

COMPANY REGISTRATION: 5133443
CHARITY REGISTRATION: 1136243



The Centre for Public Scrutiny

Trustees' Annual Report 2016/17

YEAR ENDED 31ST MARCH 2017



CONTENTS

Chair's Foreword	3
Report of the Trustees	4
Review of the year in summary	5
Summary against each of the each of the five work areas in the delivery plan	6
1. Did we succeed in relation to Programmes?	6
2. Did we succeed in relation to Policy and Influence?	7
3. Did we succeed in relation to consultancy?	9
4. Did we succeed in relation to training and events?	10
5. Did we succeed in relation to organisation?	11
Structure, governance & management	13
Statement of Trustees' responsibilities	17
Independent Auditor's Report	19
Financial Statements	21

CHAIR'S FOREWORD



For the Centre for Public Scrutiny (CfPS), 2016/17 was a busy, challenging and overall positive year.

The organisation achieved its target of providing more support, training and policy advice to a wider range of people, organisations and sectors. It contributed to getting governance and scrutiny higher up the national policy agenda on issues including devolution, Sustainability and Transformation Plans (STPs) and education accountability.

Highlights from the year, detailed in the report, are:

- 421 delegates from 150 organisations attended CfPS conferences, training and events. Overall 94% rated them as good or excellent, and 95% said the content met expectations.
- 60 councils in England received consultancy or in-house training. 62 councils also received support through our Helpdesk.
- We were also commissioned to provide governance and scrutiny support for: Skanska UK, Scottish Learning Disabilities Commission, Audit Scotland, APSE, and the Welsh Government and Assembly.
- Eight new reports were published on issue including: devolution, Combined Authorities, Risk and health transformation.
- The National Health Scrutiny Forum and regional health scrutiny networks were supported with Department of Health funding.
- We were active in response to the Communities and Local Government Select Committee review of local government scrutiny.
- We raised the profile and importance of good governance and scrutiny in the trade and national press on a wide range of issues. This resulted in 16 opinion pieces and over 40 other articles or mentions.

Financial sustainability continues to be a top priority and, with investment in staffing and marketing, the organisation is on the track right to generating more income. There is more to be done however to diversify funding, manage costs and increase our capacity to deliver. Work to refresh the strategy and approach to new business will position us well for 2017/18.



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 now 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. This has happened in these accounts with the effect that £24,708 of restricted income included in the 2015/16 figures was earned on the basis of work of value £24,708 carried out in this year 2016/17. Unrestricted income of £97,200 has been included this year, when the associated expenditure will be incurred in 2017/18.

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

What we said we would do between April 2016 and March 2017

- Give specialist support to specific sectors by providing information, insight, advice and training.
- Seek to embed the principles of accountability, transparency and involvement across all public sectors and sharing best practice.
- Lead the debate on good public governance and scrutiny with practitioners and public service leaders.
- Work with experts and partners from across the public, private, voluntary and academic sectors in the UK and abroad to provide the best quality support.
- Be a well-run, financially sustainable charity.

How did we say we would do it

- The majority of our work would continue to focus on local government and health and social care.
- We would proactively seek to establish a consultancy offer to health organisations (outside of LA health scrutiny) this year.
- We would seek to proactively build on the impact, profile and presence we have in Wales.
- We would seek to build and expand on the contract we have with Learning Disability Scotland.
- We would proactively work with central government to establish a presence outside of CLG and DH.
- For Year One, we would not actively pursue expansion into other sectors such as housing and justice or the schools/ FE sector.
- We would however continue to be flexible as opportunities arise.

What happened that impacted on our work this year

- Significant reduction in health programme funding, quicker than expected.
- Brexit and change in government priorities/ policies.
- Devolution focus shifting.
- Health transformation takes shape in STPs.
- Impact of funding cuts in public services continues
- New CfPS team and trustee appointments and capacity challenges.
- Moved office and put in place new back office arrangements.
- Continued to expand delivery outside of existing grant programmes.
- Focus on trialling some new products – training days, revamped conference, and consultancy products.
- Time invested in refreshing the strategy and realigning the team structure to deliver it.

SUMMARY AGAINST EACH OF THE FIVE WORK AREAS IN THE DELIVERY PLAN

1. Did we succeed in relation to Programmes?

Our priority was to develop a range of programmes which support sustainable and measurable change and improvement.

Summary of delivery

Local Government Association – Local Accountability Programme

There were three elements to this programme in 2016/17:

- Devolution and improvement (support for ten areas)
- National improvement support (general national publications and support – including the helpdesk)
- Local democracy (the local democracy design experiments)

Delivery against each of these three elements has been broadly as expected. As in previous years, national priorities have shifted over the course of the year – in particular the difficulties for many areas in following through on devolution. As a result, more resource was provided in relation to improvement support.

Element 1: Councils supported

Support was provided to a wide range of councils on issues including developing and agreeing a new model of support for scrutiny, helping Combined Authority areas set up new scrutiny arrangements and providing specific support and training on the scrutiny of children's safeguarding services. All the support is delivered on site and, similar to recent years, tends to be delivered in quarters 3 and 4.

Element 2: National support

Publications and thought leadership reports published included:

- Cards on the table: devolution;
- Risk and resilience research and publication;
- Devolution: charting the way publication;
- Devolution Overview and Scrutiny plain English guidance;
- "Putting it together" legislative guidance publication;
- Scrutiny self-evaluation framework.

Helpdesk - we have supported approximately 60 councils – support ranges from a few minutes to half a day or longer.

Element 3: Local democracy

This has been the area that has seen less time dedicated than anticipated. We did design the framework for a set of design experiments and established four to deliver, but outcomes were not as good as we would have liked due to identifying areas to participate. It was also difficult to discern how the "technical" solutions that constituted the experiments will have a direct impact on the ground. A review has taken place in 2017.

Health programme

Funding for the health programme was much reduced this year (down from £155k in 2015/16 to £30k in 2016/17). The challenge has been to deliver value to the sector with very little resource. Regional scrutiny networks have continued to be supported by the Regional Advocates. Support has been around strengthening relationships with NHS colleagues, building knowledge and skills about health scrutiny across the sector.

Sustainability and Transformation Plans (STPs) have been a major focus. We ran a successful National Health Scrutiny Forum in December 2016 – 40 delegates attended and there were a range of speakers from NHS England, Care Quality Commission, LGA and the Independent Reconfiguration Panel. Feedback from delegates and speakers was positive. We supported several regional events about STPs that were run by NHS England for CCG lay members and provider non-executives. These raised the profile of scrutiny and CfPS with others in the public voice network.

Discussions continue with NHS England about CfPS support around STPs to make engagement with councillors through scrutiny effective and efficient.

London Patient Voice (delivered in July 2016)

We successfully supported and completed the second year of LPV reporting in July 2016 to NHS England on how they have been meeting their obligations to involve the public in commissioning decisions. LPV has been used as an example for other areas, and has influenced the national working being developed.

2. Did we succeed in relation to Policy and Influence?

Our priority was to create a profile for CfPS, contribute to changing the landscape and develop an intellectual platform from which to generate income.

Summary of delivery

We have continued this year to have a good working relationship with colleagues in DCLG and have positively contributed to the legislation and guidance relating to the scrutiny elements of the Cities and Devolution Bill.

After many years of lobbying, we were pleased to see the CLG Select Committee launch a review of local government scrutiny. We were vocal and active in response to the call for evidence, and submitted a thorough and detailed response.

In relation to education accountability, we held a second roundtable in July 2016 bringing together experts and academics to focus on improving accountability in light of the government's drive to reform education, leading a more autonomous school system. Our conversations identified practical approaches to improving the emerging system and informed positive discussions with the Department of Education.

We also undertook policy work in relation to Children's Social Care and alternative delivery models. In October, we co-hosted with BWB, a roundtable to stimulate discussion on the future of children's services, in light of the DfE's white paper "Putting

Children First". Since the debate, joint work has continued to develop a consultancy offer to councils – helping them to consider options around changes to service delivery.

CfPS has been funded by the LGA to undertake a project drawing in local council expertise to explore further and understand the lines of accountability where children's services are outsourced. This project is underway and due to conclude in July 2017.

Both the Welsh and Scottish Governments have led consultations during the year as they seek to improve their respective education systems. CfPS has responded to both consultations offering support to the governments moving forward.

Working with Dr Diana Stirbu and London Metropolitan University, CfPS is conducting research in to the value of patient voice in public services, using London Patient Voice as case study. The research will conclude at a presentation at the PSA conference in Glasgow in April 2017.

We were commissioned by the LGA to produce a guide for scrutiny practitioners wishing to engage with Prevent and counter-extremism work. The work will be published under LGA branding and will assist scrutineers in their work and will build CfPS profile as the leader in the scrutiny support field.

In March 2017, we started a three-month project to investigate scrutiny of health transformation, including Sustainability and Transformation Plans. This work is being carried out by a volunteer researcher from Manchester University, Jolanta Shields, funded by the ESRC. The work will conclude in June with a practical policy briefing which will be launched at our health conference.

Speaking engagements this year have expanded to a wider audience to influence leaders and decision-makers in local government.

For ease of reference a full list of publications, with links, can be found at Section B.

In relation to getting our voice heard in the right places, CfPS communications has seen some significant changes over the last year. This includes the bedding in of our new brand and the launch of a new website. Accompanying these very outwardly visible changes has been a concerted approach to be more strategic in our external communication.

This has taken the form of having clear lines around some of our core policy/practice issues, consistent and compelling language about our local government scrutiny conference and proactively seeking media coverage to gain traction for our views across the sector.

We do not subscribe to a press cutting service so it is hard to be accurate, but the following is some of the coverage we are aware of from the last twelve months:

- 2 opinion pieces in the Guardian.
- 9 opinion pieces in LGC and quoted or mentioned in a further 5 pieces LGC
- 2 news pieces in LGC directly relating to conference
- 3 opinion pieces in MJ and quoted or mentioned in a further 9 pieces
- 2 opinion pieces in Public Finance, quoted or mentioned in a further 4 pieces
- 3 pieces in First magazine (LGA magazine)

This reflects a good increase in coverage overall. As well as comment pieces relating to publications we have launched we got traction on opinion pieces based on policy issues. This was particular true in the 1st and 2nd quarter of the year where we had a big push on devolution and on several occasions, were able to provide quotes or pieces which directly used some of our key messages about the lack of transparency around how devo deals were being formulated.

3. Did we succeed in relation to consultancy?

Our priority was to deliver smaller scale pieces of work which help organisations to envisage and enable change to happen.

Summary of delivery

Overall during the year CfPS has received £570k in fee income from delivering programmes, consultancy support and training to a wide variety of organisations (i.e. income outside of LGA and health grant funding), which have been delivered by CfPS staff and/or our associates.

Most of the work still relates to the local government sector, with direct support given to over 60 local authorities. Work undertaken for them at the request of the LGA, or with their support, amounted to over £140k in fee income, whilst work undertaken for local authorities at their request came to £108k. We also provided consultancy services to another 11 organisations, with fee income earned of almost £330k.

There were a number of significant contracts (in terms of profile, impact, learning and income):

Skanska: Delivery on Skanska's Quality of Scrutiny project has been successful. With our delivery partners, BWB Impact and Mitzi Wyman, we completed phase 1 work. Further work has been commissioned which involved the delivery of leadership training and coaching to Skanska's top 100 leaders to improve the quality of scrutiny.

Wales: We were successful in securing a place on the National Assembly's framework agreement for training Assembly Members and are delivering two training sessions in April and will be giving evidence to a review of Assembly Member roles. We have also completed consultancy projects for Anglesey and Pembrokeshire. We have delivered draft policy guidance to Welsh Government about scrutiny of public service boards in Wales.

Association of Public Service Excellence (APSE): APSE-funded research into establishing effectiveness of scrutiny work in councils across Great Britain. The purpose of the research is to establish the ability of councillors to provide an effective challenge and support local government decision making on major change and to identify practical solutions for councils wishing to rethink and redesign their approach to scrutiny.

Audit Scotland: Building on our work in Wales we have delivered a draft policy paper to Audit Scotland about effective local government scrutiny. The paper will form the basis of guidance to auditors about how to assess good scrutiny in Scottish local government.

Scottish Commission for Learning Disabilities: We have delivered a major report and resources to support scrutiny of health and social care services in Scotland for people with learning disabilities, funded by Scottish Government. The work involved a series of interviews with commissioners, providers and national oversight bodies in Scotland, along with hearing about the lived experience of people with learning disabilities. The report made recommendations about how to strengthen scrutiny and the resources will help people with learning disabilities hold services to account.

Improvement support: CfPS worked closely with a number of councils to provide improvement to a number of councils. This has involved working closely with members and officers in the design and delivery of improved governance and scrutiny.

Safeguarding and corporate parenting development consultancy: we have been successful at rolling this training out and providing support direct to councils. We are now seeing that we are getting a good reputation in safeguarding and the effective challenge needed to be exercised by councillors.

Cornwall Governance Review: we supported a governance review of Cornwall Council which consider their future governance model and issues relating the governance of Cornwall as a place moving forward. CfPS chaired the governance review external group and took five days of evidence from over 100 people and organisations. The majority of the recommendations were accepted by the council.

4. Did we succeed in relation to training and events?

Our priority was to instigate and manage a programme of income generating events that share best practice and improve knowledge and skills.

Summary of delivery

2016/17 saw CfPS make a strategic decision to run more events, both to help build skills and capacity within the sector and to generate income for the organisation. A programme of skills specific training days were planned and marketed for the year. We also ran some ad hoc topical seminars on STPs and devolution. In total we attracted 421 delegates to our events from 150 organisations and generated a profit of £11.5k.

We changed the date of our annual conference, moving it from the congested conference month of June to December, and positioned it as a local government governance and scrutiny conference rather than being the CfPS annual conference. The event was also held at an external venue for the first time in a number of years (previously at Local Government House) which represented a financial risk. Delegate numbers increased to 143, up from 83 paying delegates in 2015, and reversing a downward trend in numbers from 2011. The conference generated £12.5k profit on income of £27k.

As well as generating income for the organisation the events have been well received with good feedback both in terms of overall rating and the extent to which the event met expectations.

		Rating good or excellent	Content met expectations
Training days (9 in total)	115	95%	95%
STP seminars (London and Leeds)	88	91%	95%
Local government scrutiny conference	143	88%	89%
Devolution governance (Manchester - LGA funded)	34	100%	100%
Health accountability forum (DH funded)	41	N/A	N/A
Totals/Average	421	94%	95%

Some events did not attract as many delegates as we would have liked and some were more successful than expected. Future events programmes will be designed with this learning in mind.

5. Did we succeed in relation to organisation?

Our priority was to create a sound core infrastructure and back office from which CfPS can function more efficiently and grow.

Summary of delivery

The pressured financial environment over the last few years has had a profound effect on the financial position of CfPS. This has necessitated a fundamental change in the way we operate as traditional sources of funding either reduced considerably or disappeared completely.

The need to refocus, invest and reorganise CfPS to meet the present challenges has meant that increased expenditure has been necessary. Whilst the estimated end of year deficit position of £89k is disappointing (which would become £186k if the Skanska Phase 2 income is taken out), the position is better than anticipated at the start of the year (with the loss of the health grant). There are still adequate reserves to discharge its responsibilities, confirmed at £342k.

Total expenditure for the organisation was much higher than previous years. Much of this was due to the expenditure on Commercial Contracts, but there were several other factors:

- An additional £35,000 of expenditure should have been budgeted for in 2015/16, but appears in the figures for 2016/17. This was not identified until later in the year. More robust systems have been put in place to ensure that all income and expenditure is identified and correctly treated.
- The Board approved at the beginning of the year an investment of extra resources into where, who and how CfPS operated (see Business and Team sections below), which led to an extra expenditure of £30,000 on staffing costs. The Board also approved during the year an extra £8,000 on strategic consultancy and £32,000 on restructuring costs (including Voluntary Redundancy for one member of staff).

- £25,000 of this is negated by cover in restricted reserves from the previous year in respect DH funded work.

Business operations

The last year has seen a considerable change in the way CfPS operates from an organisational perspective. In June 2016, we moved offices, away from the previous relatively informal agreement with LGA at Smith Square to a formal workstation arrangement with CIPFA at Mansell Street. This has worked well, and not only do we have a much closer relationship with one of our founder members, but we are now responsible for our back-office support ordering and costs.

This move was also a catalyst to critically reappraise the whole of our back office operational support. We successfully implemented a transfer to new IT & Telephony arrangements when we relocated. We entered into new contractual support arrangements with the LGA on Accountancy, HR & Payroll; which as a result of the move away from their offices has led to a far more professional arrangement. There is a recognition now on both sides of a formal client/supplier relationship, which has benefited both organisations.

Team

The Trustee Board saw changes with the departure of Eric Galvin and the appointment of Dr Diana Stirbu as a new independent Trustee. Doreen-Forrester Brown also left her role as company secretary. The Board will see further changes early in 2017 with the appointment of a replacement for Cllr Tony Jackson who is stepping down from his role as LGA Trustee representative and replaced by Cllr Nick Chard, and the recruitment of Dr Catherine Howe as a new independent Trustee.

The staffing of CfPS has also changed considerably. Four members of the CfPS team are still on secondment from LGA/IDEA and CfPS now directly employs three members of staff (this will increase to four with the Business Manager). We have introduced a staff pension plan so we are fully compliant with present legislation.

In May, a part-time Operations Manager (2.5 days) was recruited to oversee all the back-office functions, and this appointment has brought more structure and rigour to a number of processes especially on financial monitoring. In September, we recruited a full-time Research & Policy Co-ordinator to replace the previous intern arrangement. Bringing in a permanent and more experienced person to undertake research, delivery and programme support work. In January 2016, we brought in house a part-time Head of Communications (2 days), who previously had worked for us on a contractual basis. Though this we are getting more support for less cost and benefitting greater from consistent, expert support and capacity in this area.

Strategy

Between September and December, we undertook a thorough review of CfPS' strategy involving staff, trustees and partner colleagues through the advisory board. This has led to the adoption of a refreshed strategy and the realignment of the team structure to deliver the strategy. A new team structure was implemented on 3 April 2017.

Communications

In relation to the new website, statistics are available since May 2016 when new site launched. We do not have comparable figures for the previous year so this should be treated as a base line for future web stats.

Since May we have had 12,462 unique users and 21,916 sessions amounting to 69,495 page views.

The most popular pages visited are the home page, publications, events, how we help and the blogs. On the whole the new website has been very successful – it is easier to use and in terms of look and navigation is more modern. It is also mobile friendly which the previous site was not.

We now use Mailchimp on a more or less weekly basis to send out information about events and services. We also send out a monthly newsletter highlighting latest information from CfPS and the wider scrutiny sector issues.

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 Articles and Memorandum 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 executive director. 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 the Centre, 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 2016/17 attendance at Board meetings was:

Lord Bob Kerslake (Chair)	3/4 meetings
Cllr Anthony Jackson	4/4 meetings
Jonathan Carr-West	3/4 meetings
Jim Clifford	4/4 meetings
Vicki Lawson-Brown	3/4 meetings
Eric Galvin (resigned 15/09/16)	1/2 meetings
Amanda Phillips	4/4 meetings
Brian Roberts	2/4 meetings

A Chief Executive is appointed by the Board with delegated authority to manage all 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 2016/17, 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 was the Trustee during the year. CfPS paid a service charge of £45,026 in 2016/17 (£25,000 2015/16) for a range of services, including management accounting, finance system, payroll and other HR support.
- Some staff members (5 in 2016/17) 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 2016/17 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 to ensure there is sufficient capacity and skills.

Impact: New organisational structure at Director level agreed and implemented. Recruitment of personnel overseeing Communications and Operational aspects.

Financial Risks

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

Mitigations implemented: Close working relationships with LGA, targeting other sectors for new and increased income including from Commercial sector.

Impact: LGA relationships secure, some inroads into new sectors but more to do to win new work.

Reputational Risks

Risk that CfPS is not able to gain new business due to poor regulation.

Mitigations implemented: Careful selection of private sector partners, use of consultants to assist with capacity.

Impact: Repeat business being won in Commercial Sector.

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 2016/17 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 at least a half year of opening of the Centre and, taking account of current costs, the retention should be in the order of £250,000 to cover a year of costs and accommodation, including facilities and IT. The policy is reviewed regularly, is considered adequate at the present time, and will be looked at again, in Autumn 2017.

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 Centre for Public Scrutiny is to be proposed at the Board Meeting.

Approved by the Board of Trustees on 11 July 2017 and signed on their behalf by



Lord Bob Kerslake

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

We have audited the financial statements of The Centre for Public Scrutiny Limited for the year ended 31 March 2017 which comprise the Statement of Financial Activities, Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS 102).

This report is made solely to the 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 auditors' 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities set out 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.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements and to identify information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

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 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;

- the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Trustees Annual Report.

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

- the charitable company has not kept adequate accounting records 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' and senior staff 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 prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Trustees' Annual Report.



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

Date: 23 October 2017

PKF Littlejohn LLP
Statutory auditors
1 Westferry Circus
Canary Wharf
London
E14 4HD

The Centre For Public Scrutiny Limited
Year ended 31st March 2017

Statement of Financial Activities

STATEMENT OF FINANCIAL ACTIVITIES

(Incorporating an INCOME AND EXPENDITURE ACCOUNT)
for the year ended 31 March 2017

	Notes	Unrestricted Funds 2017 £	Restricted Funds 2017 £	Total Funds 2017 £	Total Funds 2016 £
Incoming from:					
Income from charitable activities					
Conference Income		52,332	-	52,332	32,526
Project and Services		638,578	-	638,578	250,310
Grants receivable		268,498	-	268,498	201,000
Sponsorship		2,000	-	2,000	8,500
Investment income	2	1,558	-	1,558	2,431
Total income		962,966	-	962,966	494,767
Expenditure on:					
Charitable activities	7	1,027,588	24,708	1,052,296	723,313
Total Expenditure		1,027,588	24,708	1,052,296	723,313
Net (expenditure) / Income		(64,622)	(24,708)	(89,330)	(228,546)
Net Movement in Funds		(64,622)	(24,708)	(89,330)	(228,546)
Reconciliation of Funds:					
Total funds brought forward at 1 April		406,571	24,708	431,279	659,825
Total funds carried forward at 31 March	14	341,949	-	341,949	431,279

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 24 to 28 form part of these financial statements.

The Centre For Public Scrutiny Limited
Year ended 31st March 2017

Balance Sheet

BALANCE SHEET
As at 31 March 2017

Company Number 5133443

	Notes	2017 £	2016 £
Current assets			
Debtors	10	252,973	165,793
Short Term Investments	2	255,708	410,126
Cash at bank and in hand		10,000	10,000
		<u>518,681</u>	<u>585,919</u>
Creditors: amounts falling due within one year			
Creditors falling due within one year	11	176,732	154,640
		<u>176,732</u>	<u>154,640</u>
Net current assets		341,949	431,279
Total assets less current liabilities		341,949	431,279
Charity Funds			
Unrestricted Funds	14	341,949	406,571
Restricted Funds	14	-	24,708
		<u>341,949</u>	<u>431,279</u>

These financial statements were approved by the Trustees on 11 July 2017 and are signed and authorised for issue on their behalf by:



LORD BOB KERSLAKE

The notes on pages 24 to 28 form part of these financial statements.

The Centre For Public Scrutiny Limited
Year ended 31st March 2017

Statement of Cash Flows

STATEMENT OF CASH FLOWS
As at 31 March 2017

	Note	2017 £	2016 £
Cash flow from operating activities	12	<u>(154,418)</u>	<u>(119,094)</u>
Net cash flow used in operating activities	12	<u>(154,418)</u>	<u>(119,094)</u>
Change in cash and cash equivalents in the year / period		(154,418)	(119,094)
Cash and cash equivalents at 1 April		420,126	539,220
Cash and cash equivalents at 31 March		<u>265,708</u>	<u>420,126</u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		10,000	10,000
Short term deposits		255,708	410,126
Cash and cash equivalents at 31 March		<u>265,708</u>	<u>420,126</u>

The notes on pages 24 to 28 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 2016/17 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 2018, the Trustees consider that the current level of the Centre's unrestricted funds and the likelihood of securing funding for periods beyond April 2017, 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. 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

	2017	2016
	£	£
Income from donations and grants		
Voluntary Income and Grants	268,498	201,000
Sponsorship and Conferences	54,332	41,206
Income from charitable activities		
Services recharged	638,578	250,310
	961,408	492,336

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 2017 and 2016.

4. AUDITORS REMUNERATION

The auditor's remuneration amounts to an audit fee of

	2017	2016
	£	£
Audit fees	3,500	3,500

No non-audit fees were paid in the year to the auditor (2016 nil).

5. EMOLUMENTS

During 2017 no Trustee received any emoluments in respect of services to the Centre (2016 – nil). Reimbursement of expenses to three (2016 – three) Trustees for travel and accommodation totalled £970 (2016 – £667).

6. EMPLOYEES

	2017	2016
	£	£
Agency staff fees	6,491	16,640
Secondments	403,159	396,363
Staff	46,309	
Total staffing costs	455,959	413,003

The Chief Executive of The Centre for Public Scrutiny was paid £100k-£105k (2016 FTE £90k-£95k).

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.

Number of staff

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

	2017	2016
	6.2	6.2
Direct work	6.2	6.2

7. EXPENDITURE ON CHARITABLE ACTIVITIES

	2017 Activities undertaken directly £	2017 Support Costs £	2017 Total £	2016 Total £
Events	20,376	9,753	30,129	-
Communications and Publicity	-	-	-	20,253
Health Scrutiny Support	16,710	7,998	24,708	210,484
Wales Scrutiny Support	-	-	-	2,894
Commercial Programme	128,001	61,269	189,270	-
London Patient Voice	5,489	2,627	8,116	36,166
Other Programmes	485,620	232,445	718,065	258,222
Care Quality Commission	3,210	1,536	4,746	12,296
Children and Young People Programme	3,614	1,730	5,344	31,826
Local Accountability and Involvement Programmes	-	-	-	132,366
Consultancy	48,637	23,281	71,918	18,806
Total	711,657	340,639	1,052,296	723,313

£24,708 (2016 £210,292) of the above costs were attributable to restricted funds. £1,027,588 (2016 £513,021) of the above costs were attributable to unrestricted funds.

8. BREAKDOWN OF SUPPORT COSTS

	2017 £	2016 £
Direction and management	194,990	159,056
Office Costs	123,596	52,827
IT	22,053	3,769
Total	340,639	215,652

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

9. EXPENDITURE ON OTHER COSTS

	2017 £	2016 £
Meeting Costs	691	-
Legal and advertising costs	1,304	-
Support costs	50,943	19,952
Audit Fees	3,500	3,500
Total	56,438	23,452

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

10. DEBTORS

	2017 £	2016 £
Trade debtors	124,053	128,984
Other debtors	3,567	15,448
Accrued Income	125,353	21,361
Total	252,973	165,793

11. CREDITORS

	2017 £	2016 £
Trade creditors	42,349	5,212
Accruals	100,704	125,040
Earned Leave Liability	4,051	1,790
Other creditors & provision for bad debt	5,935	959
VAT Payable	23,693	21,639
Total	176,732	154,640

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

	2017 £	2016 £
Net expenditure for year	(89,330)	(228,546)
(Increase) / decrease in debtors	(87,180)	54,053
Increase / (decrease) in creditors	22,092	55,399
Net cash flow from operating activities	(154,418)	(119,094)

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 2016 £	Income £	Expenditure £	As at 31 March 2017 £
Unrestricted Funds	406,571	962,966	1,027,588	341,949
Restricted Funds				
DoH	24,708	-	24,708	-
Total	431,279	962,966	1,052,296	341,949

Restricted funds related to income and expenditure for DoH Health Scrutiny and were restricted under the terms agreed with the sponsor to utilisation within the generic scrutiny programme area.

15. RELATED PARTY TRANSACTIONS

Reimbursed travel expenses of £970 (2016: £667) were paid to three (2016: 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
Cllr Anthony Jackson	Local Government Association (LGA) - Nominated Trustee
Jonathan Carr-West	Local Government Information Unit (LGIU) - Nominated Trustee
Jim Clifford	Independent Trustee
Vicki Lawson-Brown	Independent Trustee
Amanda Phillips	Independent Trustee
Diana Stirbu (appointed 01/06/16)	Independent Trustee
Dr Catherine Howe (appointed 26/04/17)	Independent Trustee
Eric Galvin (resigned 15/09/16)	Independent Trustee
Doreen Forrester-Brown (resigned 08/09/16)	Company Secretary

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