



Centre for Public Scrutiny

Trustees' Annual Report

2018/19

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CHAIR'S FOREWORD



The principles of effective scrutiny have long been valued, and overall supported, both at national and local levels of government. The benefits are recognised in terms of holding to account, contributing to policy-making and providing insights which supports both innovation and risk mitigation.

I am proud that for over fifteen years CfPS has played a key role as the national centre of expertise on governance and scrutiny in promoting and supporting public scrutiny. Our research and policy work continues to equip policy maker and practitioners with vital insights and tools to deliver the right culture for effective scrutiny to happen and prove its value. The positive contribution the Centre made this year supporting Northamptonshire County Council and our continued work with the Royal Borough of Kensington and Chelsea Council is testament to the organisation's ability to provide expert support in difficult circumstances.

In other sectors, there is now more of a demand for transparency into how organisations operate, particularly those who are responsible for public spend or delivering public services. We are pleased to see the contribution good governance and scrutiny can make in this context being recognised.

CfPS has been working closely with Skanska UK who have embedded an internal quality of scrutiny programme, and ENGIE UK who we supported in the development and delivery of an independent scrutiny board to oversee delivery of their Responsible Business Charter. We have also partnered with the National Housing Federation as it develops a new approach to creating a better partnership between landlord and tenants. Here we have overseen the creation of a new tenant advisory panel and ensured tenant scrutiny is at the heart of providing oversight of the new charter locally.

The Board's strategy of broadening CfPS' scope and diversifying into different sectors continues to be the right one and good progress is being made albeit slower than anticipated. This is as a result of the ongoing impact of reduced public funding, the challenge of establishing credibility within new markets, team capacity and high operating costs. Steps have been taken this financial year to prioritise business development and reduce operating costs which we anticipate will positively impact in 2019/20.

A handwritten signature in black ink, appearing to read 'Bob Kerslake', written over a horizontal line.

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. 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. Expenditure was incurred in 2017/18, for which the matching income was recognised in the previous year, resulting in a larger than normal deficit in 2017/18. There were no similar timing differences between income and expenditure in 2018/19.

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

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

In the Programme area a number of work streams were undertaken for the Local Government Association (LGA). We carry out support and guidance work for a number of local authorities under the Improvement Grant and in the last year through this our work included directly supporting nine councils with governance and scrutiny support and a further 50 with advice.

Other work we carried out which was funded by the LGA was work in connection with Police & Crime Panels, development and running the Combined Authority Governance Network, additional scrutiny support for several local authorities including Northamptonshire and the London Borough of Kingston. We also helped the Ministry of Housing, Communities and Local Government (MHCLG) in developing new Scrutiny Guidance for local authorities.

Commercial

We undertook work for several commercial companies during the year who deliver public services. In addition to our ongoing quality of scrutiny programme for Skanska we also supported ENGIE UK in starting up a Scrutiny Board. We were also commissioned to undertake a number of seminars by MSD in respect of enhancing the value of sexual and reproductive health services.

We also worked with a number of other organisations either in the public sector or with close links to them, including providing input to Cardiff Business School's "Improving Public Accountability" project, developed 3 guides in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) on various aspects of financial scrutiny, supported the National Police College in some training events and helped the National Housing Federation as they developed a new national initiative to improve the partnership between landlords and tenants.

Consultancy

During the year we worked with 46 local authorities providing bespoke training and consultancy, as well as a number of housing associations and Police and Crime Commissioners. The scope of this work included providing expert support on a governance review for the Croydon Council, scrutiny project support for Cambridgeshire and Peterborough Combined Authority, and assisting both Somerset and West Midlands Combined Authorities on their scrutiny arrangements.

Training Events & Conferences

In December we held a Local Government Scrutiny Conference, which was addressed by Rishi Sunak MP, Parliamentary Under Secretary of State at the Ministry of Housing, Communities & Local Government. The conference attracted a capacity attendance of 165 delegates and received an excellent or good rating from 89% of attendees.

We also organised in September a Health Scrutiny and Assurance conference supported by the NHS which had 102 attendees and received an 84% excellent or good rating from those attending.

In January we organised a National Scrutiny Guide conference to introduce the new MHCLG Scrutiny guidelines to local authorities, which was attended by 58 delegates and received a 94% excellent or good rating from those attending.

We also ran 8 general training events during the year on a number of different scrutiny aspects for councillors to attend. These were attended by 99 councillors and the excellent or good rating from delegates was 98%.

Organisation

In May 2018 Vicki Lawson-Brown stepped down as an independent Trustee as she had completed her third term of three years, whilst Amanda Phillips resigned as an independent Trustee in March 2019. In January and March 2019, the Board agreed the appointments of Helen Bailey and Caraline Johnson respectively as independent Trustees.

The staffing at CfPS also saw changes with the Head of Marketing leaving in May 2018 and the Research & Policy Co-ordinator going onto Maternity Leave in June 2018 and leaving. These part time posts were replaced with a full time Delivery Manager in July 2018. In addition, a new Administrative Officer joined us in July 2018, which was a direct replacement. All these positions are employed directly by CfPS, meaning that the total staff complement is now 6.5 fte, of which 3.0 fte are on secondment from LGA/IDeA.

The expenditure on corporate and organisational costs during the year was £631k (£635k in 2017/18) of which total staffing costs accounted for £502k (£493.5k in 2017/18), including an extra £41.8k paid in pension loadings in respect of those staff seconded from LGA/IDeA.

Business Development

For CfPS this remains an important priority in improving scrutiny and governance as we seek to increase our influence and develop our income base, both in the public & private sectors for a wide variety of organisations.

Discussions over the last year have resulted in new business work streams during the year from ENGIE & the National Housing Federation as mentioned above, as well as several housing associations and a number of Police & Crime Commissioner Panels, and we have recently agreed a programme of work with the Local Enterprise Panel Network.

We have been working closely with CIPFA on several initiatives which led to a joint workshop for councillors last September and several publications are being developed at the moment.

In addition, we have been in discussions with a number of corporate entities who have contracts in the public sector in respect of improving their governance and public scrutiny, but progress on securing work from these has been slower than anticipated.

Research

CfPS delivered a comprehensive research programme in 2018/19. We had plans for a busy publication schedule in Q4, relating to the publication of the statutory scrutiny guidance, on which CfPS provided Government with technical advice. The lengthy delay to the publication of the guidance did have a negative impact on these Q4 plans, pushing them back to Q1 2019/20.

As ever, our publication schedule included general a mix of general discussion papers and “think pieces” and scrutiny guidance on specific technical matters. Key publications included:

- Decline and fall: our discussion paper on local government failure and improvement, which is leading to more detailed research in 2019/20;
- Taking on the housing challenge: a workbook and guide for councillors;
- A guide for councils on scrutiny of suicide prevention activity;
- A new discussion paper on local Public Accounts Committees, which has actively contributed to our continue presence in the combined authority/ regional governance “space”;
- Along with APSE a detailed research project on risk and commercialisation;
- Scrutiny frontiers, the first in what will be an annual series of publications highlighting examples of effective and high-quality scrutiny.

2018/19 saw us laying the groundwork, from the research perspective, for more of a focus in 2019/20 on a reprioritisation of our original objective as a “national centre for excellence” on overview and scrutiny. We have been taking steps to make more systematic the watching brief we hold on scrutiny across the country – a real challenge with limited staff and resources. We will be broadening and deepening this evidence base in 2019/20 with the active support and assistance of colleagues in the LGA, as well as our other principal corporate partners.

Campaigns and influence

Increasingly, CfPS's work is engaging with the governance challenges of a constrained and uncertain financial position for the sector. Our developing partnership plans with CIPFA are evidence of this, but our work with APSE and our increasing focus in 2018/19 on organisational and political culture is also an important part of this burgeoning area of work.

We made more efforts in 2018/19 to ensure that our research output was linked directly to both campaigning/thought leadership and, by extension, to business development. This has demonstrated the long lead times that such work can have.

Work on Local Enterprise Partnerships – their governance and the associated accountability concerns – started in 2017/18, continued through 2018/19 and on the cusp of 2019/20 converted into a significant new income stream. Developing influence in new sectors is a “slow burn” exercise; we have to understand how and when it is worth expending resource on such campaigning activity and where we need to rethink and consolidate our approach.

2018/19 saw us becoming increasingly confident in this arena, making more interventions in the broader local government improvement space – aided by our partnership with the LGA and by the insight provided by our detailed work in Kensington and Chelsea – as well as more contributions to sector wide discussions about governance in the context of financial, demographic, social and political change.

Different models for service delivery provide us with more of an opportunity to strike out and take advantage of our recognised leadership on governance issues by raising the importance of accountability, transparency and involvement in respect of those new delivery models.

Overall financial performance

Overall, total income for the year amounted to £746k, whilst expenditure was £799k, meaning a deficit of £53k was suffered. This is very similar to last year's deficit after writing back the adjustment for SORP. The reserves figure at year end was £142k.

Both income and expenditure levels were down on the previous year (which were £837k for income and £984k for expenditure), mainly due to the lesser amount of work undertaken for the NHS (income down by £72k) and private sector companies (down by £176k). However, substantially more consultancy work was undertaken for local authorities, housing associations and representative bodies, as well as for organisations operating in the public sector. In addition, our conferences and events were better attended and more profitable.

Throughout the year there was a focus on keeping cost ratios low, in particular through staff undertaking larger work streams in house and using external consultants where needed for smaller items.

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 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 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. In addition, there were two extra Board meetings held in March 2019 to discuss the financial position of the organisation and consider the options available. There is no formally constituted audit committee and audit matters are reported and taken at ordinary meetings of the Board. During 2018/19 attendance at Board meetings was:

Lord Bob Kerslake (Chair)	4/6 meetings
Jim Clifford (Vice Chair)	6/6 meetings
Cllr John Riley	2/6 meetings
Brian Roberts	4/6 meetings
Jonathan Carr-West	5/6 meetings
Vicki Lawson-Brown (end of term 31/05/18)	0/1 meeting
Amanda Phillips (resigned 25/03/19)	4/5 meetings
Diana Stirbu	5/6 meetings
Catherine Howe	5/6 meetings
Helen Bailey (appointed 31/01/19)	0/2 meetings

Caraline Johnson (appointed 11/03/19)

0/1 meeting

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 2018/19, 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 John Riley held this responsibility independently as the Trustee during the year. CfPS paid a service charge of £36,300 in 2018/19 (£47,602 2017/18) for a range of services, including management accounting, finance system, payroll and other HR support.
- Some staff members 3 in 2018/19 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 2018/19 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.

IDEA: 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 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

The Board monitors the overall financial position of CfPS at each Board Meeting, this includes the unrestricted reserve funds (as estimated by the Lead Accountant of LGA who provide financial guidance to CfPS). It also requests interim reports in between when deemed necessary.

- During 2018/19 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 Board agreed in January 2018 to changing the Reserves policy to maintaining a level of six months core costs (from nine months) and commented on the need for a break-even position to be achieved in 2018/19.
- 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 £142,000, below an ideal level, and the Board have agreed plans for 2019-20 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 resolution for the appointment of the auditors of the Company is to be proposed at the Board Meeting.

Approved by the Board of Trustees on 16 July 2019 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 2019 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 2019 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 12 and 13, 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: 12 September 2019

STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an INCOME AND EXPENDITURE ACCOUNT)
for the year ended 31 March 2019

	Notes	Unrestricted Funds 2019 £	Restricted Funds 2019 £	Total Funds 2019 £	Total Funds 2018 £
Incoming from:					
Income from donations and grants					
Grants receivable		241,300	-	241,300	329,200
Income from charitable activities					
Conference Income		69,312	-	69,312	77,781
Projects and Services		432,202	-	432,202	429,857
Sponsorship		2,000	-	2,000	-
Investment income	2	852	-	852	393
Total income		745,666	-	745,666	837,231
Expenditure on:					
Charitable activities	7	798,757	-	798,757	984,334
Total Expenditure		798,757	-	798,757	984,334
Net (expenditure) / income		(53,091)	-	(53,091)	(147,103)
Net Movement in Funds		(53,091)	-	(53,091)	(147,103)
Reconciliation of Funds:					
Total funds brought forward at 1 April		194,846	-	194,846	341,949
Total funds carried forward at 31 March	14	141,755	-	141,755	194,846

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 20 to 24 form part of these financial statements.

The Centre For Public Scrutiny Limited
Year ended 31st March 2019

Balance Sheet

BALANCE SHEET

Company Number 5133443

As at 31 March 2019

	Notes	2019 £	2018 £
Current assets			
Debtors	10	113,211	258,462
Short Term Investments	2	90,826	22,618
Cash at bank and in hand		10,000	9,919
		<u>214,037</u>	<u>290,999</u>
Creditors: amounts falling due within one year			
Creditors falling due within one year	11	72,282	96,153
		<u>72,282</u>	<u>96,153</u>
Net current assets		141,755	194,846
Total assets less current liabilities		141,755	194,846
Charity Funds			
Unrestricted Funds	14	141,755	194,846
Restricted Funds	14	-	-
		<u>141,755</u>	<u>194,846</u>

These financial statements were approved by the Trustees on 16 July 2019 and are signed and authorised for issue on their behalf by:



LORD BOB KERSLAKE

The notes on pages 20 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS

As at 31 March 2019

	Note	2019 £	2018 £
Cash flow from operating activities	12	<u>68,289</u>	<u>(233,171)</u>
Net cash flow used in operating activities	12	<u>68,289</u>	<u>(233,171)</u>
Change in cash and cash equivalents in the year / period		68,289	(233,171)
Cash and cash equivalents at 1 April		32,537	265,708
Cash and cash equivalents at 31 March		<u>100,826</u>	<u>32,537</u>
 Cash and cash equivalents consists of:			
Cash at bank and in hand		10,000	9,919
Short term deposits		90,826	22,618
Cash and cash equivalents at 31 March		<u>100,826</u>	<u>32,537</u>

The notes on pages 20 to 24 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 2018/18 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 2020, the Trustees consider that the current level of the Centre's unrestricted funds and the likelihood of securing funding for periods beyond April 2019, 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

	2019 £	2018 £
Income from donations and grants		
Voluntary Income and Grants	241,300	329,200
Income from charitable activities		
Services recharged	432,202	429,857
Sponsorship and Conferences	71,312	77,781
	744,814	836,838

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 2019 and 2018.

4. AUDITORS REMUNERATION

The auditor's remuneration amounts to an audit fee of

	2019 £	2018 £
Audit fees	3,500	3,500

No non-audit fees were paid in the year to the auditor (2018 nil).

5. EMOLUMENTS

During 2019 no Trustee received any emoluments in respect of services to the Centre (2018 – nil). Reimbursement of expenses to one (2018 – two) Trustees for travel and accommodation totalled £38 (2018 – £318).

6. EMPLOYEES

	2019 £	2018 £
Agency staff fees	3,157	-
Secondments	309,816	314,613
Staff	140,193	131,848
Total staffing costs	453,166	446,461

The Chief Executive of The Centre for Public Scrutiny is the only one member of Key Management Personnel who was paid total benefits of £137,387 (2018 £134,875).

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 (2018 3 persons), excluding employer pension costs, in the ranges below.

Range £k	2019	2018
100-110	1	1
60-70	2	2

Number of staff

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

	<u>2019</u>	<u>2018</u>
Direct work	6.9	6.5
	<u>6.9</u>	<u>6.5</u>

7. EXPENDITURE ON CHARITABLE ACTIVITIES

	2019 Activities undertaken directly £	2019 Support Costs £	2019 Total £	2018 Total £
Events	23,655	16,732	40,397	30,219
Commercial Programme	35,813	25,321	61,134	171,809
Other Programmes	385,233	272,389	657,602	729,110
Consultancy	23,212	16,412	39,624	53,196
Total	497,923	330,834	798,757	984,334

£nil (2018 £nil) of the above costs were attributable to restricted funds. £798,757 (2018 £984,334) of the above costs were attributable to unrestricted funds.

8. BREAKDOWN OF SUPPORT COSTS

	2019 £	2018 £
Direction and management	198,248	194,496
Office Costs	115,433	132,930
IT	17,153	17,400
	<u>330,834</u>	<u>344,826</u>

9. EXPENDITURE ON OTHER COSTS

	2019 £	2018 £
Meeting Costs	692	1,375
Legal and advertising costs	694	1,982
Support costs	87,525	70,273
Audit Fees	3,500	3,500
Total	<u>92,411</u>	<u>77,130</u>

10. DEBTORS

	2019 £	2018 £
Trade debtors	84,904	253,637
Other debtors – VAT Receivable	5,869	-
Prepayments and Accrued Income	21,665	4,825
Total	<u>113,211</u>	<u>258,462</u>

11. CREDITORS

	2019 £	2018 £
Trade creditors	48,120	8,526
Accruals	14,265	15,977
Earned Leave Liability	4,410	3,236
Other creditors & income in advance	5,487	54,815
VAT Payable	-	13,599
Total	72,282	96,153

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

	2019 £	2018 £
Net expenditure for year	(53,091)	(147,103)
(Increase) / decrease in debtors	145,251	(5,489)
(Decrease) / increase in creditors	(23,871)	(80,579)
Net cash flow from operating activities	68,289	(233,171)

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 2018 £	Income £	Expenditure £	As at 31 March 2019 £
Unrestricted Funds	194,846	745,666	798,757	141,755
Total	194,846	745,666	798,757	141,755

15. RELATED PARTY TRANSACTIONS

Reimbursed travel expenses of £38 (2018: £318) were paid to one (2018: two) 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
Cllr John Riley	Local Government Association (LGA) - Nominated Trustee
Jonathan Carr-West	Local Government Information Unit (LGIU) - Nominated Trustee
Jim Clifford	Independent Trustee
Vicki Lawson-Brown (resigned 31/05/18)	Independent Trustee
Amanda Phillips (resigned 25/03/19)	Independent Trustee
Diana Stirbu	Independent Trustee
Dr Catherine Howe	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