



**Centre for
Governance and Scrutiny**

**Trustees' Annual Report
2020/21**

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CHAIR'S FOREWORD



In writing my foreword last year, at the start of the pandemic, little did we know that a year later it would still feature so prominently in our lives.

Similar to many organisations the pandemic presented the organisation with significant income and operational challenges. As a result, we saw a sizeable decrease in our income from the previous year as many of our clients and partners focused their efforts on the pandemic response. I am however pleased to report that with reductions in expenditure, we are delivering a profit for the year and our reserves position is healthy.

The Centre for Governance and Scrutiny (CfGS) played an important role, alongside partners including the Local Government Association, Association of Democratic Services Officers and Lawyers in Local Government, to support the introduction of remote meetings, campaign for their permanent adoption and help public services navigate governance challenges during the last twelve months.

CfGS continues to play an important part in promoting innovation through its research and policy work, alongside those organisations requiring improvement support.

Learning from our experience and long history of providing improvement support to councils, I was delighted to see this manifest into a new Governance Risk and Resilience Framework which was launched in March 2021. A collaboration with the think-tank Localis and funded by national partners and the Ministry of Housing, Communities and Local Government.

In housing, the National Housing Federation launched its Together with Tenants Initiative, a programme that CfGS has worked closely on since 2019. Mears PLC published its first independent Customer Scrutiny Board and ENGIE UK published its year two report. Storengy also introduced their new Responsible Business Board. Organisations we are proud to support on these innovative governance models.

We were also pleased to undertake an independent governance review for the Royal College of Nursing, begin an important project with the Gambling Commission to encourage more scrutiny of local activity to tackle gambling harm and support the Welsh Government in developing remote meeting guidance.

Finally, I was very pleased to welcome the organisation's change of name in September 2020 to the Centre for Governance and Scrutiny. Whilst not a huge change,

an important recognition of the broader scope of our work and expertise across a range of sectors. It was warmly welcomed by colleagues nationally and locally and should assist with business development.

A handwritten signature in black ink, appearing to read 'Bob Kerslake', with a stylized flourish at the end.

Lord Bob Kerslake - Chairman, 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 a material impact. 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 2021, CfGS has sufficient resources to continue as a going concern.

CfGS 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.

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

- Making a positive difference by promoting the benefits and value of good governance and scrutiny.
- Supporting organisations and individuals to improve the effectiveness of their governance and scrutiny arrangements.
- Innovating in new areas to provide policy and practical support which helps improve governance and scrutiny.

An important priority last year was also to achieve a breakeven position given the effects of the pandemic, which was achieved notwithstanding all that happened, and in fact reserves were added to.

The Trustee Board of CfGS had previously agreed a revised strategy to deliver a more diverse income stream which incorporated:

- a broadening of CfGS' offer into governance related support to a wider range of sectors, including private sector organisations delivering public services.
- an increased focus on business development activity.
- a focus on reducing core and project specific operating costs.

Whilst establishing CfGS' presence in new sectors and attracting new clients took longer than anticipated to deliver results, the new work brought in and income generated was in line with the strategic approach.

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. Back office Organisation
5. Research
6. Campaigns and Influence

Programmes

In the Programme area several work streams were undertaken, most of which related to work for the Local Government Association (LGA). The planned content of the improvement grant was changed to reflect the demands of supporting councils in the shift to online working and remote delivery. The support included new COVID-19 guidance, help-desk support, webinars and in-house training. Direct improvement support was also provided to a number of councils including Croydon.

In addition, we undertook research into scrutiny policy and practice resulting in practical guidance and blogs (see research section below for more details). We also supported local government through the funding of a new online scrutiny network and attendance at regional meetings.

We were also pleased to work again with the Welsh Government and received funds from them to develop a Democracy Handbook.

Consultancy

CfGS continued to secure a wide-ranging amount of business from its consultancy services. The volume and value delivered was lower than the previous year due to the pandemic crisis for both local authorities and other organisations, but there was still a number of significant pieces of work and new projects undertaken.

We continued to support both the Royal Borough of Kensington & Chelsea and Croydon Council with significant pieces of scrutiny support work, as well as carrying out a number of Scrutiny Improvement reviews and training sessions for other local authorities. In total we worked with other 30 authorities throughout the year in this way.

In addition, we continued to support existing clients such as Skanska UK, ENGIE UK, Mears PLC, National Housing Federation, Local Enterprise Partnership (LEP) Network, Storengy and continued our work for the Gambling Commission.

Training Events & Conferences

Due to the pandemic restrictions all face-to-face training, events and conferences were cancelled. In their place we ran free webinars as part of the LGA improvement grant to support remote meetings. We also ran 'taster' webinars on topics including financial scrutiny and work planning.

All in-house training delivered to clients this year has shifted to online, resulting in better attendance and engagement overall. Although it does not work for everyone.

Organisation

The staff complement was an average 5.8 FTE for the year. As a consequence of significantly reduced workloads, the administrative officer was furloughed initially, and the post was made redundant in August 2021. Another long-standing member of the team also left the organisation in July 2021 following a period of long-term sickness.

In September 2021, the organisation changed its name to the Centre for Governance and Scrutiny. The name was made to reflect the wealth of broad governance expertise and experience and support business development to new sector. The change was warmly welcomed by clients and partners.

CfGS continued to be supported by a network of experienced, expert associates with a range of background in governance, local government, health, participation and bringing research, transformation, organisational development and engagement skills. The model of a small core team supported by associates and partners, enables CfGS to create bespoke teams to meet client requirements whilst keeping overhead costs low.

There were no changes to the Trustees on the CfGS Board.

Research

Research outputs continue to focus on CfGS's core local government audience. We continue to expand the audience for these products beyond overview and scrutiny practitioners (officers and members). The launch in spring 2021 of our "Governance risk and resilience framework" – described in more detail below – is an important waypoint on this journey.

The focus of our research outputs in the early part of 2020/21 focused on providing practical support to councils as the pandemic began to take hold. At exceptionally short notice we produced a comprehensive set of guides for councils on the key factors which would contribute to effective scrutiny during this period – these guides are amongst the most downloaded and used in CfGS's history and garnered extremely positive feedback. Arising from this work, over the course of the year we became one of the more prominent voices in the campaign to make permanent remote meeting arrangements. We wrote statutory guidance for the Welsh Government on their own legal framework for remote meetings introduced in the Local Government and Elections (Wales) Act 2021 – the resulting cross-fertilisation of ideas between the

Welsh and English local governance landscape is significantly helping as we continue to engage with these issues.

We have kept the effectiveness of scrutiny during the pandemic under continual review – through a short survey and practitioner discussions in summer 2020 and again through our 2021 annual survey of overview and scrutiny in local government.

On account of the pandemic and a shift in emphasis for our agreed programme of LGA work the number of research products in 2020/21 has been less than in previous years. They have included:

- The governance risk and resilience framework, delayed from May 2020 – the framework forms the basis of ongoing work in and around the sector in 2021/22 and reflects our move into the broader corporate governance space.
- Practitioner guidance and support relating to the pandemic, as described above.
- Guidance for scrutiny practitioners in London on health inequalities, funded by the Mayor of London and carried out in partnership with Cavill Associates.
- Guidance on scrutiny, counter-extremism and the Prevent duty, funded by the LGA.
- 10 questions to ask if you're scrutinising climate change, funded by the LGA.
- Scrutiny frontiers, and the annual survey of overview and scrutiny in local government, both forming part of our LGA-funded programme and being published in early 2021/22 owing to delays associated with the third period of national lockdown in winter 2020/21.

The dynamic operating environment in 2020/21 resulted in us cementing our reputation for thought leadership on governance issues with an active approach to writing short form content – blog pieces (and blog series) for our own website as well as securing regular columns for publications including LGC, MJ, Public Finance and Local Government Lawyer.

In 2020/21 we also commenced a number of projects which continue into 2021/22. These include work with the Local Government Boundary Commission for England with whom we continue to work to explore how English councils might approach differently their formal submissions to the Commission on council size change.

We were successful in autumn 2020 in securing funding from the JRSST Charitable Trust for a project looking into how future governance, post-pandemic, might lead to changes in civic activism and how councils respond to that activism. Work on this project was delayed over the course of winter 2020/21 but is expected to wrap up in summer 2021, and will be used as the basis for further, ambitious work on governance innovation.

Campaigns and influence

Campaigning activity in 2020/21 focused on bolstering and supporting the role of good governance during the pandemic, including highlighting the need for the continuation of remote council meetings. We were an active and leading player in the establishment

and operation of the Remote Meetings Partnership, bringing together partners at a senior level across the sector to discuss these issues.

Also at the national level, CfGS continues to engage in MHCLG's Governance Framework Panel (both strategic and operational), which is a forum for discussion on the local authority governance and accountability landscape; we continue to enjoy a good relationship with the NAO, relevant Select Committees and MHCLG civil servants.

With the publication on the Health White Paper, a new campaigning priority around health scrutiny emerged in late 2020/21. We continue to work closely with scrutiny practitioners and DH civil servants to ensure that the powers enjoyed by scrutiny continue in the (at time of writing) forthcoming Health Bill. In this, we are working with the LGA and NHS Confederation.

On wider matters relating to system change we are working closely with NHS England / NHS Improvement on the development of system-wide guidance which will frame cross-sector relationships in the new health landscape.

The publication of our governance risk and resilience framework (as described above) has continued to raise our profile as we continue with ongoing campaigning work on political culture.

Overall financial performance

Notwithstanding the effects of the pandemic the more robust financial position of CfGS has been maintained over the last year. We initially budgeted for a breakeven position, but we actually made a surplus of £69k (slightly down from £103k in 19/20). Income for the year decreased to £618k (from £833k the previous year) but our close attention to all costs led to expenditure of £549k (down from £729k in 2019/20). As a result, the reserves figure at the year-end increased to £314k.

Looking at our individual areas of operation, on Programmes our income was virtually the same as the previous year at £226k, whilst expenditure was only marginally higher. In Consultancy the differences were much greater with income dropping to £380k from £533k, whilst expenditure dropped from £98k to £31k. Whilst in Events and Training there was virtually no income or expenditure. In organisational costs there was a significant reduction, overall costs were £508k down from £589k, mainly as a result of the staffing reductions.

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 nature of the advice and services that 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 revised again 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 four 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 and with the advice of the Chief Executive. The Board of Trustees also has power to seek additional independent Trustees to fill any identified skills gaps that may result from open recruitment exercises, ensuring the Board retains the right mix of skills, experience and expertise.

Trustees' induction and training

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 and a selection of recent research and other publications as an introduction to what CfGS does.

As CfGS is a social purpose consultancy expert in all aspects of governance and scrutiny, we were pleased that the Charity Governance Code was updated during the year. This has provided us with useful guidance to look at ourselves and see where we can seek to improve. Work will be ongoing on this.

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 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 2020/21 attendance at Board meetings was:

Lord Bob Kerslake (Chair)	4/4 meetings
Catherine Howe (Vice-Chair)	4/4 meetings
Cllr John Riley	2/4 meetings
Jonathan Carr-West	3/4 meetings
Andrew Burns	4/4 meetings
Helen Bailey	3/4 meetings
Caraline Johnson	4/4 meetings

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

Related parties

Trustees verbally declare any potential conflict of interest at the beginning of each board meeting. In addition, a register of interests is completed by Trustees every year. In order to be fully transparent about its work. In 2020/21, CfGS declares the following financial connections with the Local Government Association, which is a major funder of CfGS:

The Local Government Association (LGA) is a member of CfGS and has a nominated Trustee on CfGS's Board. Cllr John Riley held this responsibility independently during the year. CfGS paid a service charge to the LGA of £39,100 in 2020/21 (£36,300 in 2019/20) for a range of services, including management accounting, finance system, payroll and other HR support.

One staff member was seconded to CfGS up until 31 July 2020 from Improvement and Development Agency for Local Government (IDeA), but the person left both organisations at that date. CfGS reimbursed IDeA for all their salary costs. All staff members are now directly employed by CfGS.

Risk management

The Trustees' risk management strategy includes:

- Quarterly review of risks to the organisation during business planning and financial risk.
- Ensuring that the most likely risks have been identified and their potential impacts, including those that emerge suddenly such as the Coronavirus pandemic.
- Establishing what procedures and systems are in place, or need to be strengthened, to mitigate those identified.

- Monitoring how the procedures and systems are being implemented to minimise impact on CfGS.

During 2020/21 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 both Trustee and Advisory Boards.

Impact: Assists organisation in being flexible and responsive.

OPERATIONAL RISKS

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

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

Impact: The implementation of a revised organisational structures have delivered more business opportunities, which are being converted into more profitable work. Capacity is augmented when required by the use of consultants and working in partnership with other organisations. Revised methods of work 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 authority sector. In addition we have increased our focus on business development in associated sectors to local government and in providing governance assistance to organisations in a variety of other sectors.

Impact: LGA and CIPFA relationships remain secure, whilst increasing business opportunities have been identified and converted.

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 consultants to assist with capacity, heightened awareness when undertaking work in sensitive areas.

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

EFFECT OF PANDEMIC

A significant specific risk to CfGS in the last year has been the Coronavirus pandemic. The organisation responded quickly to ensure the safety of its staff as the lockdown began so we could continue to provide support to our clients. Operationally from then all staff switched to working from home with delivery of Programme and Consultancy work virtually.

We continued to deliver the vast majority of workstreams which had been agreed with clients, but some were deferred to later in the year or cancelled. Planned training and events were either cancelled or changed to online delivery. Weekly meetings of staff were held online, and other one-to-one meetings held in addition to discuss specific business or operational issues. We revised our financial forecasts down to reflect the anticipated downturn in business expected, to a break-even position.

Through the year we assessed the various Government initiatives to assist businesses and we deferred the payment of two quarterly VAT bills in mid-2020 for several months. In addition, one member of staff was furloughed in May 2020 as their workload had drastically reduced and following an organisational review the employee was made redundant in August.

The effects of the pandemic impacted on CfGS in a number of ways, but not all of the implications have been adverse. Due to our flexibility, we were able to provide essential guidance, advice and support to many local authorities who had to continue providing services to their residents and businesses.

In addition, we continued to deliver consultancy services to many other clients, however as the lockdown has eased, we have seen our order book diminish, which has meant we are now significantly increasing our marketing and business development activities.

Going forward we will offer a mixture of in-person and virtual training and consultancy services, recognising that there will be a change to how our clients wish to interact with us.

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 costs of accommodation, including facilities and IT.
- Free reserves are £313,716 as at 31st March 2021.

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.

Approved by the Board of Trustees on 13 July 2021 and signed on their behalf by



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 2021 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 2021 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.



Nicky Whitehead (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

15 Westferry Circus

Canary Wharf

London E14 4HD

Date: 29/07/21

STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an INCOME AND EXPENDITURE ACCOUNT)
for the year ended 31 March 2021

	Notes	Unrestricted Funds 2021 £	Restricted Funds 2021 £	Total Funds 2021 £	Total Funds 2020 £
Incoming from:					
Income from donations and grants					
Grants receivable		238,782	-	238,782	200,400
Income from charitable activities					
Conference and Other Income		8,200	-	8,200	60,171
Projects and Services		369,988	-	369,988	570,995
Investment income	2	722	-	722	935
Total income		617,692	-	617,692	832,501
Expenditure on:					
Charitable activities	7	548,840	-	548,840	729,392
Total Expenditure		548,840	-	548,840	729,392
Net income / (expenditure)		68,852	-	68,852	103,109
Net Movement in Funds		68,852	-	68,852	103,109
Reconciliation of Funds:					
Total funds brought forward at 1 April		244,864	-	244,864	141,755
Total funds carried forward at 31 March	14	313,716	-	313,716	244,864

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 23 to 29 form part of these financial statements.

BALANCE SHEET

Company Number 5133443

As at 31 March 2021

	Notes	2021 £	2020 £
Current assets			
Debtors	10	65,394	70,821
Short Term Investments	2	295,925	219,227
Cash at bank and in hand		10,000	10,000
		371,319	300,048
Creditors: amounts falling due within one year			
Creditors falling due within one year	11	57,603	55,184
		57,603	55,184
Net current assets		313,716	244,864
Total assets less current liabilities		313,716	244,864
Charity Funds			
Unrestricted Funds	14	313,716	244,864
Restricted Funds	14	-	-
		313,716	244,864

These financial statements were approved by the Trustees on 13 July 2021 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 2021

	Note	2021 £	2020 £
Cash flow from operating activities	12	76,698	128,401
Net cash flow used in operating activities	12	76,698	128,401
Change in cash and cash equivalents in the year / period		76,698	128,401
Cash and cash equivalents at 1 April		229,227	100,826
Cash and cash equivalents at 31 March		<u>305,925</u>	<u>229,227</u>
 Cash and cash equivalents consists of:			
Cash at bank and in hand		10,000	10,000
Short term deposits		295,925	219,227
Cash and cash equivalents at 31 March		<u>305,925</u>	<u>229,227</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 2020/21 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 organisation and are of the view that there is a material impact. However, the Trustees consider that the current level of its unrestricted funds and, given the continuing likelihood of secured funding for period through to 31 March 2022 and beyond, 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 CfGS 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

	2021 £	2020 £
Income from donations and grants		
Voluntary Income and Grants	238,782	200,400
Income from charitable activities		
Services recharged	369,988	570,995
Conferences and other income	8,200	60,171
	616,970	831,566

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 2021 and 2020.

4. AUDITORS REMUNERATION

The auditor's remuneration amounts to an audit fee of

	2021 £	2020 £
Audit fees	3,500	3,500

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

5. EMOLUMENTS

During 2021 no Trustee received any emoluments in respect of services to CfGS (2020 – nil). Reimbursement of expenses to no Trustee (2020 – nil) for travel and accommodation totalled £0 (2020 – £0).

6. EMPLOYEES

	2021 £	2020 £
Agency staff fees	1,336	23,783
Secondments	65,676	139,030
Staff	347,773	300,015
Total staffing costs	414,785	462,828

The Chief Executive of CfGS is the only one member of Key Management Personnel who was paid total benefits of £128,829 (2020 £129,151).

Staff were either on CfGS's payroll and have access to contributory pension arrangements or were seconded to CfGS by entities under the control of the Local Government Association - in which case they had access to the Local Government Pension Scheme. Secondment costs included, where appropriate, reimbursement of employer pension contributions borne by the relevant employer.

During the year redundancy and termination payments totalling £42,525 (2020 £nil), including payments in lieu of notice of £22,807 (2020 £nil) and compensation of £19,718 (2020 £nil), were made under the appropriate contractual terms of service. There are no outstanding liabilities.

The number of staff earning more than £60k of benefits during the year was 2 (2020 3 persons), excluding employer pension costs, in the ranges below.

Range £k	2021	2020
100-110	1	1
70- 80	1	1
60-70	-	1

Number of staff

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

	2021	2020
Direct work	5.8	7.5
	5.8	7.5

7. EXPENDITURE ON CHARITABLE ACTIVITIES

	2021 Activities undertaken directly £	2021 Support Costs £	2021 Total £	2020 Total £
Events	243	257	500	36,444
Commercial Programme	1,262	1,338	2,600	2,380
Other Programmes	13,904	14,748	28,652	568,971
Consultancy	250,934	266,154	517,088	121,597
Total	266,343	282,497	548,840	729,392

£nil (2020 £nil) of the above costs were attributable to restricted funds. £548,840 (2020 £729,392) of the above costs were attributable to unrestricted funds.

8. BREAKDOWN OF SUPPORT COSTS

	2021 £	2020 £
Direction and management	190,620	188,858
Office Costs	70,212	95,664
IT	21,665	22,611
	282,497	307,133

9. EXPENDITURE ON OTHER COSTS

	2021 £	2020 £
Meeting Costs	-	1,110
Legal and advertising costs	778	786
Support costs	98,698	98,793
Audit Fees	3,500	3,500
Total	102,976	104,189

10. DEBTORS

	2021 £	2020 £
Trade debtors	32,820	42,952
Other debtors – VAT Receivable	-	-
Other Debtors	350	-
Prepayments and Accrued Income	32,224	27,869
Total	65,394	70,821

11. CREDITORS

	2021 £	2020 £
Trade creditors	44	7,382
Accruals	3,801	2,155
Earned Leave Liability	12,467	13,521
Other creditors & income in advance	23,080	15,507
VAT Payable	18,211	16,619
Total	57,603	55,184

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

	2021 £	2020 £
Net expenditure for year	68,852	103,109
Decrease / (Increase) in debtors	5,427	42,390
Increase / (Decrease) in creditors	2,419	(17,098)
Net cash flow from operating activities	76,698	128,401

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 2020 £	Income £	Expenditure £	As at 31 March 2021 £
Unrestricted Funds	244,864	617,692	548,840	313,716
Total	244,864	617,692	548,840	313,716

15. RELATED PARTY TRANSACTIONS

Reimbursed travel expenses of £0 (2020: £0) were paid to no (2020: nil) Trustees in the year.

16. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

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.cfgs.org.uk
Contact details:	info@cfgs.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
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

Company Secretary

Matt Marsh	Company Secretary
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Senior Staff

Jacqui McKinlay	Chief Executive
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Advisers

Banker:	Barclays, UK Banking, 1 Churchill Place, London, E14 5HP
Solicitor:	Local Government Group's Legal Services Panel, which includes: Bevan Brittan, Pinsent Masons, Wragge & Co and Sharpe Pritchard
Statutory Auditor:	PKF Littlejohn LLP, 15 Westferry Circus, Canary Wharf, London E14 4HD