



**Centre for Public Scrutiny
Trustees' Annual Report
2017/18**

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CHAIR'S FOREWORD



The Centre for Public Scrutiny (CfPS) has progressed well again this year in meeting and anticipating the challenging demands in existing and new sectors, as well as continuing to transform as a business.

Core to the Centre's business continues to be supporting local government and championing the vital role of democratic overview and scrutiny. We were therefore pleased to have the opportunity to give evidence to the Communities and Local Government Select Committee review of local government scrutiny. Many of our recommendations were taken up by the Committee and we look forward to continuing to support the sector as new guidance is launched later this year.

I was particularly proud of the way the team led a governance review at the Royal Borough of Kensington and Chelsea Council as part of their response to the Grenfell tragedy. The forward-looking report and recommendations placed citizens and communities at the heart of rebuilding trust in the council and ensuring the voice of the citizens is at the centre of policy and decision-making. There is learning here for councils and public services everywhere. It has also been positive to see new positive working relations and partnerships with national and local housing organisations being developed.

CfPS's independence and cross-sector expertise was demonstrated in the support we provided to NHS England facilitating events for NHS and local government colleagues to consider the governance of Sustainability and Transformation Partnerships.

The scrutiny of private sector providers of public services came into sharp focus this year with the collapse of Carillion. CfPS has provided Skanska UK with expert support to inform their successful Quality of Scrutiny programme in recent years. There is more potential here to share the benefits of public scrutiny to more private sector organisations, particularly as the commercialisation of public services continues at pace.

Lord Bob Kerslake

REPORT OF THE TRUSTEES

The Trustees present their annual report and audited financial statements. The trustees have adopted the provisions of the Statement of Recommended Practice “Accounting and Reporting by Charities” (“FRS 102 SORP”) in preparing the annual report and financial statements of the charity.

The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity’s governing document, the Charities Act 2011 and relevant Accounting Standards. In accordance with the Charities’ SORP, the Statement of Financial Activities reflects income when it is probable which can be in advance of the cash being received and associated expenditure being incurred. This means that income may be recognised in the Statement of Financial Activities for projects where the expenditure is in subsequent years. Unrestricted income of £97,200 was included in the accounts for 2016/17, but the associated expenditure was incurred in this year 2017/18. There were no similar timing differences between income and expenditure at the year end.

The Centre for Public Scrutiny (CfPS) is a charitable company that promotes the value of scrutiny, accountability and good governance, both in the public sector and amongst other people and organisations who deliver publicly funded services.

In shaping the objectives of the charity and planning the activities undertaken, the trustees have considered the Charity Commissions guidance on public benefit.

The Centre supports individuals, organisations and communities by:

- Supporting scrutiny practitioners.
- Facilitating shared learning and innovation.
- Providing training, governance support and leadership development.
- Sharing research and best practice and influencing policy.

REVIEW OF THE YEAR IN SUMMARY

At the beginning of the year we set out what we wanted to achieve and how:

- We would make a positive difference in the organisations, places and with the people that we work with through: -
 - Ensuring delivery of agreed client objectives and outcomes.
 - Undertaking our own to assess impact on outcomes.
 - Seeking to achieve at least 85% excellent and good satisfaction ratings from delegates attending our training and events.
- Increase our influence by getting our voice heard on key issues relating to public scrutiny and governance through: -
 - Delivering against agreed individual campaign objectives and outcomes.
- Staff feel that CfPS is a great place to work through: -
 - Undertaking regular performance and development reviews with team members.
- Growing and diversifying our funding through: -
 - Seeking to reduce the annual deficit to £50k or less.
 - Seeking to continue to increase and diversify income outside grants.
 - Maintaining a healthy reserves position.

What happened that impacted on our work this year:

- General Election – Unexpectedly called in June leading to delay in, and changes to, national priorities and policies.
- Brexit – Continued uncertainty over how and when this will be implemented.
- Continued impact of funding reductions in public services.
- Reorganisation of our staff – Due to take effect from April 2017, but Business Manager not in post until August 2017 and Administrative Support Officer changed in June 2017.
- The diversification into new areas of work is taking longer to establish relations and attract income.
- As a result of several of the above issues, local authorities and other organisations put back commissioning arrangements for a number of workstreams.

Work areas in our Delivery Plan

There are a number of areas that form our delivery plan as follows: -

1. Delivering Programmes of work for major funders in the public sector
2. Delivering Commercial Programmes for companies in the private sector
3. Delivering Consultancy work for local authorities and other organisations
4. Running Training Events & Conferences
5. Back office Organisation
6. Business Development
7. Research
8. Campaigns and Influence

Programmes

A major focus in this area continues to be supporting local authorities identified by the Local Government Association (LGA), to achieve sustainable, measurable change and improvement. Support was provided in various forms to 23 authorities through the Local Accountability Programme, in addition we undertook a substantial piece of work separately funded by the LGA on a governance review of the Royal Borough of Kensington and Chelsea, following the Grenfell Tower tragedy. The LGA also provided funding to run a follow-up event on scrutiny in respect of Devolution and to produce a Scrutiny Guide to Housing.

Other major programmes of work were undertaken for the Department of Health, we continued to support work on health and adult social care scrutiny, and for NHS England, we ran a number of workshops around the country to support the roll out of Sustainability and Transformation Partnerships (STP) (7 in 17/18 with a further 5 to be held in 18/19).

Commercial

The vast majority of work in this area continues to be with the construction company Skanska UK, providing expert partner assistance with the development and delivery of their Quality of Scrutiny programme. The programme consisted of a number of working streams including training and development and internal process improvement. To date over 250 individuals has been trained and further roll-out is planned.

Consultancy

We provided consultancy services to 46 local authorities and 11 other organisations. During the year development work was undertaken to clarify the products and services available – these now include a scrutiny health-check, coaching and mentoring, chairing skills, political awareness and commercialisation and financial scrutiny support. A review has also taken place with CfPS associates and a successful session with consultants held in January 2018.

The appointment of the Business Manager has also allowed us to significantly improve our customer service, monitoring, reporting and quality of delivery. This, combined with more focused marketing and an investment in marketing databases, is

showing signs of leading to an increased amount of consultancy work at a higher value.

During the year several substantial pieces of work were undertaken for Tower Hamlets (in support with Grant Thornton), Worcester & Charnwood councils.

Training Events & Conferences

We continued to run a variety of training events and conferences in the local authority sphere. As well as generating income for the organisation all the events have been well received with good feedback both in terms of overall rating and the extent to which the event met expectations.

Type of event	Rating good or excellent	Recommendation rate to others
Training days (12 in total)	90%	86%
NHS seminars	92%	91%
Local government scrutiny conference	94%	92%
Devolution governance	100%	90%
Totals/Average	94%	90%

We attracted 165 delegates to our various training events from 103 organisations and generated a profit of almost £20k on fee income of over £36k. Our Annual conference attracted 117 delegates and generated over £4.5k profit on an income of £18.7k. A health scrutiny and conference was also held in July 2017 with support from NHS England.

Organisation

Our priority has been to maintain a sound core infrastructure and back office from which CfPS functions efficiently and enable it to develop and grow.

A new independent Trustee, Dr Catherine Howe, joined the Trustee Board at the beginning of the year, whilst the LGA Trustee representative changed. Cllr Tony Jackson stepping down in April 2017, being replaced by Cllr Nick Chard. He then was replaced by Cllr John Riley in August. The Board has seen further changes after the end of the financial year with Alex Lawrence becoming Company Secretary and independent Trustee, Vicki Lawson-Brown, stepping down at the end of her third term as a trustee in May 2018.

The staffing at CfPS also saw changes with a new Administrative Officer joining in June 2018 replacing the Programme Support Officer, meaning one fewer seconded employee from LGA/IDeA. The Business Manager commenced duties in August 2017, this completed the staff reorganisation.

The expenditure on organisation during the year was £635k of which staffing costs accounted for £493.5k. The salary spend increased by £37k over the previous year, including an extra £41.5k paid in pension loadings in respect of those staff seconded from LGA/IDeA.

Business Development

A key priority for CfPS is to increase its influence and income by working with and for a wide variety of organisations in improving scrutiny and governance, both in the public and private sectors.

Discussions are ongoing with a number of organisations in the public sector including; CIPFA, Institute of Directors, National Housing Federation, Housing Associations, Care Quality Commission, NHS England, Local Government and Social Care Ombudsman, APSE and NHS organisations. Some of these have already resulted in funded and partnering pieces of work. In addition, ideas and products are being discussed with several commercial companies in respect of improving their governance and public scrutiny.

Research

Our priority has been to lead and oversee the delivery of existing and agreed research programmes, projects and consultancy to an excellent quality and meeting client needs.

During the year CfPS has: -

- Launched an APSE-funded publication on the effectiveness of Scrutiny
- Guidance on the scrutiny of Public Service Boards for the Welsh Government
- Delivered a research discussion paper for the National Housing Federation on transparency
- Published a guide to legislation on scrutiny
- Organised and published the findings of the annual local government scrutiny survey
- Published a guide to the use of evidence by councils' scrutiny functions
- Published a guide on the scrutiny of alternative delivery models for children's services
- Published a framework for self-evaluation of local overview and scrutiny, which has since been used to develop CfPS's "scrutiny healthcheck" product
- Published a review on Combined Authority scrutiny after six months in operation of the new scrutiny arrangements for Mayoral combined authorities.
- Launched a practical guide for treasury and asset scrutiny
- Contributed by way of detailed evidence to the Communities and Local Government Select Committee inquiry into overview and scrutiny
- Published a range of blogs on issues relevant to scrutiny practitioners, including on the challenges of amateurs scrutinising experts, on gender balance on combined authority scrutiny committees and on the outcomes of the 2017 General Election and the implications for local scrutiny.
- Published a guide to multi-agency governance and scrutiny (with the Good Governance Institute)
- Published a national report on STP governance – the verdict so far
- Worked with the Health Select Committee of the House of Commons to invite Health Overview and Scrutiny Committees to inquire into suicide prevention measures in place in local areas.

Campaigns and influence

CfPS has continued to raise the profile of the importance of good governance and scrutiny and has worked hard to get our voice heard in the right places, be consistent in our messages and challenging in our approach.

Examples of our work in this area are: -

- Sponsoring the MJ award for Excellence in Governance and Scrutiny. The City of Wolverhampton won the award for their work on the governance of the West Midlands Combined Authority.
- Giving verbal evidence at CLG Committee inquiry into local government scrutiny and a written response to their Committee report.
- Being invited to provide a regular 'expert' column to the Local Government Chronicle.
- Invited to join the Advisory Boards for national projects including an Accountability Project being led by the Institute for Government.
- Invited to join the Administrative Justice Council at the Ministry of Justice

In addition, we have provided speakers at a number of events, including those run by LGA, CIPFA, SOLACE, NHS England, Lawyers in Local Government, Police and Crime Panel Chairs, Association of Democratic Services Offices, National Tenants Conference, Institute of Directors, National Housing Federation, as well as publishing on our website and via social media regular opinion pieces and blog posts (see above).

Increasing the profile of CfPS will increasingly become a priority, particularly to support the diversification of our business interests.

Financial Overview

Income in the year to 31 March 2018 was £837k compared to £963k in the previous year. Included within the previous year was an income amount of £97k relating to services actually delivered in 2017/18. Total expenditure in the year to 31 March 2018 was £984k as compared to £1,052k in the previous year, due to a greater focus being applied to cost control across all areas of the work, and on our infrastructure costs.

The reported deficit for the year to 31 March 2018 (£147k) would have decreased to £8k due to the increase in the Pension loading in respect of LGA/IDeA staff and the timing difference of expenditure incurred in 2017/18 with the associated funding recognised as income in 2016/17 and brought forward in reserves (the reported deficit for the previous year would increase to £186k).

Overall this has resulted in our Reserves (all unrestricted) falling to £195k at 31 March 2018.

STRUCTURE, GOVERNANCE & MANAGEMENT

Governing document

CfPS is a company limited by guarantee. Its Memorandum and Articles of Association were amended in 2009-10 and CfPS was registered by the Charity Commission as a charity on 8 June 2010. In 2011-12 members of the charity amended the memorandum and articles to remove the requirement to have an annual meeting.

Appointment of Trustees

As provided for in the Memorandum and Articles and of Association, which require a majority of independent Trustees, CfPS currently has six independent Trustees and three Trustees nominated by its founder members (the LGA, CIPFA and LGIU). Independent Trustees are recruited through open advertisement and appointed by the Board, following interview by a sub-committee consisting of the Chair and a member Trustee and with the advice of the Chief Executive. The Board of Trustees also has power to seek additional independent Trustees to fill any identified skills gaps that may result from open recruitment exercises, ensuring the Board retains the right mix of skills, experience and expertise.

Trustees' induction and training

CfPS provides an induction pack for new Trustees, which contains key Charity Commission guidance on the role of Trustees, CfPS governing documents and key policies (equalities and diversity, whistle-blowing, interests and hospitality, data protection and information policies) as well as background information on the work of CfPS, the business plan, risk assessment, most recent audited accounts and annual budget and a selection of recent research and other publications as an introduction to what CfPS does.

Organisational structure

The Board of Trustees, made up of nine members, meets four times a year to agree the business plan and annual budget, monitor performance and financial information, agree staff pay and the executive director's targets and appraisal, as well as key policies, the risk assessment and other matters as it may determine. There is no formally constituted audit committee and audit matters are reported and taken at ordinary meetings of the Board. During 2017/18 attendance at Board meetings was:

Lord Bob Kerslake (Chair)	3/4 meetings
Cllr Anthony Jackson (resigned 26/04/17)	0/0 meetings
Cllr Nick Chard (appointed 26/04/17, resigned 07/08/17)	1/1 meeting
Cllr John Riley (appointed 07/08/17)	2/3 meetings
Brian Roberts	3/4 meetings
Jonathan Carr-West	4/4 meetings
Jim Clifford	3/4 meetings
Vicki Lawson-Brown	2/4 meetings
Amanda Phillips	3/4 meetings
Diana Stirbu	2/4 meetings
Catherine Howe	3/4 meetings

A Chief Executive is appointed by the Board with delegated authority to manage the day to day running of the charity and delivery of its objectives in accordance with the agreed business plan and budget and has delegated responsibilities for the operational management of the Centre, including finance, employment matters and continued staff development.

Related parties

Trustees verbally declare any potential conflict of interest at the beginning of each board meeting. In addition, a register of interests is completed by Trustees every year. In order to be fully transparent about its work in 2017/18, the Centre declares the following financial connections with the Local Government Association, which is a major funder of the Centre:

- The Local Government Association (LGA) is a founding member of CfPS and has a nominated Trustee on CfPS's Board. Cllr Anthony Jackson, Cllr Nick Chard and Cllr John Riley all held this responsibility independently as the Trustee during the year. CfPS paid a service charge of £47,602 in 2017/18 (£45,026 2016/17) for a range of services, including management accounting, finance system, payroll and other HR support.
- Some staff members, 3 in 2017/18, are formally employees of Improvement and Development Agency for Local Government, a member of the LGA group of organisations, and are seconded to CfPS. CfPS reimburses IDeA for all salary costs. All other staff members are directly employed by CfPS.

Risk management

The Trustees' risk management strategy includes:

- Annual review of risks to the Centre during business planning.
- Identifying the most likely risks and their impacts.
- Establishing procedures and systems to mitigate the identified risks in the business plan.
- Implementing these procedures and systems to minimise impact on the Centre.
- Reporting on the impact of planned mitigations on identified risks to the Board, including quarterly reporting on financial risk.

During 2017/18 our actions to mitigate identified risks and their impact were as set out below.

Strategic Risks

Risk that CfPS is unable to adapt to changing environmental circumstances.

Mitigations implemented: Close monitoring of political and policy developments including close liaison with members of both Trustee and Advisory Boards.

Impact: Assists organisation in being flexible and responsive.

Operational Risks

Risk that the organisation is not set up to successfully deliver objectives.

Mitigations implemented: Ongoing organisational reviews as personnel change to ensure there is sufficient capacity and skills.

Impact: The implementation of a revised organisational structure is delivering more business opportunities, which are being converted into more profitable work.

Financial Risks

Exposure to price, credit, liquidity and cash flow risk.

Mitigations implemented: Close working relationships with LGA and CIPFA, targeting other sectors for new and increased income including from Commercial sector. Greater concentration on development of business opportunities across the organisation and conversion of them.

Impact: LGA and CIPFA relationships secure, increasing business opportunities in both the public and private sectors being identified. Conversion rate of these is improving but needs to increase further.

Reputational Risks

Risk that CfPS is not able to gain new business or that any work undertaken is adversely viewed.

Mitigations implemented: Careful selection of private sector partners, use of consultants to assist with capacity, heightened awareness when undertaking work in sensitive areas.

Impact: Repeat and new business being won in Commercial Sector, caution exercised in undertaking sensitive work.

Investment powers and policy

Under the Memorandum and Articles of Association, the Trustees have the power to:

- Invest the Charity's money not immediately required for its objects in or upon any investments, securities, or property; and
- Delegate the management of investments to a financial expert provided that the financial expert is an individual who is an authorised person within the meaning of the Financial Services and Markets Act 2000 or a company or firm of repute which is an authorised or exempt person within the meaning of that Act except persons exempt solely by virtue of Article 44 and/or Article 45 of the Financial Services and Markets Act 2000 (Exemption) Order 2001.

The income and property of the Charity is required to be applied solely towards the promotion of its objects.

Reserves

- During 2017/18 CfPS has continued to utilise its reserves to support its charitable activities.
- It can no longer rely on direct grant support - instead each initiative and activity area needs to secure specific funding, including from traditional public sector areas and attracting new support from the private sector.
- The reserve policy requires the retention of adequate unrestricted funds to support 6 months of core costs to enable CfPS to continue to operate. Taking account of current costs, the retention should be in the order of £200,000 to cover costs of accommodation, including facilities and IT.
- The Board monitors the overall financial position of CfPS at each Board Meeting, this includes the estimated unrestricted reserve funds position, and also requests interim reports in between when deemed necessary.
- Current free reserves are £195,000, below an ideal level, and the Board have agreed plans for 2018-19 that build reserves up to a more resilient position.

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Trustees (who are also directors of the Centre for Public Scrutiny for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS 102).

Under company law the directors 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 company and the profit or loss of the company for that period.

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

- make judgements and estimates that are reasonable and prudent;
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities' SORP;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

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

Provision of information to Auditors

In so far as the Trustees are aware:

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 414 of the Companies Act 2006.

Auditors

A tendering process is in progress in relation to the appointment of the role of Statutory Auditor. A resolution for the appointment of the auditors of the Company is to be proposed at a forthcoming Board Meeting

Approved by the Board of Trustees on 17 July 2018 and signed on their behalf by

Lord Bob Kerslake

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE CENTRE FOR PUBLIC SCRUTINY LIMITED

Opinion

We have audited the financial statements of The Centre for Public Scrutiny Limited (the 'charitable company') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report of the Trustees, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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. In connection with our audit of the financial statements, 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report (incorporating the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report (incorporating the directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take the small companies' exemption from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities on pages 17 and 18, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of 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 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 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

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.

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

Use of our report

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

Alastair Duke (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

Date:

STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an INCOME AND EXPENDITURE ACCOUNT)
for the year ended 31 March 2018

	Notes	Unrestricted Funds 2018 £	Restricted Funds 2018 £	Total Funds 2018 £	Total Funds 2017 £
Incoming from:					
Income from donations and grants					
Grants receivable		329,200	-	329,200	268,498
Income from charitable activities					
Conference Income		77,781	-	77,781	52,332
Project and Services		429,857	-	429,857	638,578
Sponsorship		-	-	-	2,000
Investment income	2	393	-	393	1,558
Total income		837,231	-	837,231	962,966
Expenditure on:					
Charitable activities	7	984,334	-	984,334	1,052,296
Total Expenditure		984,334	-	984,334	1,052,296
Net (expenditure) / income		(147,103)	-	(147,103)	(89,330)
Net Movement in Funds		(147,103)	-	(147,103)	(89,330)
Reconciliation of Funds:					
Total funds brought forward at 1 April		341,949	-	341,949	431,279
Total funds carried forward at 31 March	14	194,846	-	194,846	341,949

There are no recognised gains or losses other than those disclosed above.

All of the above results derive from continuing activities and there were no acquisitions in the period.

The accounting policies and notes on pages 22 to 26 form part of these financial statements.

The Centre For Public Scrutiny Limited
Year ended 31st March 2018

Balance Sheet

BALANCE SHEET
As at 31 March 2018

Company Number 5133443

	Notes	2018 £	2017 £
Current assets			
Debtors	10	258,462	252,973
Short Term Investments	2	22,618	255,708
Cash at bank and in hand		9,919	10,000
		290,999	518,681
Creditors: amounts falling due within one year			
Creditors falling due within one year	11	96,153	176,732
		96,153	176,732
Net current assets		194,846	341,949
Total assets less current liabilities		194,846	341,949
Charity Funds			
Unrestricted Funds	14	194,846	341,949
Restricted Funds	14	-	-
		194,846	341,949

These financial statements were approved by the Trustees on 17 July 2018 and are signed and authorised for issue on their behalf by:

LORD BOB KERSLAKE

The notes on pages 22 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS

As at 31 March 2018

	Note	2018 £	2017 £
Cash flow from operating activities	12	<u>(233,171)</u>	<u>(154,418)</u>
Net cash flow used in operating activities	12	<u>(233,171)</u>	<u>(154,418)</u>
Change in cash and cash equivalents in the year / period		(233,171)	(154,418)
Cash and cash equivalents at 1 April		265,708	420,126
Cash and cash equivalents at 31 March		<u>32,537</u>	<u>265,708</u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		9,919	10,000
Short term deposits		22,618	255,708
Cash and cash equivalents at 31 March		<u>32,537</u>	<u>265,708</u>

The notes on pages 22 to 26 form part of these financial statements.

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Centre for Public Scrutiny is a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and United Kingdom Generally Accepted Practice as it applies from 1 January 2015.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

GOING CONCERN

The Trustees (who are also the directors of The Centre for Public Scrutiny Ltd ('the Centre') for the purposes of company law) have prepared the accounts on a going concern basis. As described in the Report of the Trustees, during 2017/18 the Centre worked closely with the Local Government Association and the bodies under the Local Government Association's control. Although long term funding has not been agreed beyond 31 March 2019, the Trustees consider that the current level of the Centre's unrestricted funds and the likelihood of securing funding for periods beyond April 2018, the Centre has sufficient resources to continue as a going concern.

FUNDS

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

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

INCOME POLICY

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income, after any performance conditions have been met, when the amount can be measured reliably and when it is probable that the income will be received.

Income from donations is recognised on receipt, unless there are conditions attached to the donation that require a level of performance before entitlement can be obtained. In this case income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the Centre and it is probable that they will be fulfilled.

Government and other grants are recognised at fair value when the charity has entitlement after any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably. If entitlement is not met then these amounts are deferred.

Investment income comprising only bank interest on short term deposits is recognised on a receivable basis.

RESOURCES EXPENDED

Expenditure is recognised on an accruals basis. This occurs when a legal or constructive obligation commits the Centre to the expenditure.

Irrecoverable VAT is charged against the category of resources expended from which it is incurred.

Any costs of generating funds comprise the costs associated with attracting voluntary income.

Charitable expenditure comprises those costs incurred by the Centre in the delivery of its activities and services for its beneficiaries. It includes both the costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Grants payable to third parties are included in expenditure on charitable activities. Where unconditional grants are made, these amounts are recognised when a constructive obligation is created, typically when the recipient is notified that a grant will be made to them. Where grants are conditional on performance, then the grant is only recognised once any unfulfilled conditions are outside of the control of the charity.

All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly: others are apportioned on an appropriate basis.

ALLOCATION OF SUPPORT COSTS

Support costs are those that assist the work of the Centre but do not directly represent charitable activities and include office costs, governance costs, and project management costs. They are incurred directly in support of expenditure on the objects of the charity. Where support costs cannot be directly attributed to particular headings they have been allocated to those activities on a consistent basis related to time spent in furtherance of the Centre's objects.

The analysis of these costs is included in note 8.

CORPORATION TAX

The Centre is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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.

2. INVESTMENT INCOME

All of the investment income arises from interest bearing deposits. The Centre participates in arrangements in which surplus cash balances are deposited with borrowers on the Local Government Association (LGA) Group's approved list. The Centre's investments are pooled with those of other entities that have adopted the LGA Group Investment Strategy. Group Investments are typically for periods of up to six months and as such the loan amount is a reasonable assessment of fair value. Lending of up to £3m of the total funds held for up to one year is permitted. The counterparty list is currently restricted to major UK financial institutions, the larger UK building societies, and AAA-rated money market funds. The LGA Group Investment Strategy strictly applies credit limits for all of the above financial institutions to ensure that deposits are spread across a number of its approved counterparties. No credit limits were exceeded during the year and the Centre does not expect any losses on short term investments.

3. INCOME

	2018 £	2017 £
Income from donations and grants		
Voluntary Income and Grants	329,200	268,498
Income from charitable activities		
Services recharged	429,857	638,578
Sponsorship and Conferences	77,781	54,332
	836,838	961,408

Voluntary income and grants mainly relate to funding from other related sector bodies. It is allocated to the main activities of the charity. Services recharged include publications, consultancy and project delivery. All of the above income was attributable to unrestricted funds in both 2018 and 2017.

4. AUDITORS REMUNERATION

The auditor's remuneration amounts to an audit fee of

	2018 £	2017 £
Audit fees	3,500	3,500

No non-audit fees were paid in the year to the auditor (2017 nil).

5. EMOLUMENTS

During 2018 no Trustee received any emoluments in respect of services to the Centre (2017 – nil). Reimbursement of expenses to two (2017 – three) Trustees for travel and accommodation totalled £318 (2017 – £970).

6. EMPLOYEES

	2018 £	2017 £
Agency staff fees	-	6,491
Secondments	314,613	403,159
Staff	131,848	46,309
Total staffing costs	446,461	455,959

The Chief Executive of The Centre for Public Scrutiny is the only member of Key Management Personnel and was paid total benefits of £134,875 (2017 £131,849).

Staff are either on the Centre's payroll and have access to contributory pension arrangements or have been seconded to the Centre by entities under the control of the Local Government Association - in which case they have access to the Local Government Pension Scheme. Secondment costs include, where appropriate, reimbursement of employer pension contributions borne by the relevant employer. The number of staff earning more than £60k of benefits during the year was 3 (2017 2 persons), excluding employer pension costs, in the ranges below.

Range £k	2018	2017
100-110	1	1
60-70	2	1

Number of staff

The average number of staff (FTE) analysed by function was:

	<u>2018</u>	<u>2017</u>
Direct work	6.5	6.2
	6.5	6.2

7. EXPENDITURE ON CHARITABLE ACTIVITIES

	2018 Activities undertaken directly £	2018 Support Costs £	2018 Total £	2017 Total £
Events	19,633	10,586	30,219	30,129
Health Scrutiny Support	-	-	-	24,708
Commercial Programme	111,622	60,187	171,809	189,270
London Patient Voice	-	-	-	8,116
Other Programmes	473,692	255,418	729,110	718,065
Care Quality Commission	-	-	-	4,746
Children and Young People Programme	-	-	-	5,344
Consultancy	34,561	18,635	53,196	71,918
Total	639,508	344,826	984,334	1,052,296

£nil (2017 £24,708) of the above costs were attributable to restricted funds. £984,334 (2017 £1,027,588) of the above costs were attributable to unrestricted funds.

8. BREAKDOWN OF SUPPORT COSTS

	2018 £	2017 £
Direction and management	194,496	194,990
Office Costs	132,930	123,596
IT	17,400	22,053
	344,826	340,639

Support costs are based on direct costs and staff time spent on different corporate activities.

9. EXPENDITURE ON OTHER COSTS

	2018 £	2017 £
Meeting Costs	1,375	691
Legal and advertising costs	1,982	1,304
Support costs	70,273	50,943
Audit Fees	3,500	3,500
Total	77,130	56,438

Governance costs are included as part of Direction and Office costs in Support costs.

10. DEBTORS

	2018 £	2017 £
Trade debtors	253,637	124,053
Other debtors	-	3,567
Accrued Income	4,825	125,353
Total	258,462	252,973

11. CREDITORS

	2018 £	2017 £
Trade creditors	8,526	42,349
Accruals	15,977	100,704
Earned Leave Liability	3,236	4,051
Other creditors & income in advance	54,815	5,935
VAT Payable	13,599	23,693
Total	96,153	176,732

12. RECONCILIATION OF (EXPENDITURE) / INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net expenditure for year	(147,103)	(89,330)
(Increase) / decrease in debtors	(5,489)	(87,180)
(Decrease) / increase in creditors	(80,579)	22,092
Net cash flow from operating activities	(233,171)	(154,418)

13. MEMBERS' LIABILITY

The company is a registered charity and is limited by guarantee with no share capital. The liability of each member in the event of winding up is limited to £1.

14. FUNDS

	As at 1 April 2017 £	Income £	Expenditure £	As at 31 March 2018 £
Unrestricted Funds	341,949	837,231	984,334	194,846
Total	341,949	837,231	984,334	194,846

15. RELATED PARTY TRANSACTIONS

Reimbursed travel expenses of £318 (2017: £970) were paid to two (2017: three) Trustees in the year.

16. POST BALANCE SHEET EVENTS

The directors are not aware of any material post balance sheet events other than those already stated.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered name: The Centre for Public Scrutiny Limited
 Charity number: 1136243
 Company number: 5133443
 Registered address: 77 Mansell Street, London E1 8AN
 Website: www.cfps.org.uk
 Contact details: info@cfps.org.uk 020 3866 5100

Trustees and directors

Lord Bob Kerslake	Chair and Independent Trustee
Brian Roberts	Chartered Institute of Public Finance and Accountancy (CIPFA) - Nominated Trustee
Jonathan Carr-West	Local Government Information Unit (LGIU) - Nominated Trustee
Cllr Anthony Jackson (resigned 26/04/17)	Local Government Association (LGA) - Nominated Trustee
Cllr John Riley (appointed 07/08/17)	Local Government Association (LGA) - Nominated Trustee
Cllr Nick Chard (appointed 26/04/17, resigned 07/08/17)	Local Government Association (LGA) - Nominated Trustee
Jim Clifford	Independent Trustee
Vicki Lawson-Brown (term ended 31/05/18)	Independent Trustee
Amanda Phillips	Independent Trustee
Dr Diana Stirbu	Independent Trustee
Dr Catherine Howe (appointed 26/04/17)	Independent Trustee

Company Secretary

Alex Lawrence	Company Secretary
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Senior Staff

Jacqui McKinlay	Chief Executive
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Advisers

Banker:	Barclays, UK Banking, 1 Churchill Place, London, E14 5HP
Solicitor:	Local Government Group's Legal Services Panel, which includes: Bevan Brittan, Pinsent Masons, Wragge & Co and Sharpe Pritchard
Statutory Auditor:	PKF Littlejohn LLP, 1 Westferry Circus, Canary Wharf, London E14 4HD