

The launch of our new three-year strategy, the conflict in Ukraine and the growing financial challenges facing all of us have led us to re-evaluate our strategic and operational risks to ensure we are targeting our efforts appropriately.

Strategic risks and how we are managing them

The following are the strategic risks facing the organisation at the end of 2022. As we now have to live with the effect of Covid 19 we removed the strategic risk dealing with Coronavirus.

Risk	What are we doing?
Significant adverse external media coverage arising from our more active public engagement with strategic priorities and adopting our courageous value, resulting in damage to Blue Cross' reputation.	<p>We have cultivated our reputation over the last 125 years and it is a vital part of who we are. We monitor and regularly report on customer feedback and complaints, to ensure we are aware of how our service users see us. We can then address this through training and updated procedures, and to ensure we are complying with relevant professional codes of practice.</p> <p>We are also aware that in order to drive our policy agenda and make sure we speak up about the things important to us there is an increased risk that we may attract negative publicity from those people who don't understand or don't agree with what we are trying to do. We therefore take steps to manage our brand and protect our reputation, through monitoring of social media and tracking and reporting of media mentions.</p> <p>We proactively manage our key suppliers and partners to make sure they meet our values. This includes undertaking regular reviews with our investment managers to make sure they are meeting our ethical guidelines and getting our Board to approve any partnerships we might enter into, to ensure our values are aligned.</p>
Failure to respond to changes in the external environment, demography and/or service user needs.	<p>The primary focus of our new strategy is to translate the external environment into what we do at Blue Cross. We continue to engage with our service users to ensure our Services and Products meet their needs, and the systems are in place to support them.</p> <p>Both our Veterinary and Rehoming functions continue to undergo significant change, with a focus in 2023 on changing the way our Rehoming service works.</p> <p>We continue to monitor the animal welfare environment through the media and membership of relevant organisations to ensure that animal welfare remains at the heart of what we do.</p>

Risk	What are we doing?
Lack of financial sustainability	<p>With inflationary pressures pushing up costs across the economy there are new financial challenges for both the charity and also for our supporters and we are very alert to the fact that these could have a negative impact on the charities' financial position. We do have a good level of reserves and so are confident that we are sustainable in the medium term, and our financial forecasts support this.</p> <p>In order to ensure that we are continuing to be sustainable for the long term we continue to focus on diversifying our income through both fundraising and service income. The introduction of Pay As You Go (PAYG) for some clients of our veterinary services has increased our ability to continue to help those most in need while also not being solely reliant on donations. We also launched a new paid for behaviour and training service in 2022 as a new way of delivering a required, impactful service which should partially fund itself through fee income.</p> <p>We undertake regular forecasting and planning for the short, medium and long term and report the results to Management and Trustees, allowing them to make decisions that are commercially sound. As part of the strategy, we are always exploring ways to reduce our cost base, and seek to introduce efficiencies through our processes and through a more coordinated approach to the way we procure goods and services.</p>
Failure to attract, manage, develop, reward and retain the right people.	<p>We continue to review our offer to potential and existing employees, and during 2022 undertook a number of initiatives to support the most vulnerable members of our teams as we all experience the ongoing financial difficulties. We also take every opportunity to highlight and promote Equality, Diversity and Inclusion, as this is a key priority for the organisation. We also undertake High Potential Assessments and provide Management development training.</p> <p>2022 saw us invest considerable efforts into re-establishing the link with our volunteers, which was significantly impacted by Covid. 2023 will see further efforts to ensure we offer volunteers a rewarding experience supporting the charity's aims and objectives.</p>
Weak, inadequate or failure of corporate governance.	<p>We have a defined structure of Committees supporting our Board and we recruit and support our Trustees with induction and training. This process was subject to external review as part of a wider governance review in late 2022. Management and Trustees undertake regular monitoring of our risks and how they align with our risk appetite when considering new projects under our strategy framework. Our Internal Audit function, with support from external specialists, delivers an annual plan agreed with the Audit Committee, with regular monitoring to ensure system improvements are implemented as suggested.</p>
Inability to respond effectively to significant organisational disruption.	<p>We have Risk and Business Continuity Management Frameworks in place to help us predict and respond to unforeseen circumstances, though we know these need to be improved. In 2022 we began reviewing and updating our arrangements to ensure they reflect the new ways of working post Covid.</p>
Failure of IT systems and services due to either internal errors or attacks from either hostile third parties or system users with access leading to significant organisational disruption.	<p>We have introduced more structured procedures to ensure security is built in by design for new technology solutions, and change processes are followed to maintain system integrity. Where appropriate and possible we follow security best practice, supported by policies and training for our users. We have invited external scrutiny from a number of sources and implemented improvements based on their recommendations, and were certified as compliant with Cyber Essentials +. We regularly test our IT recovery procedures to ensure system and data integrity can be maintained. We have also deployed additional resources in the Information Security field to ensure we are doing our utmost to protect our stakeholders and users.</p>

Risk	What are we doing?
<p>Blue Cross fails to deliver the outcomes of its new strategy as outlined, leading to financial, reputational and operational impairment.</p>	<p>We were aware at the start of 2022 that we did have considerable work to do to establish clear governance and reporting around all elements of our strategy. As a result, we have overhauled the arrangements for monitoring and delivering our strategy, with the creation of a new strategic planning team and additional resources deployed to ensure timely delivery within an effective governance framework. At the end of 2022, we feel we have made positive progress in this area but we also acknowledge there are lessons to learn. These lessons are both regarding the speed at which we were able to move to ensure that there is a strong, mature governance framework and also with regard to the amount of strategic projects we can run at a point in time, without first ensuring that all our people are trained to a more consistent standard and familiar with the programme and project management approach we are looking to adopt.</p> <p>As a result, we will be undertaking further work in 2023 to upskill our people and also employ further resource to oversee the overall governance of the strategic portfolio and the projects within it. We continue to operate a structure of Objective Boards and Initiative Leads to oversee priorities, escalate risks/concerns and manage resources, alongside an Assurance Framework to monitor, test and report on progress independently of Project Leads. This continued to develop throughout 2022, with improvements around risk reporting and monitoring being made in the latter stages of the year.</p>
<p>Failure of Blue Cross external website or owned social media channels due either to internal errors or attacks from hostile third parties or system users with access leading to loss of income, service disruption or reputational damage.</p>	<p>We carefully monitor security best practice and current developments to ensure where possible and appropriate that our website and social media channels are robust and protect our service users and the reputation of Blue Cross. A recent audit of the security of our website was positive and we are seeking to further strengthen this area.</p> <p>We continue to work closely with our website provider to ensure they are aware of and adhere to our requirements in terms of data and systems integrity and security.</p>

Structure, governance and management

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 2022 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 will always consider the values and objects of the charity in the decision making process as adherence to these is essential for the long term success of the charity. 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 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. Details on how we look to engage and listen to all these stakeholder groups are included on page 27.

During the year the Board have focused on:

- Ensuring that Blue Cross emerged from the COVID-19 pandemic in a good position and so able to move forwards
- Continuing to deliver the strategy that was launched in 2021 and assessing the overall progress made, while taking into account new areas that required a response such as the war in Ukraine and the cost of living crisis
- Adapting where necessary to deal with new ways of working and a desire for employees and volunteers for continued flexibility
- The development of a new approach to the rehoming of pets
- Preparing for an increased demand for its services and a potential drop in fundraising income due to the cost of living crisis

The Trustees have continued to be heavily focused on the delivery of the three year strategy. This is based on five key objectives of:

- Increase accessible, integrated and differentiated services across the UK
- Champion a society more supportive of pets in our lives
- Enable financially sustainable growth
- Create a One Blue Cross culture
- Develop fit for the future systems and processes

The various elements of the strategy are covered in more detail in the "Achievements and progress" section, with the next steps being included in the

"Plans for the future" section. The Trustees have considered the progress made in the strategy against the original strategic plans. Overall progress has been slower than intended, partially due to an over ambition which meant all areas made smaller steps forwards, rather than certain areas moving forwards more rapidly. This has been discussed and going forwards there will be an aim to have a narrower focus and we will also ensure that there is sufficient resource to move forwards with planned projects.

There was an intention in 2022 to make meaningful further progress with the work around the Affordable Vet Care initiative, but this was delayed primarily due to the challenges within the veterinary industry generally and also the change of director level leadership of Veterinary Services within Blue Cross. This work will be a renewed focus in 2023, though with the ongoing challenges around vet recruitment the nature of our plans may have to change considerably.

In the second half of 2022, the Trustees had a particular focus on the area of rehoming and worked closely with the Executive team to understand the challenges in this area. The rehoming operations of the charity have experienced various pressures in the last few years, with the COVID-19 pandemic, the closure of four sites in 2021 and challenges with both staffing and the nature of animals being given up in the post pandemic environment. This has impacted the number of animals we have helped in recent years and the charity has been working on a new approach to its rehoming services since late 2019, to ensure it has an approach suitable for the current external environment and to enable it to help a far greater number of animals in the future. However, this new approach has suffered delays due to the factors mentioned above and the Trustees feel it is imperative that it is agreed and starts to be fully rolled out in 2023.

However, it is important to reflect that the strategic direction of the charity has also had to be responsive and agile in 2022, as there is a great deal of change in the current external environment and our strategy has had to be altered accordingly, hence the launch of our Ukraine appeal and rapid expansion of our Pets Food Banks, neither of which were envisaged under the original strategy. This work has meant resources have been diverted from other areas of the strategy and therefore are a contributing factor to delays in strategic plans elsewhere.

It is clear that not all of the objectives of what was an ambitious strategy will be achieved by the end of 2023 and we expect to have work outstanding which will need reflecting in our future strategy, which is currently being developed.

The Trustees also spent time in 2022 focused on the area of strategy governance and reporting to ensure that the organisation continues to develop its maturity in this area, as this is an area that they feel has not progressed as fast as ideally it would have, due to resource constraints and additional pressure from new activities.

The area of employee and volunteer recruitment has continued to be challenging, particularly in areas such as the veterinary sector. However, the Trustees have worked closely with the Executive team to ensure we are adapting our offering and remain able to attract the talented employees we require to deliver our mission. The Trustees receive regular updates on areas such as vacancy rates and turnover rates of employees to ensure that they understand what is happening within the organisation and whether more may need to be done.

The cost of living crisis really started to affect the UK in the last few months of 2022, but the charity was already preparing for this situation earlier in the year. Work was accelerated on projects like the Pet Food Banks, which were considered the most impactful projects at this time. Extra resource was also put into areas such as recruitment to make sure we had the people we required to be able to help pets and people in need. The Trustees receive regular updates on progress made in all areas of the charity to allow them to monitor performance and identify areas where future action may be required.

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 employee 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.

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 was 15 at any one time, as shown on page 55. 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 Chair'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 Chair is subject to an annual appraisal process by a senior Trustee based on feedback from each Trustee. The Chair 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.

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 ensuring that they are giving sufficient time and attention to the seven principles contained within it.

During late 2022, as part of a continued drive to identify and implement best practice, the Trustees commissioned an external review of governance by Bayes Business School. The review concluded that the Board currently benefits from a number of areas of good practice with Trustees regularly and actively benchmarking the charity's governance arrangements against the Charity Governance Code, making changes where any gaps are identified. The report made a number of recommendations reflecting current best practice, which the Trustees are considering and will implement over the next 12 months.

Independent Board Members and observers

Two independent Board members were appointed during 2022. There was also a further independent member and an independent observer appointed specifically to the Investment Committee, as it was identified that these appointments would bring additional skills and knowledge to the committee.

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 subsidiaries are included in the charity's consolidated financial statements, though Blue Cross D&B Limited is dormant and so it does not have financial results to consolidate. 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 six 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.

Investment Committee (IC): meets quarterly with our investment managers to review investment performance and ensure investments are held in accordance with Blue Cross's ethical investment policy.

Remuneration Committee (Remco): considers the remuneration of the Chief Executive and Executive Team (see page 18) 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.

Membership of these committees and sub-committee at 31 December 2022 is as follows:

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

Kerry Blackstock Comco, Fisco (elected 2022)

Niki Brooks-Coppard Fisco (Chair), Remco (Chair), Sedco (elected 2020)

Lara Dewar Comco (retired 30 March 2023)

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

Alison Forrestal Comco, Sedco, IC (elected 2021)

Caroline Gosling Comco, Remco, Fisco (elected 2019)

Nico Lutkins Comco, Fisco (retired 30 March 2023)

Chris Martin BSc Fisco, Audit (elected 2019)

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

Dr Nick Park BVetMed Sedco (elected 2020)

Tim Porter FCA Chair of the Board (elected 2012)

Kath Qualtrough, Fisco, Sedco/Audit (elected 2022)

Dr Jeremy Stewart BVetMed CertVet MRCVS Comco, Sedco (Chair) (elected 2015)

Stephen Swift Vice Chair of Board, Comco (Chair), IC (Chair), Fisco, Remco (elected 2012 and 2015)

Independent Board members

Vikramaditya Ghosh Comco, Sedco (appointed 2022)

Michele Jennings Audit, Comco (appointed 2022)

Independent members and observers of Committees

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

Zair Berry FCA (appointed 2021) Investment

Amy Clarke (appointed 2022) Investment

Keillian Tai (appointed 2022) (observer) Investment

As Chair of the Board of Trustees, Tim Porter is an ex-officio Member of all committees.

Dr Jeremy Stewart is the Trustee overseeing safeguarding.

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 2022 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 2022 were as follows:

Chief Executive **Chris Burghes**

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

Chief Operating Officer **Kelly Grellier**

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

Director of People and Development **Beth Verrechia**

Chief Information Officer **Phillip Edwards**

Director of Rehoming Services **Alyson Jones**

Director of Veterinary Services **Paul Manktelow**

Remuneration Committee report

Composition and role

The remuneration committee met four times in 2022. Its members are the Chairman and four 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.

Remuneration policy

Blue Cross is committed to ensuring that our employees are paid fairly and in a way that attracts and recruits people with the right skills to have the greatest impact in delivering our charitable objectives.

In assessing remuneration levels the committee considers the following factors:

- **Inflation** – keeping pay levels in line with movements in the cost of living
- **Market forces** – making sure pay levels are set so that they are compatible with the recruitment and retention objectives applicable to the role under consideration
- **Merit increases** – benchmarking such increases in terms of amount and justification ie performance and achievement and delivery against agreed objectives
- **Increased responsibility** – accommodating real changes in responsibility
- **Affordability** – ensuring Blue Cross has the financial resources to afford the proposed remuneration

The objective of this policy is to ensure that all Blue Cross employees are provided with appropriate remuneration to encourage optimum performance and are rewarded in a fair and responsible manner for their individual contributions to the overall success of the charity. Each year all Blue Cross employees participate in performance appraisals.

In 2022 there was one settlement payments, five redundancies and 10 payments in lieu of notice (PILON) payments totalling £53,398 made to 14 individuals.

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.

Remuneration of Executive Team

Remuneration of the Executive Team comprises annual salary, 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 Cendex reward data. Blue Cross aims to pay the voluntary sector median salary for its senior executives.

The remuneration of the Executive Team is reviewed annually based on sector Cendex reward 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 at December 2022 of the highest paid employee (£142,686 pa) to the average remuneration of employees (£26,819.58 pa) was 5.32 times (5.23 times in 2021).

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 the charitable company's auditors during the year. They have expressed their willingness to continue in that capacity and a motion to propose their reappointment as our external auditors will be proposed at the AGM.

The Trustees' report and strategic report were approved by the Trustees in their capacity as Directors of the company on 21 April 2023 and are signed on their behalf by:



Tim Porter FCA Chair

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 2022 and of the Group's incoming resources and application of resources and the Parent Charitable Company'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.

We have audited the financial statements of Blue Cross ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the consolidated statement of financial activities incorporating an income and expenditure account, the charity statement of financial activities incorporating an income and expenditure account, the consolidated and charity statements 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

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 and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 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: cash donations and legacy receipts.

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
- review of cash income procedures and any disputes relating to un-received income
- tested for the existence of fictitious employees
- sample tested supplier account changes
- 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:

<https://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.

DocuSigned by:

Jill Halford

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Jill Halford Senior Statutory Auditor

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

Date: 21 April 2023

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 2022

		Unrestricted Funds £'000	Restricted Funds £'000	2022 Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	2021 Total £'000
Income and endowments from	Note						
Donations and legacies		30,745	5,123	35,868	25,841	3,905	29,746
Charitable activities		2,522	-	2,522	2,154	-	2,154
Other trading activities		5,768	-	5,768	4,197	-	4,197
Investment income		944	-	944	718	-	718
Grant Income		146	-	146	622	-	622
Net profit on sale of Asset		677	-	677	37	-	37
Total income	3	40,802	5,123	45,925	33,569	3,905	37,474
Expenditure on							
Charitable activities:							
Veterinary services		(10,471)	(1,618)	(12,089)	(10,066)	(1,338)	(11,404)
Rehoming		(7,285)	(2,506)	(9,791)	(6,630)	(3,317)	(9,947)
Raising awareness		(4,353)	-	(4,353)	(3,222)	-	(3,222)
Advice and support		(2,621)	(254)	(2,875)	(1,088)	-	(1,088)
Raising funds		(5,389)	-	(5,389)	(5,517)	-	(5,517)
Other trading activities		(6,691)	-	(6,691)	(6,131)	(2)	(6,133)
Total Expenditure	4	(36,810)	(4,378)	(41,188)	(32,654)	(4,657)	(37,311)
Net income/(expenditure)		3,992	745	4,737	915	(752)	163
Net (losses)/gains on investments	9	(6,228)	-	(6,228)	4,238	-	4,238
Net movement in funds		(2,236)	745	(1,491)	5,153	(752)	4,401
Reconciliation of funds							
Total funds brought forward at 1 January		75,190	1,045	76,235	70,037	1,797	71,834
Total funds carried forward at 31 December	15	72,954	1,790	74,744	75,190	1,045	76,235

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 loss for the parent entity during the year was £1.5m (2021 £4.4m surplus).

Charity statement of financial activities incorporating an income and expenditure account

for the year ended 31 December 2022

	Unrestricted Funds £'000	Restricted Funds £'000	2022 Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	2021 Total £'000
Income and endowments from						
Donations and legacies	31,179	5,123	36,302	26,311	3,905	30,216
Charitable activities	2,522	-	2,522	2,154	-	2,154
Other trading activities	5,076	-	5,076	3,533	-	3,533
Investment income	944	-	944	718	-	718
Grant Income	146	-	146	622	-	622
Net profit on sale of Asset	677	-	677	37	-	37
Total income	40,544	5,123	45,667	33,375	3,905	37,280
Expenditure on						
Charitable activities:						
Veterinary services	(10,471)	(1,618)	(12,089)	(10,066)	(1,338)	(11,404)
Rehoming	(7,285)	(2,506)	(9,791)	(6,630)	(3,317)	(9,947)
Raising awareness	(4,353)	-	(4,353)	(3,222)	-	(3,222)
Advice and support	(2,621)	(254)	(2,875)	(1,088)	-	(1,088)
Raising funds	(5,389)	-	(5,389)	(5,517)	-	(5,517)
Other trading activities	(6,433)	-	(6,433)	(5,937)	(2)	(5,939)
Total Expenditure	(36,552)	(4,378)	(40,930)	(32,460)	(4,657)	(37,117)
Net income/(expenditure)	3,992	745	4,737	915	(752)	163
Net (losses)/gains on investments	(6,228)	-	(6,228)	4,238	-	4,238
Net movement in funds	(2,236)	745	(1,491)	5,153	(752)	4,401
Reconciliation of funds						
Total funds brought forward at 1 January	75,190	1,045	76,235	70,037	1,797	71,834
Total funds carried forward at 31 December	72,954	1,790	74,744	75,190	1,045	76,235

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above.

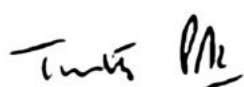
Consolidated and charity statements of financial position

as at year ended 31 December 2022

	Notes	As at 31 December 2022		As at 31 December 2021	
		Group £'000	Charity £'000	Group £'000	Charity £'000
Fixed assets					
Tangible assets	8	22,282	22,282	23,572	23,572
Investments	9	34,983	34,983	41,342	41,342
		57,265	57,265	64,914	64,914
Current assets					
Stocks	10	225	107	254	89
Debtors	11	24,350	24,446	16,946	17,100
Cash and cash equivalents		2,932	2,684	4,604	4,424
		27,507	27,237	21,804	21,613
Liabilities					
Creditors: Amounts falling due within one year	12	(5,278)	(5,008)	(4,733)	(4,542)
Net Current Assets		22,229	22,229	17,071	17,071
Creditors: Amounts falling due after more than one year	13	(4,750)	(4,750)	(5,750)	(5,750)
Total Net Assets	15	74,744	74,744	76,235	76,235
The Funds	16				
Total restricted funds		1,790	1,790	1,045	1,045
General unrestricted funds		69,935	69,935	66,851	66,851
Fair value investment reserve		3,019	3,019	8,339	8,339
Total unrestricted funds		72,954	72,954	75,190	75,190
Total funds		74,744	74,744	76,235	76,235

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

Approved by the Trustees on 21 April 2023 and signed on their behalf by



Tim Porter FCA
Chair



Stephen Swift
Vice Chair

Company number: 363197

Consolidated cash flow statement

for the year ended 31 December 2022

	2022 £'000	2021 £'000	
Net cash (used in)/provided by operating activities	(1,806)	4,162	Table A
Cash flows from Investing activities.			
Dividends, interest and rents from investments	919	718	
Proceeds from sale of property, plant and equipment	736	37	
Purchase of property, plant and equipment	(464)	(1,950)	
Purchase of investments	(6,037)	(6,874)	
Proceeds from sale of investments	6,168	7,528	
Net cash provided by/(used in) investing activities	1,322	(541)	
Cash flows from financing activities			
Interest received	25	-	
Interest paid	(213)	(95)	
Repayment of borrowing	(1,000)	(8,750)	
Cash inflow from new borrowing	-	5,000	
Net cash (used in)/provided by financing activities	(1,188)	(3,845)	
Change in cash and cash equivalents in the year	(1,672)	(224)	
Cash and cash equivalents at beginning of year	4,604	4,828	
Cash and cash equivalents at end of year	2,932	4,604	Table B
Table A			
Net cash (used in)/provided by operating activities for the year	(1,491)	4,401	
Depreciation of fixed assets	1,696	1,673	
Dividends, interest and rents from investments	(919)	(718)	
Interest received	(25)	-	
Interest paid	211	95	
(Gains)/loss on disposal of fixed assets	(677)	151	
Loss/(gains) on investments	6,228	(4,238)	
	5,023	1,364	
Working capital movements			
Decrease/(increase) in stocks	29	114	
(Increase)/decrease in debtors	(7,404)	1,906	
Decrease/(increase) in creditors	546	778	
Net cash (used in)/provided by operating activities	(1,806)	4,162	
Table B			
Cash at bank and in hand	2,932	4,604	
Total cash and cash equivalents	2,932	4,604	

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

Notes to the financial statements

for the year ended 31 December 2022

1. Company status

Blue Cross is a registered charity constituted as a 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, Oxfordshire 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 subsidiary Blue Cross Trading Company Limited on a line by line basis. Transactions and balances between the Charity and its subsidiary have been eliminated from the consolidated financial statements. Balances between the organisations are disclosed in the notes. A detailed profit and loss account for the Blue Cross Trading Company Limited is disclosed in notes 17 and 18. Blue Cross (D&B) Company Limited was dormant during 2022 and 2021.

A separate statement of cash flows for the Charity itself is not presented because the Charity has taken advantage of the exemptions afforded in FRS102.

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, cash flows and debt level. The level of reserves and current cash-flow is sufficient to cover repayment of our existing loans. Future forecast show the Charity will continue to generate sufficient income to cover its expected costs and in the event of income being lower or cost being higher than anticipated the Charity has sufficient reserves to cover potential operating losses while it takes action to return to sustainable financial position, for these reasons, the directors believe it is a going concern.

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.

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.

Assets held for sale are valued at the lower of the carrying amount or fair value and not depreciated at the point they are reclassified.

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:

- Raffle income is recognised when the cash is received, and sponsorship income is accounted for when receivable.
- Income from Blue Cross Shops includes the sale of donated goods through shops and the income is recognised when the goods are sold, and the payment received.
- Income from trading subsidiaries is represented by the commission receivable and on goods sold during the year, excluding VAT.
- Investment income is accounted for when receivable.
- Veterinary services, rehoming and rehabilitation income is accounted for when receivable and includes any associated donations.
- Gifts in kind are valued at their estimated value to the charity where this is material and quantifiable. Gifts in kind are included in donation income.
- The policy for legacy income is shown in note 2e below
- 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 (2021: 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 113 legacies (2021: 118), 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 estimates 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. Freehold land is stated at cost.

g) 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 – components -	15 - 50 years
Leasehold improvements -	5 years
Motor vehicles -	3 years
Equipment including 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 annually by reviewing internal and external indicators.

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.

h) Investments

Investments held as fixed assets are revalued at fair value 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.

i) 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.

j) 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.

Costs of raising 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.

Dilapidations have been calculated on all Retail properties based on the remaining lease term. 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.

Recognition for termination benefits is unchanged. A liability is recognised when an entity 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 below:

	2022 %	2021 %
Cost of generating funds	8.15	7.41
Service delivery:		
- Veterinary services	32.56	32.01
- Rehoming	29.59	33.19
Raising awareness	5.43	4.93
Blue Cross shops	20.24	18.71
Advice and support	3.68	3.39
Governance costs	0.35	0.36
	100.00	100.00

k) 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.

l) 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.

m) Funds

Restricted funds represent funds which are to be used in accordance with the specific restrictions imposed by the donors or term of appeal. 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.

n) 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 loans (note 13) are measured at the value drawn and any associated costs have been taken to the Statement of Financial Activities.

o) 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

	2022 £'000	2021 £'000
Donations and legacies		
Donations and gifts	8,997	8,048
Legacies receivable	25,601	20,178
Events, raffle, and sponsorship	1,270	1,520
	35,868	29,746
Charitable activities		
Veterinary services	1,887	1,696
Rehoming	549	401
Advice and support	86	57
	2,522	2,154
Other trading activities		
Income from Blue Cross shops	5,041	3,499
Income from trading subsidiaries	727	698
	5,768	4,197
Investment income		
Investment income received & receivable	919	718
Interest received & receivable	25	–
	944	718
Government Grants income	146	622
Net profit on sale of asset	677	37
Total Income	45,925	37,474

At the year-end the charity was aware that it was a beneficiary of additional 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 £3.34m (2021: £2.02m).

The Charity received £5.1m donations and legacies that were restricted. See note 16.

The Charity received £0.85m of gift in kind donations with the estimated value included in donations and gifts.

2022 Government Grants income is from the Kick Start youth employment scheme. 2021 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.

4. Total expenditure

	Raising funds £'000	Other trading activities £'000	Veterinary services £'000	Rehoming £'000	Raising awareness £'000	Advice & support £'000	Governance £'000	Support costs £'000	Group 2022 Total £'000	Group 2021 Total £'000
Staff costs (note 6)	(1,160)	(2,403)	(7,026)	(4,375)	(1,236)	(1,477)	(71)	(4,329)	(22,077)	(21,278)
Other staff related costs	(43)	(27)	(105)	(47)	(33)	(24)	(14)	(278)	(571)	(436)
Service delivery	-	-	(1,444)	(638)	-	-	-	-	(2,082)	(1,961)
PR and marketing	(3,417)	(28)	(8)	(82)	(2,528)	(139)	-	(22)	(6,224)	(4,798)
Trading costs	-	(246)	-	-	-	-	-	-	(246)	(185)
Property	(2)	(1,975)	(621)	(1,164)	(2)	(24)	-	(371)	(4,159)	(3,471)
Equipment and IT	(17)	(220)	(223)	(79)	(66)	(14)	(11)	(936)	(1,566)	(1,351)
Depreciation	(2)	(96)	(216)	(1,008)	(6)	-	-	(368)	(1,696)	(1,673)
Transportation costs	(19)	(124)	(51)	(95)	(73)	(71)	(1)	(102)	(536)	(478)
Other operating costs	(219)	(118)	(145)	(34)	(6)	(541)	(43)	(649)	(1,755)	(1,661)
Grants	-	-	-	-	-	(276)	-	-	(276)	(19)
Total	(4,879)	(5,237)	(9,839)	(7,522)	(3,950)	(2,566)	(140)	(7,055)	(41,188)	(37,311)
Governance reallocation	(10)	(28)	(44)	(44)	(8)	(6)	140	-	-	-
Support costs reallocation	(500)	(1,426)	(2,206)	(2,225)	(395)	(303)	-	7,055	-	-
Total 2022	(5,389)	(6,691)	(12,089)	(9,791)	(4,353)	(2,875)	-	-	(41,188)	-
Total 2021	(5,517)	(6,133)	(11,404)	(9,947)	(3,222)	(1,088)	-	-		(37,311)

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

Comparative section from 2021 accounts

	Raising funds £'000	Other trading activities £'000	Veterinary services £'000	Rehoming £'000	Raising awareness £'000	Advice & support £'000	Governance £'000	Support costs £'000	Group 2021 Total £'000	Group 2020 Total £'000
Staff costs (note 6)	(1,694)	(2,051)	(6,743)	(5,306)	(1,093)	(781)	(65)	(3,545)	(21,278)	(21,485)
Other staff related costs	(24)	(7)	(89)	(36)	(43)	(2)	(1)	(234)	(436)	(464)
Service delivery	-	-	(1,430)	(531)	-	-	-	-	(1,961)	(2,321)
PR and marketing	(3,068)	(19)	(21)	(9)	(1,648)	(28)	-	(5)	(4,798)	(3,764)
Trading costs	-	(185)	-	-	-	-	-	-	(185)	(191)
Property	(4)	(1,948)	(405)	(646)	(2)	(26)	-	(440)	(3,471)	(3,079)
Equipment and IT	(89)	(160)	(237)	(152)	(69)	(5)	(9)	(630)	(1,351)	(1,483)
Depreciation	(4)	(109)	(216)	(973)	(10)	-	-	(361)	(1,673)	(1,662)
Transportation costs	(11)	(89)	(27)	(202)	(40)	(22)	-	(87)	(478)	(523)
Other operating costs	(171)	(406)	(232)	(40)	(19)	(15)	(25)	(753)	(1,661)	(926)
Grants	-	-	(19)	-	-	-	-	-	(19)	(2)
Total	(5,065)	(4,974)	(9,419)	(7,895)	(2,924)	(879)	(100)	(6,055)	(37,311)	(35,900)
Governance reallocation	(7)	(19)	(32)	(34)	(5)	(3)	100	-	-	-
Support costs reallocation	(445)	(1,140)	(1,953)	(2,018)	(293)	(206)	-	6,055	-	-
Total 2021	(5,517)	(6,133)	(11,404)	(9,947)	(3,222)	(1,088)	-	-	(37,311)	-
Total 2020	(4,432)	(5,520)	(11,032)	(10,576)	(3,259)	(1,081)	-	-		(35,900)

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

5. Net income from the financial year is stated after charging/(crediting)

	Group 2022 £'000	Group 2021 £'000
Depreciation of fixed assets	1,696	1,673
(Gain)/loss on disposal of fixed assets	(677)	151
Loans interest	213	95
Operating lease rentals:		
Buildings	1,434	1,487
Vehicles	212	283
Office Equipment	8	2
Auditor's Remuneration (incl. expenses, excl. VAT):		
Fees for the audit of the financial statements	57	43
Fees for other services	2	2

6. Employees

Group and charity	Group 2022 £'000	Group 2021 £'000
Wages and salaries	(18,363)	(17,490)
Social security costs	(1,830)	(1,658)
Pension contributions	(1,671)	(1,557)
	(21,864)	(20,705)
Other staff costs	(213)	(573)
	(22,077)	(21,278)

In 2022 the remuneration committee approved total settlement payments of £18,500 to one individual (2021: £75,819 to two individuals); in addition, there were 5 redundancy and 10 payments in lieu of notice (PILON) totalling £53,398 made to 14 individuals (2021: redundancy and PILON payments totalling £733,968 were made to 77 individuals). The amount approved by the remuneration committee but not settled at year end was nil.

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:

Group and charity	2022 Average	2022 FTE	2021 Average	2021 FTE
Generating voluntary income	57	54	53	48
Raising awareness	40	36	35	32
Blue Cross shops	172	133	158	121
Veterinary services	255	213	249	206
Rehoming	219	194	243	214
Advice and support	26	24	23	22
Governance	2	2	2	2
	771	656	763	645

The Executive team, as defined in the Trustee Report, received total remuneration including pension contributions and employers National Insurance of £1,037,179 (2021: £994,237).

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

	2022 Number	2021 Number
£60,001 - £70,000	8	9
£70,001 - £80,000	4	2
£80,001 - £90,000	1	1
£90,001 - £100,000	2	2
£100,001 - £110,000	2	2
£110,001 - £120,000	1	-
£120,001 - £130,000	-	-
£130,001 - £140,000	-	1*
£140,001 - £150,000	1*	-
£180,001 - £190,000	-	1**

*Denotes Chief Executive Officer. ** This amount included a settlement payment – full details are in note 19.

Contributions made in the year for the provision of defined contribution pension schemes totalled £180,374 for those nineteen employees (2021: £182,714 for eighteen employees).

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

Expenses paid on behalf of trustees and travel and subsistence expenses that were reimbursed amounted to £2,624 (There were no reimbursements of costs to any trustees in 2021).

Trustee Indemnity Insurance was provided in the year at a total cost of £7,280 to the Charity (2021: £7,280).

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	As at 31 December 2022							As at 31 December 2021	
	Freehold land and buildings £'000	Leasehold improvement £'000	Equipment £'000	Motor Vehicles £'000	Computers £'000	Assets under construction £'000	Assets Held for Sale £'000	Total £'000	Total £'000
Cost									
At 1 January	37,847	1,793	2,014	178	3,043	128	1,901	46,904	46,044
Additions	248	-	53	41	119	3	-	464	2,012
Disposals	(436)	(3)	-	-	-	-	-	(439)	(1,152)
Transfers	72	-	-	-	-	(72)	-	-	-
At 31 December	37,731	1,790	2,067	219	3,162	59	1,901	46,929	46,904
Depreciation									
At 1 January	(15,920)	(1,613)	(1,735)	(155)	(2,449)	(0)	(1,460)	(23,332)	(22,623)
Charge for the year	(1,110)	(90)	(170)	(20)	(252)	(0)	(54)	(1,696)	(1,673)
Eliminated in respect of disposals	379	2	-	-	-	-	-	381	964
At 31 December	(16,651)	(1,701)	(1,905)	(175)	(2,701)	(0)	(1,514)	(24,647)	(23,332)
Net Book Value At 31 December	21,080	89	162	44	461	59	387	22,282	23,572
Net Book Value At 1 January	21,927	180	279	23	594	128	441	23,572	23,421

Assets under course of construction in 2022 relate to the build projects at Hammersmith, Manchester and Devon (2021: Kimpton, Hammersmith, Suffolk and Victoria). Tiverton and Cambridge are held for sale. The transfer in 2022 related to the retention for Kimpton and Victoria.

9. Investments

Group and Charity	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Market value at 1 January	40,619	35,486
Investment cash at 1 January	723	2,271
	41,342	37,757
Disposals at brought forward market value	(6,815)	(5,991)
Acquisitions at cost	6,037	6,875
Cash realised/(utilised)	647	(1,537)
Unrealised (loss)/gain on revaluation	(5,869)	4,249
Realised (loss)/gain on disposal	(359)	(11)
Market value at 31 December	34,983	41,342

The above investments consist of:	As at 31 December 2022 £'000		As at 31 December 2021 £'000	
	UK	Non-UK	Total	Total
Fixed Interest securities	4,837	1,522	6,359	5,778
Other listed shares and securities	14,247	12,996	27,243	34,831
Cash	1,381	-	1,381	733
	20,465	14,518	34,983	41,342
Historical cost as at 31 December			31,964	33,003

10. Stocks

Net receipts on sale	As at 31 December 2022		As at 31 December 2021	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Veterinary drugs for charitable purposes	107	107	89	89
Goods for resale	118	-	165	-
Total	225	107	254	89

11. Debtors

	As at 31 December 2022		As at 31 December 2021	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Due within one year				
Income Tax Recoverable	622	622	423	423
Trade debtors	607	607	363	331
Amounts owed by group undertakings	-	96	-	211
Legacy debtors	21,461	21,461	14,939	14,939
Other debtors	684	684	380	380
Prepayments and accrued income	976	976	841	816
Total Debtors	24,350	24,446	16,946	17,100

There were no debtors due after more than one year as at 31st December 2021 and 2022.

12. Creditors: Amounts falling due within one year

	As at 31 December 2022		As at 31 December 2021	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Trade creditors	(729)	(722)	(644)	(637)
Social security and other taxes	(692)	(438)	(567)	(387)
Other creditors	(188)	(188)	(305)	(305)
Accruals and deferred income	(2,669)	(2,660)	(2,217)	(2,213)
Bank loans	(1,000)	(1,000)	(1,000)	(1,000)
Total	(5,278)	(5,008)	(4,733)	(4,542)

The deferred income balance at 1st January 2022 was £19,283 the amount released to income in the year was £39,837, and the amount deferred in the year was £113,466 giving a balance at 31 December 2022 of £92,111.

The deferred income relates to Ukraine, Pet Bereavement Support Service (PBSS) telephone line and London Marathon Sponsorship in 2023.

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

	As at 31 December 2022		As at 31 December 2021	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Bank loans	(4,750)	(4,750)	(5,750)	(5,750)
Total	(4,750)	(4,750)	(5,750)	(5,750)

The balance at the start of 2022 was £6.75m consisting of £4.75m remaining on a long-term loan of £5m and £2m remaining on a £2.5m CBIL loan, secured on the Victoria Properties (Sheppard House, 1-5 Hugh Street, SW1V 1QQ).

This £5m loan taken out in 2021 is repayable in equal annual instalments over a 5 year period with £500k annual repayments and a final payment of £2.5m. It accrues interest at a variable rate of Bank of England Base rate + 1.75% and is secured against the same Victoria properties.

The additional £2.5m was borrowed as part of the government CBIL scheme taken out in 2021. This is repayable in equal annual instalments over a 5 year period at a variable rate of Bank of England Base rate + 2.69% and is secured against the same Victoria properties but with an additional guarantee from the UK Government under the CBIL scheme.

Payments of £500k have been made on both loans during 2022 and this leaves a balance of £4.75m at 31st December 2022.

14. Analysis of changes in net debt

Group	As at 01 January 2022 £'000	Cash flows £'000	Non-cash changes* £'000	As at 31 December 2022 £'000
Cash and cash equivalents				
Cash at bank and in hand	4,604	(1,672)	-	2,932
	4,604	(1,672)	-	2,932
Borrowings				
Debt due within one year	(1,000)	1,000	(1,000)	(1,000)
Debt due after more than one year	(5,750)	-	1,000	(4,750)
	(6,750)	1,000	-	(5,750)
Total	(2,146)	(672)	-	(2,818)

* Reclassification of loan due date

15. Analysis of net assets between funds

	As at 31 December 2022			As at 31 December 2021		
	Restricted £'000	Unrestricted £'000	Total funds £'000	Restricted £'000	Unrestricted £'000	Total funds £'000
Tangible fixed assets	-	22,282	22,282	-	23,572	23,572
Investments	-	34,983	34,983	-	41,342	41,342
Long term liabilities	-	(4,750)	(4,750)	-	(5,750)	(5,750)
Net current assets	1,790	20,439	22,229	1,045	16,026	17,071
Net assets at the end of the year	1,790	72,954	74,744	1,045	75,190	76,235

16. Movement in funds

Purposes of restricted funds

The principal restricted funds are those held in respect of the following funds. These funds are specifically for the use at the centres named below.

	As at 1 January 2022 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	As at 31 December 2022 £'000
Restricted funds:						
<i>With transactions above £250k:</i>						
Burford running costs	314	796	(661)	-	-	449
Southampton running costs	-	950	(560)	-	-	390
Hammersmith Capital	223	-	(8)	-	-	215
Subsidiary Charities	427					427
Victoria Running costs	-	328	(328)			-
Ukraine		235	(235)	-	-	-
Other Restricted Funds	81	2,814	(2,586)	-	-	309
Total restricted funds	1,045	5,123	(4,378)	-	-	1,790
Unrestricted funds	75,190	40,802	(36,810)	-	(6,228)	72,954
Total funds	76,235	45,925	(41,188)	-	(6,228)	74,744

Funds for Burford and Southampton included numerous individual legacies to finance operational activity of the rehoming centres. Fund restricted for Ukraine included donations restricted by terms of appeal. Other restricted funds included £1,616,020 related to veterinary services and £1,507,381 to rehoming sites, with majority being legacies. Restrictions for our subsidiary charities are currently being review due to the length of time these funds have been held.

	At 1 January 2021 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	At 31 December 2021 £'000
Restricted funds:						
<i>With transactions above £250k:</i>						
Burford running costs	554	428	(668)	-	-	314
Hertfordshire capital	372	794	(1,166)	-	-	-
Hammersmith capital	237	-	(14)	-	-	223
Other restricted funds	634	2,683	(2,809)	-	-	508
Total restricted funds	1,797	3,905	(4,657)	-	-	1,045
Unrestricted funds	70,037	33,570	(32,655)	-	4,238	75,190
Total funds	71,834	37,475	(37,312)	-	4,238	76,235

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 2022 and 2021.

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.

A summary of the trading result for 2022 is shown below:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Income Statement		
Turnover	728	698
Cost of Sales:		
Stock brought forward	165	211
Purchases	199	139
Stock carried forward	(118)	(165)
	(246)	(185)
Gross profit	482	513
Administrative Expenses	(12)	(9)
Management charge from Blue Cross	(36)	(34)
Profit on ordinary activities before taxation	434	470
Taxation	-	-
Profit on ordinary activities after taxation	434	470
Qualifying charitable deduction	(434)	(470)
Retained profit for the financial year	-	-
Statement of Financial Position		
Total Assets	366	402
Total Liabilities	(366)	(402)
Net Assets	-	-
Total Funds	-	-

19. Related parties, subsidiary charities and welfare associates

Details of transactions with our subsidiary charities can be found in notes 17 and 18.

David Catlow, Director of Veterinary Services, left the employment of Blue Cross in December 2021. The charity paid a settlement payment of £60k.

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 2022 the total committed to operating lease payments in future years was:

	31 December 2022 £'000	31 December 2021 £'000
Leases for land and buildings:		
Expiring within one year	1,310	1,158
Expiring between one and five years	3,415	2,483
Expiring thereafter	395	679
Leases for vehicles:		
Expiring within one year	138	197
Expiring between one and five years	99	229
Leases for equipment:		
Expiring within one year	8	2
Expiring between one and five years	21	-
Total	5,386	4,748

Details of commitments at the accounting date are as follows:

	31 December 2022 £'000	31 December 2021 £'000
Contracted for but not provided for:		
Devon	(45)	-
Victoria	-	(121)
	(45)	(121)

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

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 £1,670,150 (2021: to £1,557,261). All contributions were paid in the year.

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 31st December 2022 is £399k (2021: £384k).

Reference and administrative details

For the year ended 31 December 2022

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 (Chair)
- Kerry Blackstock (elected 2022)
- Niki Brooks-Coppard
- Catherine Brown (retired 2022)
- Professor Stuart Carmichael BVMS, MVM, DSAO, MRCVS
- Lara Dewar
- Clive Everest MA, FCA
- Alison Forrestal
- Caroline Gosling
- Nico Lutkins
- Chris Martin BSc
- Joseph Nhan-O'Reilly
- Dr Nick Park
- Charmion Pears
- Kath Qualtrough (elected 2022)
- Dr Jeremy Stewart BVetMed CertVR MRCVS
- Stephen Swift (Vice-Chair)

Independent Board Members

- Vikramaditya Ghosh (appointed 2022)
- Michele Jennings (appointed 2022)

Independent Audit Committee Members

- Helen Wilkie ACA

Independent Investment Committee Member

- Zair Berry
- Keillian Tai (appointed 2022) Observer
- Amy Clarke (appointed 2022)

Chief Executive

- Chris Burghes

Company Secretary

- Iain Heaton

Banker

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

Solicitors

- BDB Pitmans LLP
1 Bartholomew Close
London
EC1A 7BL
- 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 Manager

- 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 2022.

Corporate Partners

- Amazon UK Services Ltd
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Major Supporters

We are ever grateful for the generosity of all our individual and Trust and Foundation supporters, including those who donated in memory of a loved one or made an anonymous gift. We thank the following for their significant contributions last year:

- Mr Geoffrey Gordon Max Ackerman Will Trust
- Petplan Charitable Trust
- Pets at Home
- Pets at Home Foundation
- The Cadogan Charity
- The Dr Sheila Millar-Danks Charitable Trust
- The Sir Peter O'Sullivan Charitable Trust
- The Rose Animal Welfare Trust
- The Sylvia & Stanley Moss Trust
- The Eunice Johnson Discretionary Will Trust
- Mrs Diana van Nievelt Price

We would also like to thank our partners across the animal charity sector with whom we have worked closely throughout 2022 to share resources and knowledge, and as such make a positive impact on the lives of pets and their owners.

Blue Cross

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Pets change lives
We change theirs

