



Centre for Governance and Scrutiny

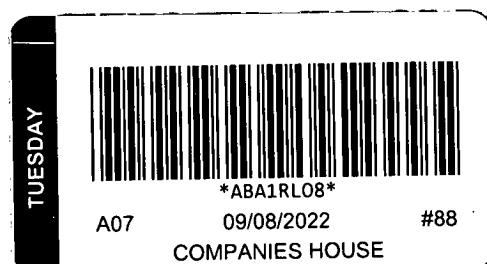
Trustees' Annual Report 2021/22

Charity Number:

1136243

Company Number:

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CHAIR'S FOREWORD



My opening remarks in the foreword to last year's annual report centred on the continuing impact of coronavirus and the influence it was having on the work of CfGS.

Despite the challenges associated with the pandemic, however, I was able to report that the Centre had successfully balanced the need to lower its costs to reflect reduced income, with delivering its core work programme, and identifying new ways to enable democracy and support good governance in other organisations. In doing so, it had also managed to deliver a profit, which was a significant achievement.

In many ways, early 2021-22 saw more of the same. However, as lockdown restrictions eased, CfGS was able to reengage with work that had been put on hold and take advantage of emerging opportunities.

As far as highlights from the year are concerned, I was particularly glad to see a piece of Joseph Rowntree-funded research completed, which explored new models of local democracy that enable a greater role for empowered communities. This fits with the emphasis CfGS now places on diversity and inclusion in good governance – an important theme that will continue to guide our work in the years ahead.

I was equally pleased that the Centre's campaigning efforts were successful in shaping the final detail of the Health and Care Act. Working alongside partners, CfGS was able to persuade Government to concede that local scrutiny bodies should have an ongoing role in influencing use of the Secretary of State's powers of intervention. This was an important change to the legislation and a good example of the influence CfGS can exert.

The ability for people to meet in person during the second half of 2021 meant that CfGS was able to go ahead with its Annual Conference for the first time in 2-years. As ever, the event was well attended and provided delegates with a welcome opportunity to explore important governance issues in a face-to-face environment.

Turning to emerging opportunities, the relaxation of COVID restrictions triggered a significant increase in demand for support in the local government sector. This was positive and assisted us in delivering a surplus. However, we will need to look to a more flexible operating model to meet such emerging demand in the future.

Going forward, it will be a priority to build a staffing model that provides greater capacity, flexibility and resilience, so that the organisation can absorb unanticipated demand in parallel with continuing other business critical activities.

2021/22 was also a year characterised by significant changes in personnel. I was delighted to welcome three new Trustees to the CfGS Board. Along with Councillor Graeme Coombes replacing his LGA predecessor Councillor John Riley, the Board was strengthened by the addition of Juliet Baker and Dr Radhika Vaidya-Sahdev.

This theme of significant personnel change extended into the team of CfGS staff, with our long-standing Chief Executive, Jacqui McKinlay, and Kate Grigg both leaving the Centre to take-up roles in local government. Their departure prompted a decision to restructure and increase the size of the team, with Annette Aiken and Megan Ingle joining as Research and Project Officers, along with Andy Fry OBE replacing Jacqui at the end of January as our new Chief Executive. Andy brings a wide range of public and private sector experience to CfGS and arrived at an important time, as we began to think about how the organisation should change to align with the post-COVID 'new normal' business environment in which it will operate.

As a result, much of Andy's initial focus was on working with colleagues to review and refresh the CfGS Strategy. The new 2022-24 Strategy that emerged from that review has now been agreed by trustees and will guide the work of the Centre as we move into the new financial year and beyond.

In summary, 2021-22 has been another challenging but successful year for CfGS and I look forward building on that success as we take the organisation forward.



Lord Bob Kerslake – Chair of the Centre for Governance and Scrutiny

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 Trustees have considered the likely impact of COVID-19 on the operational activities of the Centre for Governance and Scrutiny (CfGS) and are of the view that there is still some impact, but this will be able to be managed as with other operational risks. However, the Trustees consider that the current level of the organisation's unrestricted funds and with the continuing likelihood of securing funding for periods beyond April 2022, CfGS has sufficient resources to continue as a going concern. In shaping the objectives of the charity and planning the activities undertaken, the Trustees have considered the Charity Commissions guidance on public benefit.

CfGS's purpose is to improve lives and places through effective governance and public scrutiny. We seek to achieve this by:

1. Working with policy and decision-makers nationally and locally to raise governance standards, provide guidance and practical support to aid decision-making and improve outcomes.
2. Supporting organisations and individuals to create a culture which supports good governance, raises governance standards, responds to challenges and risks, and provides innovative solutions.
3. Researching and innovating in new areas to develop practical support, policy ideas and guidance which helps improve governance and scrutiny policy and practice.
4. Creating an environment in which our CfGS team (Trustees, staff and associates) feel respected, valued and can do their best work – including by establishing effective partnerships to help achieve our Purpose.
5. Continuing to grow CfGS's reach, offer and brand in order to maximise our positive impact, diversify funding and remain sustainable.

As CfGS and the country emerged from the pandemic in 2021/22, the priority once again was to break even. In the event, we succeeded in recording a surplus.

2021/22 saw a consolidation of CfGS's revised strategy – focused on strengthening work and delivery in existing areas aligned with business development in certain key areas (including the private sector) to diversify income. This strategy was partially successful – prudent cost management allowed a small increase in the staff complement in late 2021/22, and the pipeline of work delivered in existing areas of strength (local government) significantly exceeded expectations. However, it proved

challenging to secure work in new sectors. Plans for 2022/23 have seen a reappraisal of these plans and a refocusing of effort on social housing and fire and rescue as presenting the best opportunities for growth overall.

Fundraising

There has been no outsourced fund raising via professional fundraisers or other third parties. As a result, the charity is not registered with the fundraising regulator and received no fundraising complaints in the year.

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 consultancy work for local authorities and other organisations
3. Running training events & conferences
4. Organisational development
5. Research
6. Campaigning and Influencing

Programmes

CfGS delivered a programme of support funded by the LGA (and HM Government) which focused on pandemic recovery.

This year's programme was a departure from previous years' – involving an increase from 50 days of support to priority councils to 85 days. It also involved a slight decrease in the extent of CfGS's LGA-funded research output.

2021/22 saw CfGS conclude its JRSST-CT funded project on post-pandemic governance and democracy (work originally funded in 2020/21). The conclusion of this work was delayed because of the third lockdown period in early 2021, and again by delays to the publication of the Government's "levelling up" White Paper. More detail on this work has been provided under "campaigning", below.

We also closed off programme work for the LEP Network and the Gambling Commission.

Consultancy

CfGS experienced continued strong performance in the local government sector, where we used the launch of the "Governance risk and resilience framework" in March 2021 to develop our practice relating to governance and constitutional improvement.

This meant a substantial increase in paid for work on constitutional and governance improvement, as well as continued strong performance with our "scrutiny improvement review" (SIR) product. CfGS continues to provide a broad sweep of training and development services to councils although, increasingly, these are delivered as a programme rather than as a standalone event. Overall, this means that the average value of individual contracts has continued to increase.

Conversely, attempts to pursue and develop opportunities in other sectors failed to cut through. While we succeeded in retaining existing clients, we were not able to bring in and develop new prospects. Unsuccessful bids for governance review and improvement projects for the Royal Institute for Chartered Surveyors, and other

organisations, demonstrates the significant challenge associated with securing income and a reliable pipeline in sectors where CfGS doesn't have an established footprint. We continue to consider whether we can develop a new line of work supporting governance in organisations with unique or distinctive governance arrangements – such as chartered institutes, membership organisations, regulatory bodies (and, in particular, membership bodies which hold regulatory functions), co-operatives and similar bodies. In the meantime, we are focusing practical in-year business development on local government, social housing and fire and rescue – while keeping the prospects for growth in the health and care sector under close review, to potentially take action later in 2022/23 depending on the bedding-down of new Integrated Care System (ICS) arrangements.

We are also refocusing as an organisation on our approach to promoting equality, diversity and inclusion (EDI) – we anticipate that business development activity in 2022/23 will focus on the interface between EDI and good governance, which was informed by the Board's own work on EDI during 2021/22.

With increased value and complexity in projects has come a need to bring more professionalism to the way that those projects are managed and overseen. Under "Organisation" below we explain our new arrangements for project and programme management, and quality assurance, introduced during Q4 of 2021/22.

Training Events & Conferences

Although pandemic restrictions eased over the course of the year, we continued to deliver a range of general-access webinars for local government scrutiny practitioners rather than to seek to return to in-person events. Our expectation is that this will become a permanent measure, as remote webinars have helped us to significantly expand our reach, as we are able to offer them free through our LGA contract.

We were able to host our first Annual Conference for two years in December 2021. This well attended event provided local government scrutiny practitioners with the opportunity to meet face-to-face for the first time since the start of the pandemic and secured positive feedback. However, we do need to continue to consider whether holding our national set-piece event in central London offers value for money to us and our stakeholders.

Organisational Development

2021/22 has seen significant changes in the organisation's staff complement. Jacqui McKinlay and Kate Grigg left the organisation in December 2021, leaving the organisation with 2.6 FTE employees for a month before the arrival of Andy Fry, Annette Aiken and Meg Ingle at the end of January. The LGA kindly provided CfGS with additional capacity in the form of a part-time secondment for Olayinka Amin.

Staff changes led to a renewed focus on organisational development. We have put in place new systems and processes for project and programme management (including quality assurance) and strategic communications. On project and programme

management, new arrangements will include systems for more consistent ownership of projects, and quality assurance of products.

Over the course of this period the Board conducted a review of CfGS's approach to equality, diversity and inclusion (EDI), agreeing new approaches to the governance of the organisation. This has led to a commitment to thread EDI through CfGS work in the future – including challenging clients and potential clients on their use of its principles to inform wider approaches to governance and decision-making. This is being built into standard methodologies for CfGS work in 2022/23.

CfGS continued to be supported by its network of experienced, expert associates with a range of backgrounds in local government, health and participation, and bringing research, transformation, organisational development and engagement skills. 2022/23 will see us reflecting on the appropriate balance between consultants/associates and staff members as CfGS's organisational development activities continue.

There were three changes to the Trustees on the CfGS Board. Cllr John Riley was replaced as LGA nominated Board member by Cllr Graeme Coombes. In addition, Juliet Baker and Dr Radhika Vaidya-Sahdev were recruited as Independent Trustees through the "Board Lead" programme.

Research

Research in 2021/22 included (funded by the LGA and HM Government):

- Research supporting our Combined Authorities Governance Network programme:
 - A "10 questions" guide on scrutiny of economic development by combined authorities;
 - A guide on public involvement in scrutiny at combined authority level;
- Learning lessons from the pandemic – practical advice to scrutiny practitioners on debriefing from the pandemic, and understanding how scrutiny can help in looking to the future;
- Guidance on the scrutiny of critical risks and commercial activity;
- Guidance on behavioural issues in meetings (with particular reference to hybrid meeting operations);
- The CfGS Annual Survey of overview and scrutiny in local government. Ongoing challenges with response rates means that we will be pursuing a different path in 2022/23 to this work.

CfGS concluded its two-year programme of research on electoral reviews for the Local Government Boundary Commission for England (LGBCE), with research products planned for publication in 2022, and findings integrated into formal LGBCE guidance to councils.

Campaigns and influence

Campaigning in 2021/22 focused on several areas:

- Remote and hybrid meeting arrangements. Campaigning was intense during May 2021, when CfGS and other sector bodies came together to lobby Government to ensure that remote meeting powers could be reinstated;
- The Health Act. Working with the LGA, NHS Confederation and NHS Providers, we were successful in persuading Government to amend the Bill to ensure that the Secretary of State's ability to intervene in local health arrangements would be subject to consultation with local scrutiny functions – a significant concession which came alongside a year's delay in introducing these powers;
- Levelling Up. CfGS conducted preparatory work for campaigning on levelling up further to the publication of the White Paper. This included issuing briefings and building campaigning material to focus on our long-standing campaigning priority for the introduction of local public accounts committees;
- Future democracy and political dynamics. We took advantage of external speaking and writing opportunities (including in the trade press) to promote messages around the need for transformation in local democracy, and a shifting of the paradigm of local government and governance towards community power. This formed part of our JRSST-CT funded research, and also incorporated learning from our work on governance risk and resilience, as well as being informed by our ongoing work on EDI.

Overall financial performance

The overall performance of the organisation was again impressive given the continuing effects of the pandemic, with a profit of £41k being achieved against a budgeted forecast of £18k - the outturn being slightly down from £69k in 20/21. Income for the year decreased to £572k (from £618k the previous year) but the continuing focus on costs led to expenditure of £531k (down from £549k in 2020/21). As a result, the reserves figure at the year-end increased to £354k.

In our individual areas of operation, on Programmes our income was slightly down at £216k from £226k, but expenditure was higher at £23k from £9k as more work was undertaken by our associate base of consultants due to limited capacity. In Consultancy, overall income dropped slightly to £331k from £380k, with expenditure increasing to £48k from £32k, again due to capacity issues. The Annual Conference was the only fee-paying Event we ran, with income of £20k earned against expenditure of £16k. There were no events in the previous year.

Organisational costs for the year came to £443k, which was again a significant reduction on the previous year at £501k, mainly due to lower staff costs.

STRUCTURE, GOVERNANCE & MANAGEMENT

Governing document

The Centre for Governance and Scrutiny (CfGS) is a company limited by guarantee. Originally formed in 2004, it changed its name from the Centre for Public Scrutiny Limited in September 2020 to better reflect the breadth of advice and services it provides.

The Memorandum and Articles of Association (M&AA) were amended in 2010 and the organisation was registered by the Charity Commission as a charity in June 2010. In 2012 members of the charity amended the M&AA again to remove the requirement to have an annual meeting and in June 2020 they were further revised to more accurately encompass the public benefits provided to its clients.

Appointment of Trustees

As provided for in the M&AA, which require a majority of independent Trustees, CfGS currently has five independent Trustees and three Trustees nominated by its founder and corporate 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, with advisory support from 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.

During the year we used the BoardLead programme to identify more diverse candidates from outside the local authority sector to enrich our Board. This approach led to the appointment of two new independent Trustees in July 2021.

Trustees' induction and training

CfGS provides an induction for new Trustees, which comprises key Charity Commission and other guidance on the role of Trustees, CfGS 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 CfGS, the business plan, risk assessment, most recent audited accounts and annual budget. New Trustees are also provided with a selection of recent research and other publications as an introduction to what CfGS does.

Organisational structure

The Board of Trustees meets at least four times a year to agree the business plan and annual budget, monitor performance and financial information, agree staff pay as well as key policies, the risk assessment and other matters as it may determine. The Board also sets the pay for the Chief Executive, who is deemed to be the key management personnel of the charity. There is no formally constituted audit committee and audit matters are reported and taken at ordinary meetings of the Board.

During 2021/22 attendance at Board meetings by Trustees was as follows:

Lord Bob Kerslake (Chair)	5/5 meetings
Catherine Howe (Vice-Chair)	5/5 meetings
Cllr John Riley	0/2 meetings
Jonathan Carr-West	3/5 meetings
Andrew Burns	5/5 meetings
Helen Bailey	5/5 meetings
Caraline Johnson	5/5 meetings
Juliet Baker	3/3 meetings
Radhika Vaidya-Sahdev	3/3 meetings
Cllr Graeme Coombes	3/3 meetings

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

Related parties

In the interests of transparency, Trustees verbally declare any potential conflicts of interest at the beginning of each board meeting. In addition, a register of interests is completed by Trustees every year.

In 2021/22, CfGS declared the following financial connections with the Local Government Association, which is a major funder of the organisation:

The Local Government Association (LGA) is a member of CfGS and has a nominated Trustee on its Board. Cllr John Riley held this responsibility independently during the year up until 5 August 2021 when he resigned and the position was taken by Cllr Graeme Coombes from that date until the end of the year. CfGS paid a service charge to the LGA of £43,600 in 2021/22 (£47,189 in 2020/21) for a range of services, including management accounting, access to a finance system, payroll and other HR support.

Risk management

The Trustees' risk management strategy includes:

- A quarterly review of the CfGS corporate risk register, which focuses on Strategic, Operational, Financial and Reputational Risks,
- Ensuring that the most likely risks have been identified and their potential impacts evaluated, including those that emerge suddenly such as the Coronavirus pandemic.
- Establishing what procedures and systems are in place, or need to be established, to mitigate identified risks.

- Monitoring the effectiveness of procedures and systems in minimising the impact of identified risks.

During 2021/22 our actions to mitigate identified higher risks and their impact were as set out below:

STRATEGIC RISKS

Risk that CfGS is unable to adapt to changing political and environmental circumstances.

Mitigations implemented: Close monitoring of political and policy developments including close liaison with members of the Trustee Board.

Impact: Assists organisation in being flexible and responsive.

OPERATIONAL RISKS

Risk that the organisation is not set up to successfully deliver objectives and staff changes hinder what can be achieved.

Mitigations implemented: Ongoing organisational reviews as personnel change to ensure there is sufficient capacity and skills, as well as ensuring that staff feel valued and their morale is maintained.

Impact: The impact of staff changes has necessitated revised structures to ensure that more business opportunities are identified and the organisation has the capacity to deliver them. Capacity is augmented when required by the use of consultants and working in partnership with other organisations. Revised methods of work delivery are introduced and monitored, including home working with regular meetings, to ensure productivity and well-being is maintained.

FINANCIAL RISKS

Risk that CfGS is exposed to problems relating to profitability, liquidity and cash flow.

Mitigations implemented: Close working relationships with important stakeholders such as LGA and CIPFA is maintained to ensure we are close to the local government sector. In addition, we are attempting to increase our focus on business development in a variety of other sectors.

Impact: LGA and CIPFA relationships remain secure. Whilst some business opportunities have been identified and generated income in new sectors, success has been limited and a carefully targeted approach will be employed to maximise the chances of winning business that is bid for.

REPUTATIONAL RISKS

Risk that CfGS 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 high-quality consultants to assist with capacity, heightened awareness when undertaking work in sensitive areas.

In addition, following the issue of the updated Charity Governance Code in 2020, we self-identified the need to address equality, diversity and inclusion more proactively, not just in our work for clients but also in how CfGS operates as an organisation. This remains a key priority for us going forward.

Impact: Repeat and new business being won, but caution is exercised in undertaking work in sensitive areas.

EFFECT OF PANDEMIC

Like all other organisations, the Coronavirus pandemic has affected how CfGS works but using the flexibility of being a small organisation we have continued to operate successfully by responding quickly and efficiently to our client base. Operationally, the switch to staff working from home has been successful, albeit now there is the need with new staff coming on board to meet in person more often to ensure good communications and teamwork are maintained. We now offer as a matter of course in person, virtual or blended options to our customers to suit their requirements, which has been appreciated.

The risk associated with COVID-19 has now reduced to the extent that it can be managed alongside other risks in a business-as-usual context.

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 CfGS at each Board Meeting, this includes the unrestricted and restricted reserve funds (information provided by the Lead Accountant of LGA who provide financial guidance to CfGS). It also requests interim reports in between when deemed necessary.

- The reserve policy set by the Board requires the retention of adequate unrestricted funds to support 6 months of core costs to enable CfGS to continue to operate.
- Taking account of current costs, the retention should be in the order of £175,000 to cover employment costs, along with those of accommodation, including facilities and IT.
- Free reserves were £354,174 as at 31st March 2022.

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 Governance and 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 was approved at the Board Meeting on 28 April 2022.

Approved by the Board of Trustees on 12 July 2022 and signed on their behalf by

A handwritten signature in black ink, appearing to be 'Bob Kerslake', followed by a horizontal line.

Lord Bob Kerslake

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CENTRE FOR GOVERNANCE AND SCRUTINY

Opinion

We have audited the financial statements of the Centre for Governance and Scrutiny (the 'charitable company') for the year ended 31 March 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2022 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

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

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

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

Other information

The 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 contained within the Report of the Trustees. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' 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 directors' report included within 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;
- 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, 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.

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

- We obtained an understanding of the charitable company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of cumulative audit knowledge and experience.
- We determined the principal laws and regulations relevant to the charitable company in this regard to be those arising from the Companies Act 2006, Financial Reporting Standard 102, the Charities SORP and relevant employee legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the charitable company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was a potential for management bias in the timing of recognition of income from grants. We addressed this through review of all material grant agreements to ensure correct treatment under the Charities SORP, including consideration of the accounting period in which income should be recognised.
- We also identified potential for management bias in the judgements made around recoverability of debtors. We addressed this through examination of post year end cash received, review of correspondence with debtors and discussion of recoverability with management.

- We also identified potential for management bias in the allocation of support costs against charitable activity categories. We addressed this through reviewing the method used for reasonableness and re-performing the calculation to ensure it had been performed accurately in line with the stated method.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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)

15 Westferry Circus

For and on behalf of PKF Littlejohn LLP

Canary Wharf

Statutory Auditor

London E14 4HD



STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an INCOME AND EXPENDITURE ACCOUNT)
for the year ended 31 March 2022

	Notes	Unrestricted Funds 2022 £	Restricted Funds 2022 £	Total Funds 2022 £	Total Funds 2021 £
Incoming resources from:					
Income from donations and grants					
Grants receivable	3	183,620	-	183,620	238,782
Income from charitable activities					
Conference and Other Income	3	37,215	-	37,215	8,200
Projects and Services	3	350,778	-	350,778	369,988
Investment Income					
Investment income	2	315	-	315	722
Total income		571,928	-	571,928	617,692
Expenditure on:					
Charitable activities	7	531,469	-	531,469	548,840
Total Expenditure		531,469	-	531,469	548,840
Net income		40,459	-	40,459	68,852
Net Movement in Funds		40,459	-	40,459	68,852
Reconciliation of Funds:					
Total funds brought forward at 1 April		313,716	-	313,716	244,864
Total funds carried forward at 31 March	14	354,175	-	354,175	313,716

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.

All income and expenditure in 2021 was unrestricted.

The accounting policies and notes on pages 23 to 29 form part of these financial statements.

BALANCE SHEET
As at 31 March 2022

Company Number 5133443

	Notes	2022 £	2021 £
Current assets			
Debtors	10	89,912	65,394
Short Term Investments	2	313,746	295,925
Cash at bank and in hand		10,000	10,000
		413,658	371,319
Creditors: amounts falling due within one year			
Creditors falling due within one year	11	59,483	57,603
		59,483	57,603
Net current assets		354,175	313,716
Total assets less current liabilities		354,175	313,716
Charity Funds			
Unrestricted Funds	14	354,175	313,716
Restricted Funds	14	-	-
		354,175	313,716

These financial statements were approved by the Trustees on 12 July 2022 and are signed and authorised for issue on their behalf by:



LORD BOB KERSLAKE

The notes on pages 23 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS
As at 31 March 2022

	Note	2022 £	2021 £
Cash flow from operating activities	12	<u>17,821</u>	<u>76,698</u>
Net cash flow used in operating activities	12	<u>17,821</u>	<u>76,698</u>
Change in cash and cash equivalents in the year / period		17,821	76,698
Cash and cash equivalents at 1 April		305,925	229,227
Cash and cash equivalents at 31 March		<u>323,746</u>	<u>305,925</u>
 Cash and cash equivalents consists of:			
Cash at bank and in hand		10,000	10,000
Short term deposits		313,746	295,925
Cash and cash equivalents at 31 March		<u>323,746</u>	<u>305,925</u>

The notes on pages 23 to 29 form part of these financial statements.

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Centre for Governance and 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 in October 2019, 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 2019.

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 Governance and Scrutiny (CfGS) for the purposes of company law] have prepared the accounts on a going concern basis. As described in the Report of the Trustees, during 2021/22 CfGS worked closely with the Local Government Association and the bodies under the Local Government Association's control. The Trustees have considered the likely impact of COVID-19 on the operational activities of the Centre for Governance and Scrutiny (CfGS) and are of the view that there is still some impact, but this will be able to be managed as with other operational risks. However, the Trustees consider that the current level of the organisation's unrestricted funds and with the continuing likelihood of securing funding for periods beyond April 2022, CfGS 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 any 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 CfGS 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 CfGS 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 CfGS 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 CfGS's objects.

The analysis of these costs is included in note 8.

CORPORATION TAX

CfGS 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. CfGS participates in arrangements in which surplus cash balances are deposited with borrowers on the Local Government Association (LGA) Group's approved list. CfGS'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 CfGS does not expect any losses on short term investments.

3. INCOME

	2022	2021
	£	£
Income from donations and grants		
Voluntary Income and Grants	183,620	238,782
Income from charitable activities		
Services recharged	350,778	369,988
Conferences and other income	37,215	8,200
	571,613	616,970

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 2022 and 2021.

4. AUDITORS REMUNERATION

The auditor's remuneration amounts to an audit fee of

	2022	2021
	£	£
Audit fees	3,500	3,500

No non-audit fees were paid in the year to the auditor (2020 nil).

5. EMOLUMENTS

During 2022 no Trustee received any emoluments in respect of services to CfGS (2021 – nil). Reimbursement of expenses to no (2021 – nil) Trustees for travel and accommodation totalled £0 (2021 – £0).

6. EMPLOYEES

	2022	2021
	£	£
Agency staff fees	-	1,336
Secondments	-	65,676
Staff	346,518	347,773
Total staffing costs	346,518	414,785

The Chief Executive (CE) of Centre for Governance and Scrutiny is the only member of key management personnel. During the year the incumbent retired from the post and a new CE was recruited. The total cumulative benefits paid during the year were £122,369 (2021 £128,829).

Staff are on CfGS's payroll and have access to contributory pension arrangements.

The number of staff (FTE) earning more than £60k of benefits during the year was 3 (2021 2 persons), excluding employer pension costs, in the ranges below.

Range £k	2022	2021
100-110	-	1
90-100	1	-
80-90	1	-
70-80	1	1

Number of staff

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

	2022	2021
Direct work	5.0	5.8
	5.0	5.8

7. EXPENDITURE ON CHARITABLE ACTIVITIES

	2022 Activities undertaken directly £	2022 Support Costs £	2022 Total £	2021 Total £
Events	249	236	485	500
Commercial Programme	1,293	1,225	2,518	2,600
Other Programmes	14,244	13,501	27,745	28,652
Consultancy	257,059	243,662	500,721	517,088
Total	272,845	258,624	531,469	548,840

£nil (2021 £nil) of the above costs were attributable to restricted funds. £531,469 (2021 £548,840) of the above costs were attributable to unrestricted funds.

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 CfGS's objects.

8. BREAKDOWN OF SUPPORT COSTS

	2022 £	2021 £
Direction and management	169,342	190,620
Office Costs	70,589	70,212
IT	18,693	21,665
	258,624	282,497

9. GOVERNANCE COSTS

	2022 £	2021 £
Meeting Costs	716	-
Legal and advertising costs	2,099	778
Support costs allocation	89,448	98,698
Audit Fees	3,500	3,500
Total	95,763	102,976

10. DEBTORS

	2022 £	2021 £
Trade debtors	67,444	32,820
Other debtors – VAT Receivable	-	-
Other Debtors	4	350
Prepayments and Accrued Income	22,464	32,224
Total	89,912	65,394

11. CREDITORS

	2022 £	2021 £
Trade creditors	263	44
Accruals	4,328	3,801
Earned Leave Liability	7,320	12,467
Other creditors & income in advance	28,357	23,080
VAT Payable	19,215	18,211
Total	59,483	57,603

12. RECONCILIATION OF INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2022 £	2021 £
Net income for year	40,459	68,852
(Increase)/ Decrease in debtors	(24,518)	5,427
Increase in creditors	1,880	2,419
Net cash flow from operating activities	17,821	76,698

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 2021 £	Income £	Expenditure £	As at 31 March 2022 £
Unrestricted Funds	313,716	571,928	531,469	354,175
Total	313,716	571,928	531,469	354,175

15. RELATED PARTY TRANSACTIONS

Reimbursed travel expenses of £0 (2021: £0) were paid to no (2021: none) Trustees in the year.

CfGS paid a service charge to the LGA of £43,600 in 2021/22 (£47,189 in 2020/21) for a range of services, including management accounting, access to a finance system, payroll and other HR support.

16. POST BALANCE SHEET EVENTS

There are no post balance sheet events requiring disclosure.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered name: Centre for Governance and Scrutiny
 Charity number: 1136243
 Company number: 5133443
 Registered address: 77 Mansell Street, London E1 8AN
 Website: www.cfqs.org.uk
 Contact details: info@cfqs.org.uk 020 7543 5627

Trustees and directors

Lord Bob Kerslake	Chair and Independent Trustee
Andrew Burns	Chartered Institute of Public Finance and Accountancy (CIPFA) - Nominated Trustee
Cllr John Riley	Local Government Association (LGA) - Nominated Trustee (Resigned 10/08/21)
Cllr Graeme Coombes	Local Government Association (LGA) - Nominated Trustee Appointed 10/08/21)
Jonathan Carr-West	Local Government Information Unit (LGIU) - Nominated Trustee
Dr Catherine Howe	Vice-Chair and Independent Trustee
Helen Bailey	Independent Trustee
Caraline Johnson	Independent Trustee
Juliet Baker	Independent Trustee (Appointed 13/07/21)
Radhika Vaidya-Sahdev	Independent Trustee (Appointed 13/07/21)

Company Secretary

Matt Marsh	Company Secretary
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Senior Staff

Andy Fry	Chief Executive (Appointed 31/01/22)
Jacqui McKinlay	Chief Executive (Resigned 31/12/21)

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, 15 Westferry Circus, Canary Wharf, London E14 4HD