

Company registration no. 2510318
Charity registered no. 803602

CHARITIES EVALUATION SERVICES
Annual Report and Accounts
for the year ended 31 December 2006

Contents

	Page
Company Information	1
Trustees' Report	2
Introduction and overview	2
Structure, governance and management	2
o Recruitment, appointment, induction and training of trustees	
o Governance and decision making	
o Connections to wider networks	
o Related parties	
o Grant making	
o Risk statement	
Objectives and activities	4
o Objects	
o Mission and aims	
o Strategy	
o Significant activities in 2006	
o Volunteer help	
o Objectives for the year	
Achievements and performance	7
o Performance achieved against objectives set	
o Fundraising performance	
o Investment performance	
Financial review	10
o Overview	
o Incoming resources	
o Resources expended	
o Balance Sheet	
o Financial outlook	
o Reserves and reserves policy	
Plans for the future	11
Trustees' responsibilities	12
Disclosure of information to auditors	12
Auditor's Report	13
Statement of Financial Activities	15
Balance Sheet	16
Notes to the Accounts	17

Company Information

Trustees	Jean Barclay - Chair Janice Needham – Vice Chair from 25 October 2006 James Kelly - Treasurer Dave Eldridge (appointed 25 October 2006) Rosalind Oakley (appointed 26 April 2006) Corinne Seymour (appointed 25 October 2006) Professor Helen Simons Roger Sykes
Chief Executive and Company Secretary	Colin Nee
Company registration number	2510318 (England and Wales)
Charity registration number	803602
Business address	4 Coldbath Square London EC1R 5HL
Registered office	4 Coldbath Square London EC1R 5HL
Auditors	Citroen Wells Devonshire House 1 Devonshire Street London W1W 5DR
Bankers	Unity Trust Bank Plc Nine Brindleyplace 4 Oozells Square Birmingham B1 2HB
Solicitors	Bates, Wells & Braithwaite Cheapside House 138 Cheapside London EC2V 6BB

Trustees' report for the year ended 31 December 2006

Introduction and overview

The trustees present their report and the accounts for the year ended 31 December 2006.

Charities Evaluation Services (CES) is a charitable company established in 1990. Our overall mission is to increase the effectiveness of the voluntary and community sector by developing its use of evaluation and quality systems.

The year under review was marked by important achievements at CES, enabling us to make great strides in carrying out our three-year strategy to disseminate practical and affordable approaches to improving the quality and effectiveness of voluntary and community organisations across the UK.

Against a backdrop of managing major organisational expansion, CES' core services of training, consultancy, advice and information continued to perform very effectively, attracting highly positive feedback from our service users. Our training service alone reached 1,219 representatives from 766 voluntary organisations across the UK, and feedback and outcomes data confirmed that our courses had helped participants to improve their effectiveness and quality. A number of important evaluations and consultancy projects were completed, largely for frontline agencies working to improve childcare services or working with people living with chronic ill health. We continued to invest in capacity building within sector infrastructure networks, the most high profile examples being our role as the accountable body for the *ChangeUp* national performance hub and our national outcomes programme which received a very positive independent evaluation from the Open University during the year. The programme was 'highly commended' in the 2006 Charity Awards. Meanwhile PQASSO, CES' practical quality assurance system, continued to reach new audiences, edging close to the 11,000th sale.

We secured a new funding relationship with the Office of the Third Sector as one of its national strategic partners and we were successful in raising new grant funding to develop new services, including a third edition of PQASSO, an externally assessed PQASSO Quality Mark and free training and resources to refugee community organisations in partnership with the Refugee Council.

In financial terms, CES grew considerably during the course of the year. Our income in 2006 rose by 37% and expenditure by 38% compared to 2005. The charity achieved an operating surplus for 2006 of £87,688.

Structure, governance and management

CES is a company limited by guarantee and is governed by its Memorandum and Articles of Association. The company is also a registered charity.

Recruitment, appointment, induction and training of trustees:

The Board has established procedures for recruiting and supporting trustees. A trustees skills audit is conducted annually. Where areas are identified for which additional trustees would be helpful, an open recruitment process is scheduled, utilising wide and inclusive search methods such as advertising and networking with other charities. In addition, Board members and the chief executive use their own networks to encourage suitable people to come forward.

An induction and ongoing training programme ensures that new trustees are aware of their responsibilities, and enables them to learn about CES in a structured way so that they are able, from the start, to understand the charity's objectives and subscribe to them with conviction. All trustees identify their training needs annually and measures are taken to ensure that these needs are met.

Governance and decision making:

The Board meets five times each year to discuss and review planning, development, financial and administrative matters. In addition, a Risk Audit Committee operates as a sub-committee of the Board to monitor business risks and ensure that effective mitigation measures are in place.

CHARITIES EVALUATION SERVICES
Annual Report and Accounts 2006

The Trustees who served during the year were as shown below:

Jean Barclay	(Chair)
Karl Wilding	(Vice Chair until his retirement from the Board on 25 October 2006)
Janice Needham	(Vice Chair from 25 October 2006)
James Kelly	(Treasurer)
Dave Eldridge	(Appointed 25 October 2006)
Jim Emerson	(Retired 27 July 2006)
Rosalind Oakley	(Appointed 26 April 2006)
Corinne Seymour	(Appointed 25 October 2006)
Udeni Salmon	(Retired 17 January 2007)
Professor Helen Simons	
Roger Sykes	
Carl Upsall	(Retired 19 July 2006)

While the Board of Trustees sets company policy and strategy, day-to-day management of the organisation is delegated to the chief executive, Colin Nee, in accordance with a detailed Delegation of Authority Policy.

The chief executive is assisted by three other senior managers (Jane Jacobson, Sally Anne Matthews and Tim Wilson), and these four staff members act as a senior management team, taking collective responsibility for ensuring the effective management and forward planning of CES in line with decisions of the Board.

In addition to the senior management team, CES currently employs eight training/consultancy staff members, six coordinating or administrative staff, and five members of the national performance hub. As at April 2007, the CES staff team consists of 19.5 full-time equivalent staff (14 full-time and 8 part-time staff) with one further full-time post to be recruited during the year. A part-time, freelance accountant provides accountancy support.

Connections to wider networks:

The charity is well networked through membership of umbrella bodies and through formal and informal partnerships. To give some examples, CES is a member of the National Council of Voluntary Organisations (NCVO), the *ChangeUp* Heads of National Hubs Group, the national performance hub partners group, and the National Association for Voluntary and Community Action affiliate scheme. The chief executive is a member of the Association of Chief Executives of Voluntary Organisations (ACEVO), and sits on the Infrastructure National Partnership and the national performance hub's management board. Several members of staff are members of the UK Evaluation Society.

Related parties:

CES has no subsidiaries. Since 2005, CES has acted as the accountable body for the *ChangeUp* national performance hub. The hub has a management board consisting of one representative from each of CES and NCVO, and an independent Chair (Eric Appleby), and a partners group which currently has members from the following organisations:

- Advice UK
- bassac (British Association of Settlements and Social Action Centres)
- Black Development Agency
- Black Training and Enterprise Group (BTEG)
- Charities Evaluation Services (CES)
- East of England Development Agency
- Homeless Link
- National Association for Voluntary and Community Action (NAVCA)
- National Council for Voluntary Organisations (NCVO)
- New Economics Foundation (nef)
- Norwich and Norfolk Voluntary Services (NVS)
- Quartet Community Foundation.

Grant making:

The charity made grants to institutions during the year as the accountable body for the *ChangeUp* national performance hub. Grants made are subject to separate restricted grant agreements as detailed in Note 5 to the accounts.

CES does not invite grant applications from individuals or institutions.

Risk statement:

Trustees are aware of their responsibility to ensure that the major risks to which the charity is exposed are identified and to establish systems to mitigate those risks. The Board of Trustees has a policy on risk management and has established a Risk Audit Committee as a sub-committee of the Board. This committee meets regularly to analyse serious business risks that could jeopardise the charity, to set out the measures that staff must take to manage those risks, and to assess progress in implementing the risk mitigation measures.

The Board undertook or oversaw a number of other steps during 2006 to mitigate possible areas of risk including:

- adopting a new strategic plan for the period 2006 – 2008;
- a Board environment scanning away day;
- an internal evaluation of the Board's performance;
- adopting a new reserves policy;
- scrutinising plans for a new PQASSO Quality Mark;
- updating the provisions for maternity leave and maternity pay for staff members, and
- continuing the comprehensive review of CES' governance and overall organisational management with reference to the PQASSO standards.

Objectives and activities

Objects:

The objects for which the Company is established are as follows:

- (i) the promotion and improvement in direct pursuit of their objects of the efficiency and effectiveness of (a) charitable organisations established anywhere in the world and taking effect within the United Kingdom and (b) charitable organisations established within the United Kingdom and taking effect outside the United Kingdom the objects of which are confined to the relief of poverty or sickness or the advancement of education or religion through the promotion of and provision of education, training, advice and consultancy, information, technical assistance and research into and evaluation of programmes and projects connected with the work carried out within such charitable organisations and by all other appropriate means;
- (ii) to make donations or contributions to any charitable institution or institutions registered under the Charities Act 1960 (including without prejudice to the generality of the foregoing any member of the Company so registered);
- (iii) the protection and preservation of health;
- (iv) the advancement of education;
- (v) the relief of poverty;
- (vi) any other purposes which are recognised by English Law as being charitable.

Mission and aims:

The Board of Trustees has agreed a revised mission statement and specific aims as follows:

Mission:

Charities Evaluation Services exists to increase the effectiveness of the voluntary and community sector by developing its use of evaluation and quality systems.

Specific aims:

1. to improve the effectiveness of services delivered by the sector through supporting the adoption of evaluation and quality systems;
2. to enable infrastructure networks at local, regional and national levels to provide enhanced support to frontline voluntary organisations on evaluation and quality; and
3. to create a more supportive policy and funding environment for evaluation and quality activity, linking the requirements of accountability with organisational learning.

Strategy:

In January 2006, the Board of Trustees adopted a new strategic plan for 2006-8. Revised statements of our organisational mission and values, new specific aims, and outcomes and objectives for the three-year period were agreed as part of the new strategy.

Our environmental and stakeholder analyses confirmed that the voluntary and community sector was changing rapidly and its support needs concerning performance improvement approaches were diversifying as a result.

The challenge for CES was to find sustainable ways to respond to a growing diversity of need, disseminating our learning more effectively while maintaining our 'reach' within our target audiences: voluntary and community organisations and support networks throughout the UK, and the policy makers who influence the environment within which these agencies operate.

In light of this, the new strategic plan aims to consolidate CES' position as the sector's lead expert body embedding quality assurance and outcomes-focused evaluation within the voluntary and community sector. The strategy envisages interlocking programmes targeted respectively at

- frontline voluntary and community organisations,
- sector infrastructure support networks, and
- policy makers, regulators and funders.

Frontline voluntary and community organisations:

We will aim to strengthen the sector by carrying out external evaluations; by developing new approaches to evaluation, and by disseminating our learning through a range of different methods including training at basic and advanced levels, consultancy (for example to develop evaluation frameworks and bespoke quality systems), and information via print publications, our own website and that of the national Performance Hub.

In addition, frontline organisations will benefit from our work to enable infrastructure support organisations to offer personalised support in achieving an outcomes focus, in implementing PQASSO, in diagnosing organisational strengths and weaknesses and adopting performance improvement approaches.

Infrastructure organisations and networks throughout the UK:

CES will continue to give high priority to building the capacity of infrastructure support networks with regard to monitoring and evaluation, quality and other performance improvement approaches.

We will aim to work with a wide range of infrastructure organisations at the national, regional and local levels – both generic and specialist. Within these organisations, we will continue to target people who already deliver development work, training and support to frontline VCOs. We will aim to provide them with:

- training,
- resource materials,

- ongoing mentoring and
- opportunities for peer learning and support

in order to help them increase the support that they offer to frontline organisations on organisational diagnosis, supporting performance improvement, monitoring outcomes, and implementing PQASSO.

Policy makers, regulators and funders:

The environment within which frontline organisations and infrastructure networks operate has a significant influence on the degree to which they can assimilate and share learning about improving effectiveness and quality. Both in our own right, and in our partnerships, we will seek to stimulate a positive environment by undertaking policy and advocacy work to influence a range of audiences, such as policy makers in central, regional and local government, regulators, the Charity Commission and funders.

We will seek to use our policy 'voice' in two ways: to broaden the understanding of policy makers concerning the practical implementation of methods to improve quality and effectiveness, and to convert policy objectives into lasting changes in practice through our dissemination activities.

Significant activities in 2006:

- *Managing the delivery of ChangeUp national performance hub business plan.* In collaboration with the National Council for Voluntary Organisations (NCVO) and the National Association for Voluntary and Community Action (NAVCA), and supported by a range of national, regional and local partners, we offered free training for local development workers in performance improvement approaches, a website and free quarterly magazine, developed new printed resources and commissioned a number of projects.
- *An open training programme and in house training courses throughout Britain.* 157 days of training were provided, focussing on monitoring and evaluation and quality assurance.
- *Bespoke technical support.* Technical assistance by telephone, email and face-to-face was provided to 104 organisations. Sessions were tailored to the particular needs of the organisations seeking support and were designed to help them implement self-evaluation, management standards and quality systems.
- *Consultancy and external evaluations.* As well as helping voluntary organisations to evaluate their projects, and develop evaluation and quality frameworks, our 'state-of-the-art' external evaluations and consultancy projects offered opportunities for CES to develop its learning and draw in earned income by carrying out in depth work with a small number of organisations. We completed 15 consultancy and evaluation contracts during the year.
- *National outcomes programme.* The first three-year programme came to end in June 2006, and funding was obtained from Big Lottery Fund to develop a programme to run until 2009. The development phase for the new programme ran from July to December 2006, and saw CES staff completing detailed business planning and consultation in order to ensure the new programme was set to get off to the best possible start in 2007. The essence of the programme is that CES trains and supports development workers employed by other voluntary sector infrastructure organisations, each of whom commits to cascade the training in outcomes monitoring to frontline organisations within their networks.
- *Free or low cost publications in print and online.* We promoted a portfolio of publications in print or freely available online, pitched at various levels in order to achieve relevance to both the novice organisation and those that already had a certain amount of experience and confidence.
- *PQASSO.* We continued to promote PQASSO, the voluntary sector's leading 'off-the-shelf' quality system, and to offer training and mentoring services to support implementation.
- *Policy interventions* to, and ongoing liaison with the Office of the Third Sector, Capacitybuilders, the Charity Commission, the Association of Charitable Foundations, major funders, umbrella bodies and infrastructure support networks in order to exercise a beneficial influence on the policy

environment with regard to performance and accountability within which voluntary organisations operate.

Volunteer help:

Aside from our Board of Trustees, who between them contributed approximately eighty days of support, we engaged two volunteers during the year to provide administrative support to the charity's work.

Objectives for the year:

Our key objectives for 2006 were:

- to co-manage the delivery of the business plan of the *ChangeUp* national performance hub;
- to provide training to voluntary and community organisations to support the implementation of evaluation and quality systems;
- to provide bespoke consultancy and external evaluation services;
- through our national outcomes programme, to provide continued support to 67 'outcomes champions' based in infrastructure networks to enable them to cascade support on outcomes monitoring to frontline voluntary and community organisations;
- to consolidate PQASSO's position as the voluntary sector's 'industry standard', and
- to use our experience to influence emerging Government policy and major funders' strategies with regard to performance improvement.

Our performance against these objectives is described in section 4 below.

Achievements and performance

Performance achieved against objectives set:

2006 was a very demanding and successful year for the CES team, with important achievements across the range of our services for voluntary and community organisations and their funders.

While continuing to achieve excellent evaluation feedback from the users of our core training and consultancy services, the staff team produced new information and training resources, including a new guide to implementing PQASSO and a comprehensive resource manual on performance improvement approaches provided free to local development workers across the country. We completed a pilot study to assess the feasibility of a new PQASSO Quality Mark for PQASSO users, and continued to operate the training and licensing scheme for PQASSO mentors. We provided training in implementing evaluation and quality systems to over 1,200 personnel from 766 organisations, and achieved good progress or closure with a number of important consultancy projects.

○ ***Co-managing the delivery of the business plan of the ChangeUp national performance hub:***

The Performance Hub is one of six national 'hubs of expertise' established under the Government's *ChangeUp* programme. *ChangeUp* is intended to improve the infrastructure support available to frontline voluntary, community and social enterprise organisations throughout England.

The Performance Hub is a multiple partner venture jointly led by CES and NCVO. Staff teams are based at CES, NCVO and NAVCA. As the accountable body, CES receives an overall restricted grant from Capacitybuilders, passing portions of the funds to NCVO and NAVCA using separate restricted grant agreements.

Virtually all of our key objectives for the hub for 2006 were fully met and in many cases exceeded. For example, NCVO led on a number of services including recruiting an 'active stakeholder network' of individuals wishing to be kept abreast of hub services; the network reached 2,000-strong against a target of 600. Four quarterly editions of the magazine *Achieve More* were published, the latest being circulated to over 15,000 readers, five times greater than the original target. The popular and well reviewed website was launched and achieved nearly 12,000 visits per month by the year-end. A range of training courses were developed and run by CES, introducing local development workers to performance improvement approaches, and the target for participants trained was exceeded by 100%. Outcome information collected in relation to the courses showed that over 90% of participants felt more confident and better equipped to support frontline organisations with the issues they had received Hub training on. CES has also led on several development projects, including the production of benchmarking guidelines and an investigation into peer review.

During 2006, Capacitybuilders undertook an external review of all of the national hubs, and there was much positive feedback from users of the Performance Hub's services. A successful outcome from the review was the confirmation of continuation funding for 2007-08.

○ ***Training to support the implementation of evaluation and quality systems:***

For organisations getting to grips with performance improvement, training and access to ongoing support can be vital for success. During the year, we worked with a hugely diverse range of voluntary organisations across the UK; 1,219 representatives from 766 organisations attended our courses, including 8 refugee community organisations for which training was provided free of charge. We exceeded our targets for the year.

Feedback from all of our trainees showed very high satisfaction levels with our materials, trainers, content and style. Course participants also felt that the training would make a real difference to the effectiveness of their organisations. From a sample of nearly 700 participants,

- 88 % felt more confident about implementing a new evaluation or quality system;
- 85 % felt the training would help them to improve their services, and
- 84 % felt it would help them to be more effective in meeting their users' needs.

Our 'outcomes interviews' with a sample of 36 trainees some months after their courses showed that, as a result of the training, 78% were already putting their learning into practice by creating new ways to improve their quality and effectiveness. Remarkably, 47% reported that they had already been able to improve their services as a result of the learning from the course. To quote one respondent:

"Before, no information was collected so nothing was fed back. Now there is feedback and we are picking up on requests from service users. We can plan services better and be more responsive to our users' needs. This is motivating for the staff team as we work in difficult, challenging areas."

○ ***Consultancy and external evaluation services:***

Our consultancy work and external evaluations for frontline voluntary organisations again brought benefits not just to those commissioning the work but increased our own capacity by bringing fresh learning into the organisation. We completed 15 consultancy projects and achieved good progress with a number of others. Most of the projects involved setting up outcomes monitoring frameworks to provide the tools for these agencies to track the achievements of their work; this was often combined with an element of independent evaluation by CES staff. Clients included Arthritis Care, Barnet Carers Service, The Queen's Nursing Institute, the Pre-school Learning Alliance, Coram Parents' Centre, Kidscape, Contact a Family, Young Victims Project, Parents for Inclusion, Hope UK and the British Adoption and Fostering Agency.

○ ***National Outcomes Programme:***

This is one of CES' most high-profile projects and is supported by Big Lottery Fund. The first 3-year programme came to an end in June 2006, but further funding was secured to mount a successor programme from 2007-9.

Under the programme, CES trains and supports networks of Outcomes Champions within both local and specialist infrastructure organisations. These Outcomes Champions then go on to cascade the learning to an agreed number of local frontline VCOs. Against a target providing support to 500 frontline voluntary organisations, to date the programme has delivered training to over 2,300 personnel in nearly 1,400 voluntary organisations, helping them to develop a practical and affordable approach to outcomes tracking.

According to the independent evaluators of the programme,

"Feedback from participants indicates an overwhelmingly positive response to the programme overall".

The National Outcomes Programme was 'highly commended' in the 2006 Charity Awards.

○ ***Consolidating PQASSO's position as the voluntary sector's 'industry standard':***

PQASSO, CES' practical quality assurance system for small organisations, is the leading nationally available quality system created by and for the voluntary and community sector. Independent data suggest that it is the most widely used quality system within the sector.

During the year, we continued to promote the system successfully, selling 1,331 copies to 589 organisations and networks, thereby increasing the cumulative total for PQASSO sales to almost 11,000. We also made good progress in charting the future direction for PQASSO, securing grant funding to develop during 2007 a 3rd edition of PQASSO as well as an externally assessed PQASSO Quality Mark.

○ ***Using our experience to influence emerging Government policy and major funders' strategies with regard to performance improvement:***

Throughout 2006, CES continued to build strategic policy relationships with the new Office of the Third Sector and other major players. We sought to share our learning with the sector as a whole, to build our profile and enhance our position at the heart of the national planning process on performance improvement, influencing the way its work is implemented sector-wide. CES has agreed a Memorandum of understanding with the Office of the Third Sector based on our ability to broaden the understanding of policy makers concerning the practical implementation of quality improvement and outcomes monitoring and to catalyse lasting changes in practice within the sector through our dissemination activities.

Fundraising performance:

CES' main income streams are earned income from fees for consultancy and training, sales income from PQASSO and from publications, and grants from statutory and independent funders. As a specialist infrastructure organisation supporting other voluntary agencies, CES has not considered it to be a sensible investment to apply resources to soliciting individual donations. Our annual target for grant fundraising in 2006 was £1,640,724. In fact, we succeeded in raising slightly more than this. Some of the grant income received in 2006 was for periods which ended during 2007, and we have accordingly treated a total of £187,158 of grant income as deferred to 2007; for details please see note 12 to the accounts on pages 25 and 26.

Investment performance:

CES had no investments other than cash at bank. We budget to spend all of our income on planned charitable activities, and the funds held in reserve are modest and may be required at short notice. The trustees have therefore considered it prudent that funds should be retained as cash and held in a bank account at the best rate of interest available.

Financial review

The accounts contained in this report have been prepared in accordance with Statement of Recommended Practice: Accounting for Charities (SORP, 2005) and with relevant companies and charities legislation and regulations.

The Statement of Financial Activities on page 15 shows CES' gross income from all sources and how this income was expended, and the split of activity between restricted and unrestricted funds.

Overview:

The year to 31 December 2006 was a successful one for CES, ending with a surplus of £87,688. This enabled us to increase our 'free' reserves by almost 39% to £335,827, which represents just below two months' total expenditure.

Incoming Resources:

Total incoming resources for 2006 were £2,212,925, compared with £1,619,540 in the previous year, an increase overall of 36.6%. There was growth in income from all sources, in particular restricted grants, which increased by 45.8%. This was due mostly to grants received for the operation of the Performance Hub. Unrestricted grants increased by 22.2% and fees received for technical support, evaluations and training increased by 16.3% from 2005. Interest earned increased by 85.7% to £23,869. A breakdown of grants received is shown in Notes 2 and 3 to the accounts, and an analysis of the various projects undertaken using restricted grants is detailed in note 12 to the accounts.

Resources Expended:

In line with the expansion in incoming resources, total expenditure in the year grew to £2,125,237 from £1,542,157 in 2005, an increase of 37.8%. Again, much of this is attributable to the Performance Hub, which will continue to be a key component of our income and expenditure until at least March 2008.

In line with SORP 2005, expenditure is analysed into three main categories: charitable activities, governance of the charity, and the cost of generating funds. Charitable activities comprises the costs of providing technical support, evaluations and training, the main work of the charity. Expenditure on charitable activities was £2,060,111 in 2006 compared to £1,481,598 in the previous year, an increase of 39%.

Expenditure on the governance of the charity was £38,130 (2005: £37,096). This category contains the costs of complying with regulations as well as managing the organisation's finances, including audit costs, and trustees' expenses.

The cost of generating funds, £26,996 in 2006 (£23,463 in 2005) includes mainly staff time spent on applying for and reporting on grants, both unrestricted grants and restricted grants for projects.

A breakdown of all resources expended is shown in Note 4 to the accounts, including an analysis of support costs.

Balance Sheet:

The balance sheet on page 16 of the accounts shows the healthy financial position of the charity on 31 December 2006. Total net assets at the year-end were £507,441, made up of a fixed asset reserve of £171,614 and a general reserve of £335,827. Net assets increased by £87,688 from the previous year-end.

Fixed assets include the depreciated cost of the long lease on our offices at 4 Coldbath Square, which has a current market value of approximately £750,000.

Financial outlook:

CES' financial position remains strong and the charity is well placed to meet its current and future commitments. CES relies to an important extent on the continued support of the Office of the Third

Sector, Capacitybuilders, the Big Lottery Fund and a number of trusts and foundations, to whom we wish to express our thanks.

Reserves and reserves policy:

CES is committed to using its resources in pursuit of its charitable objects. It is also committed, however, to maintaining a level of reserves that is prudent to meet ongoing liabilities, sufficient to ensure that all service delivery commitments can be met and to protect the long-term future of our operations. CES' reserves policy seeks to balance these priorities by holding a level of reserves sufficient to:

- ensure the availability of sufficient working funds in hand (e.g., to ensure that spending commitments can be met even where income streams are erratic);
- provide a breathing space in case of unexpected loss of income to ensure that services can be maintained; and
- provide sufficient funds for an orderly winding-down in the event of a need to cease trading.

CES resolves therefore to build and maintain a level of reserves that is no less than two months and no more than four months of total resources expended.

We define 'reserves' as unrestricted funds which are freely available for our general purposes. We do not include capital funds or fixed assets (such as 4 Coldbath Square) which could only be realised by disposal, or restricted funds or unrestricted but designated funds.

The charity's free reserves at 31 December 2006 were £335,827 (2005: £241,870). This represents 1.9 months of total resources expended. This falls just short of the lower end of our reserves target and we are continuing to exercise firm budgetary control to build our reserves to the required level. The Board of Trustees monitors the level of free reserves quarterly and takes appropriate action if reserves fall outside the desired range.

The figure for reserves given above does not include the fixed asset reserve of £171,614, which are reserves that can only be realised on the disposal of fixed assets. The reserve includes the depreciated cost of fixed assets, including the cost of the long lease on 4 Coldbath Square less the mortgage outstanding.

Plans for the future

Our strategic plan for 2006-9 is described on pages 5 and 6 above. During 2007, we plan to continue to make substantial progress in carrying out this strategy, not only consolidating our core training, consultancy and information services but undertaking major new initiatives such as developing a new edition of PQASSO and creating a new national PQASSO Quality Mark to respond to demand within the sector for an externally assessed badge of achievement for PQASSO users.

Our aims for 2007 focus on the following key areas:

- *PQASSO*: 2007 marks the 10th anniversary of the first edition of PQASSO, testimony to the enduring popularity of the system created by CES specifically for small voluntary organisations and projects within larger agencies. We will continue to offer training and support to those wishing to implement PQASSO, and will continue to expand our successful voluntary training and licensing scheme for PQASSO mentors based outside CES. We will undertake a major consultation exercise across the sector in order to begin developing a new third edition of PQASSO ready for launch in 2008. During this year, we will also launch the new PQASSO Quality Mark, externally assessed by means of peer review.
- *Research and policy input*: we will use our experience from service delivery, and the learning gained from participation in research projects, to act as a national policy 'voice', influencing Government policy, and that of major national funders and regulators and local statutory commissioners with regard to evaluation and quality assurance practice in the voluntary and community sector.

- *The ChangeUp national performance hub* enters its final year before being replaced by a new national support service on performance due to be tendered by Capacitybuilders during the summer. The hub has an ambitious range of support services to deliver in 2007/8; a new round of training courses and peer-to-peer learning opportunities will be offered to local development workers supporting frontline agencies; web support will be constantly reviewed and improved; the free magazine *Achieve More* will be published quarterly, and a range of development projects will be commissioned.
- *Training*: we aim to provide training to support the implementation of evaluation and quality systems to at least 800 voluntary organisations throughout the UK.
- *Consultancy*: we will seek tenders for bespoke consultancies and external evaluations, prioritising those which are likely to generate valuable learning to large numbers of voluntary and community organisations, influence policy or break new ground.
- *The national outcomes programme*: Working with and through sector infrastructure networks, the programme has already supported nearly 1,400 frontline voluntary organisations wishing to monitor the outcomes of their work. We will carry out a programme of dissemination activities to promote the learning from the first three-year programme (2003-6) while establishing a successor programme to run until 2009.

Trustees' responsibilities

Company law requires the trustees to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing those accounts, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

- (a) so far as the trustees are aware, there is no relevant audit information of which Charities Evaluation Services auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that Charities Evaluation Services auditors are aware of that information.

This report was approved by the Board of Trustees on 25 April 2007.

Colin Nee
Secretary

25 April 2007

Independent Auditors' Report to the Members of Charities Evaluation Services

We have audited the accounts of Charities Evaluation Services for the year ended 31 December 2006 set out on pages 15 to 27. These have been prepared under the accounting policies set out on pages 17 and 18.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities, the trustees who are also the directors of Charities Evaluation Services for the purpose of company law, are responsible for preparing the Trustees' Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Trustees' Annual Report is consistent with the accounts, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the Charitable company is not disclosed.

We read other information contained in the Trustees' Annual Report, and consider whether it is consistent with the accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the Charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Charitable company's affairs as at 31 December 2006 and of its incoming resources and application of resources in the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Annual Report is consistent with the accounts.

CITROEN WELLS
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS
Devonshire House
1 Devonshire Street
London
W1W 5DR

26 April 2007

Statement of Financial Activities
(incorporating the Income and Expenditure Account)
for the year ended 31 December 2006

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2006	Total Funds 2005
		£	£	£	£
Incoming Resources					
Incoming resources from generated funds					
Core grants	2	143,887	-	143,887	117,792
Bank interest receivable		23,869	-	23,869	12,852
Incoming resources from charitable activities					
Grants for training, technical support and evaluations	3	-	1,541,040	1,541,040	1,056,754
Fees receivable for training, technical support and evaluations		502,479	-	502,479	432,142
Other incoming resources		1,650	-	1,650	-
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Total incoming resources		671,885	1,541,040	2,212,925	1,619,540
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Resources expended					
Costs of generating funds					
Fundraising		26,996	-	26,996	23,463
Costs of charitable activities					
Training, technical support and evaluations		508,562	1,551,549	2,060,111	1,481,598
Governance costs		38,130	-	38,130	37,096
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Total resources expended	4	573,688	1,551,549	2,125,237	1,542,157
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Net incoming resources for the year/ Net income for the year		98,197	(10,509)	87,688	77,383
Reconciliation of funds					
Total funds brought forward 1 st January 2006		409,244	10,509	419,753	342,370
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Total funds carried forward 31st December 2006		507,441	-	507,441	419,753
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The results shown above are attributable to continuing operations only.

The Company has no recognised gains or losses other than those included in the results stated above and therefore no separate statement of total recognised gains and losses has been prepared.

The notes on pages 17 to 27 form an integral part of these accounts.

Notes to the Accounts for the year ended 31 December 2006

1. Accounting Policies

Basis of Accounting

The accounts have been prepared under the historical cost convention. The accounts have been prepared in accordance with Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable Accounting Standards and the Companies Act 1985.

The principal accounting policies adopted in the preparation of the accounts are as follows: -

Incoming resources

Voluntary income comprises grants that provide core funding. Such income is only deferred when:

- The donor specifies that the grant or donation must only be used in future accounting periods; or
- The donor has imposed conditions, which must be met before the charity has unconditional entitlement.

Income from charitable activities comprises income received under contract and grants where entitlement to the funding is subject to specific performance conditions. Such income is recognised as earned as the related goods or services are provided.

Investment income is recognised on a receivable basis.

The value of services provided by volunteers is not incorporated into these accounts. Further details of the contribution made by volunteers can be found in the trustees' annual report.

Resources expended

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods or services are supplied. Other grant payments are recognised when a constructive obligation arises that results in the payment being unavoidable.

- **Costs of generating funds** are those costs incurred in attracting core grants and grants for charitable activities.
- Costs of **Charitable activities** include expenditure associated with the provision of evaluations, technical support and training and support costs relating to these activities.
- **Governance costs** include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.
- **Support costs** include central functions and have been allocated to activity cost categories on the basis of staff time.

Resources expended that are attributable to more than one sub-heading are apportioned accordingly. The apportionment is based on an estimate of the resources expended in each area.

Notes to the Accounts
for the year ended 31 December 2006 (continued)

1. Accounting Policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Assets	Depreciation rate
Leasehold property	2% straight line
Fixtures, fittings and equipment	33%, 50% straight line
Computer equipment	33%, 50% straight line

Tangible fixed assets acquired with grants relating to a specific project are written off over the life of the project.

Publication Stocks

Stocks are stated at the lower of cost and net realisable value.

Pension Costs

The company contributes to the personal pension schemes of its employees. The company's contributions are charged to the Statement of Financial Activities as incurred.

Corporation Tax

No liability arises as the company's charitable activities are exempt from corporation tax.

Fund accounting

- **Restricted funds** consist of grants and donations made to the company to fund specific projects. Details of the projects are detailed in Note 12.
- The **Fixed Asset Reserve** is a designated fund established at the discretion of the trustees in recognition of the unrestricted funds invested in fixed assets, particularly the leasehold property.
- The **General Reserve** represents the other unrestricted funds available for use at the discretion of the trustees in pursuance of the company's activities.

Cash Flow

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

Notes to the Accounts
for the year ended 31 December 2006 (continued)

2. Core grants

Unrestricted grants were received from the following funders:

	2006	2005
	£	£
Home Office Active Communities Directorate / Office of the Third Sector	138,887	112,792
Wates Foundation	5,000	5,000
	143,887	117,792
	143,887	117,792

3. Incoming resources from charitable activities

a) Restricted grants were received from the following funders:

	2006	2005
	£	£
The Baring Foundation	3,750	5,000
Big Lottery Fund	174,156	275,218
The Body Shop Foundation	-	10,000
Calouste Gulbenkian Foundation	-	9,000
Capacitybuilders	867,700	-
The City Bridge Trust (formerly Bridge House Trust)	23,333	18,500
City Parochial Foundation	15,000	17,500
Home Office Active Communities Directorate	448,341	717,536
Lloyds TSB Foundation for England and Wales	8,000	4,000
Various small grants	760	-
	1,541,040	1,056,754
	1,541,040	1,056,754

b) Fees receivable were derived from the following services:

	2006	2005
	£	£
Technical support and evaluations	304,863	236,764
Training	197,616	195,378
	502,479	432,142
	502,479	432,142

Fees receivable and similar income derived from overseas entities amounted to £6,000 (2005: £Nil).

Notes to the Accounts
for the year ended 31 December 2006 (continued)

4. Resources expended

a) Analysis of total resources expended

	Technical support & evaluation £	CES Training Services £	Governance costs £	Costs of generating funds £	Total 2006 £	Total 2005 £
External direct costs, including freelance consultants/trainers	271,886	162,846	13,863	34	448,629	357,543
Grants to Performance Hub Partners (see note 5)	750,456	-	-	-	750,456	423,070
Staff costs	425,148	160,341	5,819	9,698	601,006	488,324
Other office costs	153,729	38,323	2,270	3,783	198,105	187,675
Support, including costs of support staff	52,339	45,043	16,178	13,481	127,041	85,545
	<u>1,653,558</u>	<u>406,553</u>	<u>38,130</u>	<u>26,996</u>	<u>2,125,237</u>	<u>1,542,157</u>

Support costs are allocated on the basis of staff time.

b) Analysis of support costs

	Technical support & evaluation £	CES Training Services £	Governance costs £	Costs of generating funds £	Total 2006 £	Total 2005 £
General office, support staff and finance costs	50,224	43,223	15,524	12,936	121,907	71,263
Accountancy services	2,115	1,820	654	545	5,134	12,680
Legal and professional costs	-	-	-	-	-	1,602
	<u>52,339</u>	<u>45,043</u>	<u>16,178</u>	<u>13,481</u>	<u>127,041</u>	<u>85,545</u>

c) Analysis of governance costs

	2006 £	2005 £
Legal and professional costs	654	1,800
External audit	7,130	3,420
Costs of trustee recruitment and training, AGM and trustees' travel expenses	6,734	1,207
Office costs and salaries allocated on the basis of staff time	23,612	30,669
	<u>38,130</u>	<u>37,096</u>

Notes to the Accounts
for the year ended 31 December 2006 (continued)

4. Resources expended (continued)

d) Total Staff costs		
	2006	2005
	£	£
Wages and salaries	606,006	479,314
Social security costs	54,915	43,513
Pension costs	31,477	20,282
	<u>692,398</u>	<u>543,109</u>

One employee earned more than £60,000 in the year (Banding: £60,000 - £70,000). Pension contributions for the higher paid employee amounted to £3,053 (2005: £2,864).

The average monthly number of full time equivalent employees was:

	2006	2005
Administration, training, technical support and evaluations	17.0	12.1

e) Trustee information

No remuneration was paid to the trustees during the year (2005: £Nil). Three trustees received travel expenses during the year of £636 (2005: £217).

Notes to the Accounts
for the year ended 31 December 2006 (continued)

5. Grants to institutions

CES is the lead accountable body for the national performance hub, one of six national hubs created under the *ChangeUp* initiative. The national performance hub is a multiple partner project, and three of the partners, Charities Evaluation Services (CES), National Association for Voluntary and Community Action (NAVCA, formerly NACVS) and the National Council for Voluntary Organisations (NCVO) are delivery partners. In 2006, as the accountable body, CES received restricted grants from the Active Community Unit of the Home Office and from Capacitybuilders, which cover the cost of implementing the business plan as a whole. CES in turn made restricted grants to NAVCA and NCVO.

During 2006, CES received grants totalling £1,316,041 from the Active Community Unit of the Home Office and from Capacitybuilders to fund the Performance Hub. From this amount, CES made restricted grants totalling £750,456 to NAVCA and NCVO as follows:

	Grants to institutions	
	2006	2005
	£	£
NACVS	81,135	51,025
NCVO	669,321	372,045
	750,456	423,070
	750,456	423,070

6. Net incoming resources

	2006	2005
	£	£
This is stated after charging: -		
Bank loan interest and charges	16,930	18,278
Auditors' remuneration: current year	5,000	3,420
Auditors' remuneration: under-provision in prior year	2,130	-
Depreciation of tangible fixed assets	39,478	32,346
	75,538	54,044
	75,538	54,044

Notes to the Accounts
for the year ended 31 December 2006 (continued)

7. Tangible Fixed Assets	Long Leasehold Property £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost:				
At 1 January 2006	492,700	39,023	41,404	573,127
Additions	-	20,301	3,952	24,253
Disposals	-	-	(3,000)	(3,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	492,700	59,324	42,356	594,380
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 1 January 2006	59,124	25,836	26,989	111,949
Charge for year	9,854	16,720	12,905	39,479
Eliminated on disposal	-	-	(3,000)	(3,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	68,978	42,556	36,894	148,428
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2006	<hr/> <hr/> 423,722	<hr/> <hr/> 16,768	<hr/> <hr/> 5,462	<hr/> <hr/> 445,952
Net book value at 31 December 2005	<hr/> <hr/> 433,576	<hr/> <hr/> 13,187	<hr/> <hr/> 14,415	<hr/> <hr/> 461,178

Long leasehold property is disclosed at cost, the current valuation is shown in the Trustees' report.

8. Stocks	2006 £	2005 £
Publication stocks	5,500	4,100
	<hr/>	<hr/>
9. Debtors	2006 £	2005 £
Trade debtors	149,053	138,441
Other debtors	6,460	36
Prepayments and accrued income	30,648	17,045
	<hr/>	<hr/>
	<hr/> <hr/> 186,161	<hr/> <hr/> 155,522

Notes to the Accounts
for the year ended 31 December 2006 (continued)

10. Creditors: Amounts falling due within one year

	2006	2005
	£	£
Bank loan	5,797	13,485
Taxation and social security	14,689	6,784
Accruals	41,869	391,436
Deferred income (see below)	214,166	243,894
Other creditors	72,566	18,882
	349,087	674,481
	349,087	674,481

Deferred income

	2006	2005
	£	£
Balance at 1 January 2006	243,894	22,369
Amount released to incoming resources	(243,894)	(22,369)
Amount deferred in the year:		
Technical Support	7,280	22,569
Training	19,348	13,362
Grants received	187,158	207,551
Other	380	412
	214,166	243,894
	214,166	243,894

11. Creditors: Amounts falling due after more than one year

	2006	2005
	£	£
Bank loan	268,541	269,810
	268,541	269,810
The bank loan is repayable by instalments as follows:-		
- Within one year	5,797	13,485
- Between one and two years	6,189	14,294
- Between two and five years	21,187	48,237
- Over five years	241,165	207,279
	274,338	283,295
Included within current creditors	(5,797)	(13,485)
	268,541	269,810

The bank loan is secured by a fixed charge over CES' long leasehold property, together with a right of set-off in respect of the cash deposits held with the bank. Interest is chargeable at a rate of 1½% over the bank's base rate.

Notes to the Accounts
for the year ended 31 December 2006 (continued)

12. Restricted Funds

	Balance 1 January 2006 £	Movement in resources		Balance 31 December 2006 £
		Incoming £	Outgoing £	
(a) Services to London small organisations	-	15,000	(15,000)	-
(b) Training services for London voluntary and community organisations	-	23,333	(23,333)	-
(c) National Outcomes Programme (funded by the Big Lottery)	-	174,156	(174,156)	-
(d) Promotional activities and planning	-	8,000	(8,000)	-
(e) ChangeUp national performance hub	10,509	1,316,041	(1,326,550)	-
(f) Activities to address barriers to improving performance by voluntary agencies	-	3,750	(3,750)	-
(g) Training and development of staff	-	760	(760)	-
	<u>10,509</u>	<u>1,541,040</u>	<u>(1,551,549)</u>	<u>-</u>

- (a) & (b) Grants of £15,000 and £40,000 were received from City Parochial Foundation and the Bridge House Trust (now The City Bridge Trust) respectively to support improved effectiveness in small and medium sized voluntary and community organisations in London. Of the latter, £23,333 has been recognised as income in 2006, and the balance of £16,667 has been deferred to 2007. A further grant of £25,000 was received from Bridge House Trust for research into evaluation in the voluntary sector. This has been deferred in full to 2007.
- (c) Grants totalling £185,891 were received from the Big Lottery Fund, of which £174,156 has been recognised in 2006 and the balance of £11,735 has been deferred to 2007. The grants funded the final period of a three-year national outcomes dissemination programme and the development of phase 2 of the national outcomes programme – Embedding outcomes support – a new three-year programme beginning in January 2007.
- (d) A grant of £8,000 has been recognised as income in 2006, having been deferred from 2005. The grant was received to contribute to the promotion of CES services and to develop a business plan for the third edition of PQASSO.

Notes to the Accounts
for the year ended 31 December 2006 (continued)

12. Restricted Funds (continued)

- (e) Grants totalling £1,503,199 (including £169,543 brought forward from 2005) were received to support the *ChangeUp* national performance hub, of which £1,316,041 has been recognised as income in 2006 and the balance of £187,158 has been deferred to 2007. Of this, £133,724 is to be recognised as income in 2007 and £53,434 is to be repaid to the funder because we were able to carry out the planned work below budget in the first year of the project. The performance hub was funded by the Active Community Unit of the Home Office for its first year, 2005/6, and by Capacitybuilders since April 2006. The breakdown of grants received from the two funders is as follows:

	Deferred from 2005 £	Received in 2006 £	Deferred to 2007 £	Recognised in 2006 £
Active Community Unit, Home Office	169,543	332,232	(53,434)	448,341
Capacitybuilders	-	1,001,424	(133,724)	867,700
	169,543	1,333,656	(187,158)	1,316,041
	169,543	1,333,656	(187,158)	1,316,041

- (f) A grant of £3,750 has been recognised as income in 2006, having been deferred from 2005, to support activities to address barriers to improving performance by voluntary organisations.
- (g) A grant of £760 was received to support the training and development of staff.

13. Unrestricted Funds

	Balance 1 January 2006 £	Movements in Resources Incoming £	Outgoing £	Transfer between reserves £	Balance 31 December 2006 £
Fixed Asset Reserve	167,374	-	(39,478)	43,718	171,614
General Reserve	241,870	671,885	(534,210)	(43,718)	335,827
	409,244	671,885	(573,688)	-	507,441
	409,244	671,885	(573,688)	-	507,441

The Fixed Asset Reserve is a designated fund established at the discretion of the trustees in recognition of the unrestricted funds invested in fixed assets, particularly long leasehold property.

The General Reserve represents the other unrestricted funds available for use at the discretion of the trustees in pursuance of the charity's activities.

Notes to the Accounts
for the year ended 31 December 2006 (continued)

14. Pension Fund

The company contributes to the personal pension schemes of its employees. Payments made into their schemes during the year amounted to £31,477 (2005: £20,282).

15. Related Party Transactions

There were no related party transactions in the year under review.