



**Pro Bono Economics**

**Report and Financial Statements**

**30 June 2014**

**REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2014**

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**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2014**

<b>TRUSTEES</b>	Martin Brookes - Chair Lynne Berry OBE Matthew Brumsen (appointed 20 <sup>th</sup> May 2014) Andrew Haldane - Treasurer Lucy Heady Nicola Pollock David Ramsden CBE Jo Tilley-Riley (appointed 20 <sup>th</sup> May 2014)
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**TRUSTEES' REPORT**  
**YEAR ENDED 30 JUNE 2014**

The Trustees, who are also the directors of the company, are pleased to submit their annual report and the financial statements for the year ended 30<sup>th</sup> June 2014 which have been formally reviewed by an independent examiner.

The Trustees confirm that the annual report and financial statements of the Charity comply with current statutory requirements, the requirements of the Charity's governing document and the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

**CONSTITUTION**

The Charity is a registered charity and a company limited by guarantee and is governed by its memorandum and articles of association. The company was incorporated on 17 March 2009 and registered as a charity on 15 July 2009.

**GOVERNANCE AND MANAGEMENT**

The Charity is governed by a Board of Trustees who are all volunteers. The Board of Trustees meets every two months.

Trustees are appointed by resolution of the Trustees, usually for a term of five years. Two new trustees were appointed in May: Matthew Brumsen and Jo Tilley-Riley.

The staff team is accountable, through the Director of the Charity, to the Trustees, and is charged with the responsibilities of executing the day-to-day operations of the Charity in accordance with the policies and procedures approved by the board.

## **TRUSTEES' REPORT**

### **YEAR ENDED 30 JUNE 2014**

#### **CHARITABLE AIMS AND OBJECTIVES:**

The aims and objectives of the Charity are:

To advance any purpose that is exclusively charitable under English law and in particular:

- the prevention and/or relief of poverty;
- the advancement of education; and
- the promotion of sustainable development, in particular by providing analytical economic assistance and advice to the charitable sector.

#### **ABOUT PRO BONO ECONOMICS**

Pro Bono Economics seeks:

- To improve the effectiveness of the charitable sector, in particular when evaluating the impact of its activities, and when presenting these results to an external audience;
- To provide a mechanism by which the economics profession can contribute to a well-functioning charitable sector, both as an end in itself and as part of professional development for economists.

Through PBE, economists offer their services free of charge to charities who request help, mainly addressing questions around measurement, results, impact and value. Many charities are without the tools to do this, or to do it sufficiently well to satisfy funders and the public. Economists can play a valuable role in addressing these issues.

#### **How we work**

Pro Bono Economics (PBE) brings together economists and charities for defined projects. We accept applications from any UK-based organisation, large or small, with charitable objectives. In addition to reviewing an online application, we meet with the charity to understand their objectives, the aims of the project, and the information available to support the work. We are, increasingly, working with charities prior to application to help them to recognise the challenges of understanding their impact and value. If we establish that we have a potential project, we request a Terms of Reference. On receipt, we assign a suitable economist to scope the project in more detail and to assess the data available and feasibility of the work. Once a feasible project is identified, we match one or more economists to undertake the project. If the work is a piece of analysis, it is then peer reviewed before publication.

## **TRUSTEES' REPORT YEAR ENDED 30 JUNE 2014**

The central team continues to support projects at every stage, ensuring work progresses to plan, addressing any problems that may arise, and providing input as necessary to the economists and charities involved. In this way we can ensure both the consistency and quality of the final products.

In some cases, there will be insufficient data to allow analysis. We may then involve an economist, or a team, to work with a charity to determine what data can be gathered for future analysis. The output in this case will be a set of recommendations. This may result in a two stage project, with the first stage a set of recommendations on data gathering, and the second a piece of analysis a year or more later.

We may produce background analysis or other useful input to a charity where we see that there is value that economists can add.

Where the output of a project is not a piece of analysis, PBE will publish a short summary explaining the input or guidance that was given, though the details may remain confidential to the charity.

### **Public Benefit**

When setting the objectives and planning the work of the Charity for the year, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit.

The Trustees consider that all of the aims and objectives detailed in this report benefit the public. These benefits are threefold: by helping charities understand their impact, and through doing so improve their effectiveness, campaigning or fundraising, PBE ultimately helps the beneficiaries of those charities; funders and donors benefit through provision of more robust information on the impact of charities; and in some cases the taxpayer may benefit through receiving information on the potential savings to the Exchequer generated by charities.

### **Changes during the year**

On 1<sup>st</sup> July we appointed Karen Hancock to take up a part-time role as economist in the central team. We were fortunate to have two non-economist volunteers join us, one from February to April, and one February to July, who provided support with administration, communications and fundraising.

## **TRUSTEES' REPORT YEAR ENDED 30 JUNE 2014**

### **PROJECTS THIS YEAR**

This has been a year of diversity in our projects, with a more even split between analysis and advice, support for local and national charities, more work in Scotland, and work with a wide array of sub-sectors, from children and volunteering, to health and international development. This has provided new challenges for the central team in managing projects and finding the right expertise, and a variety of interesting experiences for our volunteer economists.

### **ANALYSIS**

Seven of our completed projects this year have been pieces of analysis for charities. Some of these projects have brought immediate benefits to the charity, helping them promote their work, and providing useful insights into the issues they seek to address.

In our analysis we place an emphasis on transparency in methodology and data sources, caution in estimates, and clarity on caveats. Each piece of analysis is peer reviewed by an experienced economist outside of the project team, usually with expertise in the area in question. This means that all parties involved, and external audiences, can be confident that the work is of the highest possible quality and rigour.

Further information on all projects, and published reports, are available on the Pro Bono Economics website at [www.probonoeconomics.com](http://www.probonoeconomics.com).

### **Centrepoint**

Centrepoint works with young homeless people, aged 16-25, providing accommodation, health services and a range of support to help young people back into safe housing, education, training and employment.

Centrepoint asked for help with a cost-benefit analysis of their services, and we matched them with economists from Oxera Consulting who considered the likely path of a homeless young person, including employment, crime, and health issues, and the services they would use.

Oxera's analysis suggests that **for every £1 spent on Centrepoint's services, there is an estimated £2.40 benefit to the public purse**. For every young person Centrepoint works with, there is an estimated net benefit to the public purse of around £20,000. This is valuable information for Centrepoint who have been able to use the research in their campaigning and fundraising materials.

We launched Oxera's report for Centrepoint at Deutsche Bank on 29th October 2013 to an audience of charities, government economists and policy makers at national and local level.

## **TRUSTEES' REPORT YEAR ENDED 30 JUNE 2014**

### **Chance UK**

Chance UK delivers one-to-one mentoring to primary school children with conduct difficulties. They aim to improve behaviour and thereby reduce the likelihood of criminal and anti-social behaviour in the long term.

Chance UK approached PBE for support in understanding their impact. We worked with the charity over a long period, looking at what information was available to enable analysis.

Our economists were able to undertake a break-even analysis, which shows that the benefits would equal the costs of the programme if, as a direct result of the intervention, just one in 42 children avoided the negative outcomes and costs associated with conduct problems.

The report recommends a data collection exercise in order to assess the impacts of the programme compared to a control group.

Chance UK is committed to improving their understanding of the outcomes they achieve, and so they have embarked on a randomised controlled trial (RCT) of their intervention, funded by the Big Lottery Fund and undertaken by the Social Research Unit at Dartington. Results are likely to be seen in late 2017.

### **Circle**

Circle provides community-based support to marginalised children and families across Scotland. They run a service for mothers leaving prison and their families that aims to reduce reoffending.

Circle wanted to understand the effectiveness and value of their services to reduce reoffending. David Horn, Economic Adviser in the Scottish Government, worked with Circle, considering the overall cost to society of women re-offending, and the costs of Circle's intervention.

David undertook a break-even analysis to determine that the service would need to reduce reoffending by between 3% and 13% for there to be a net benefit to society, which the charity believes is well within its likely outcomes.

### **Family Action**

Family Action works to help families tackle difficult issues such as financial hardship, mental health problems, social isolation, learning disabilities, domestic abuse, or substance misuse. They sought help to understand the value of their Interventions for women at risk of perinatal depression.

The report is now complete and will be published later in the year.

## **TRUSTEES' REPORT YEAR ENDED 30 JUNE 2014**

### **Making Every Adult Matter**

In 2012 we published the results of Making Every Adult Matter's pilot programmes for adults with multiple needs. These pilots aimed to improve coordination of existing local services to help individuals facing a combination of problems such as homelessness, substance misuse, mental health problems and interaction with criminal justice system.

The first year of the study showed that service use changed and improved over the course of the first year, and MEAM continued the pilots for a second year to gain insight into longer term outcomes and service use. Our team of economists from FTI Consulting continued to give their time and expertise this year to support MEAM.

The findings at the end of year two show continued improvement in outcomes for nearly all clients, and a reduction in the total cost of service use.

### **National Numeracy**

National Numeracy looks to challenge poor numeracy across the UK. They wanted help to understand the cost to the UK economy of poor adult numeracy, to support a major campaign they are launching to push up numeracy standards (The National Numeracy Challenge).

A team of PBE volunteers took on this research challenge, producing analysis that puts, as its central estimate, the cost to the UK of poor adult numeracy at **£20.2 billion per year** (or about 1.3% of GDP).

The report was launched on 21st March and was featured in the Financial Times, the Sun, the Times, the Telegraph and other national and local media outlets.

### **Newhaven Community Development Association**

Newhaven Community Development Association (NCDA) supports the local community of the Newhaven area through providing a range of services and community action activities. The charity was seeking an economic evaluation of their services and we found a team of economists from nearby University of Sussex to take on the project.

The team focused their analysis on a subset of activities where there was most data to work with: NCDA's nursery service; their family learning programme; and their youth service, and looked at research evidence from similar activities elsewhere, such as pre-school programmes in the US.

## **TRUSTEES' REPORT**

### **YEAR ENDED 30 JUNE 2014**

This initial analysis suggests that the programmes are likely to have a positive impact. The team have also suggested a variety of steps that NCDAs could take to improve the quality and quantity of their data, in order to strengthen the case in the future.

## **ADVICE**

Nine of our projects this year have been advice to charities who are in the early stages of understanding their impact, providing support in thinking about, or putting in place, better data collection methods. Some of these charities have already made positive changes. We have worked with Foundations UK, Friends of the Elderly, Getting on Board, London Voluntary Service Council, Prisoners Abroad, the Robertson Trust, the Social Research Unit, SolarAid, and Sustain: the alliance for better food and farming. Below are some highlights.

### **Friends of the Elderly**

Friends of the Elderly supports older people through caring services personalised to the needs of the individual and integrated with local communities. They focus on helping those in particular need as a result of physical or mental frailty, isolation or poverty.

This project focused on the charity's Home Support Service which provides help with day-to-day tasks. Friends of the Elderly wants to know if it is possible to demonstrate that the service enables clients to stay in their own homes for longer, and if it may reduce hospital admissions and reliance on other public services. We matched the charity with Dr. Julian Laite to investigate this question.

The first phase of advice on data collection was completed this year and the second phase of analysis is already underway.

### **Social Research Unit**

The Social Research Unit (SRU) looks to improve the health and development of children, particularly in Europe and North America, focussing on identifying obstacles to good health and development. We began work with SRU in 2011, when we matched the charity with a team from the National Audit Office, to advise on the translation to the UK of a model created by the Washington State Institution for Public Policy. The model looks at the costs and economic returns of interventions related to children's wellbeing. This was a gradual process of translation, with sections of the model dedicated to different areas, including early years, education and youth justice.

The work was completed this year, with SRU launching a web-based tool for others to use to compare their interventions with others and better understand their value for money.

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#### **SolarAid**

SolarAid works across Africa, looking to address poverty and climate change through reducing reliance on kerosene lighting by creating a sustainable market for solar lights. The charity sought advice on calculating the macroeconomic impact of solar lighting in the countries in which they operate. Our economist, Paul Ackroyd, advised them on how to undertake such research.

Solar Aid is making strides in their work, with over one million lights sold, success in fundraising, and a greater commitment to understanding their impact.

#### **OTHER PROJECTS**

Not every engagement by a PBE volunteer with a charity results in a report or advice that the charity is able to take forward. In some cases the charity finds itself facing resource constraints or even closure, in others they simply decide to take a different approach. In some cases the volunteer will have produced a report, in others the project will end before they have got that far. In every case we want to recognise their time and effort, so we wish to thank Sam Cunnington, Ross Dawkins, Stephen Gibson, Nooman Haque, Nicholas Herrick, Niki Kalyvides, Simonetta Longhi and Bernard Stafford for their input to the charities we linked them with.

Although not every application from a charity results in a finished product, charities often tell us that they have benefited from discussions with us. Typically they feel that they have gained a greater understanding of the issues around impact estimation, and how it relates to their particular intervention.

#### **APPLICATIONS**

This year we have received applications from 38 charities, compared with 30 last year, including four new pieces of work with charities we have worked with previously. This brings the total number of applications to 178 since PBE was established in 2009.

A higher number of applications compared with last year is likely to be as a result of greater awareness of our work: in their application, almost all charities tell us that they heard of us through other charities or their personal or professional contacts.

We held pre-application meetings with 41 charities in the past 12 months, of which ten had put in an application by the end of the financial year. These meetings allow us to have informal conversations with charities who are not sure whether they are ready to make an application, or who need further advice. Those who do not go on to make an application may not have the time or resources to take

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on a project, there may not be suitable data available, or the request from the charity may not be appropriate for economist volunteers. In each case we endeavour to provide advice on next steps or signpost other services that may help the charity.

The charities approaching us continue to represent a wide spectrum of the third sector across the UK. The majority of charities that approach us are still London-based, reflecting the make-up of the sector as a whole. But we continue to develop our work with charities and volunteers in other parts of the United Kingdom; we have completed two projects in Scotland, and have begun working with Locality to support a number of smaller organisations across England.

### **ACTIVE PROJECTS**

Volunteers are matched to projects to scope feasibility, work as part of a team or peer review a piece of work. This year we matched another 33 economists to projects and managed on average 45 active projects throughout the year. At the end of the year we have 17 projects in the early stage - discussion and refining the proposal with the charity – nearly twice as many as last year, and a 25 projects with volunteer economists either scoping or working on a piece of analysis – about the same as last year.

Only 16 projects were rejected or withdrawn over the year, resulting in a net increase of 22 projects. Six were rejected as unsuitable based on a first meeting or phone call. These charities either could not provide enough data for an economist to undertake a piece of work, or were asking for support which typically lies outside of the skillset of economists. In each case we advised the charity on what we believe would be the best course of action: perhaps recommending another organisation to approach, or other methods they might attempt to understand their impact better. The majority (10) were withdrawn by the charity. The reasons vary: some did not feel they had sufficient data, one needed something more quickly than we were able to deliver, and one did not respond to our efforts to arrange a meeting after application. In four cases the charity withdrew from the project after volunteers had started work. In these cases, the reasons were insufficient data in three cases, and a change in circumstances which made the original project proposal redundant in the other. The average time for a charity to decide it was not in a position to continue was nine months after the initial application.

Where projects do not continue, the door is always open for those charities to come back to us when they are in a better position.

The length of time between the start and end of a project very much depends on its nature – whether it is advice or analysis – and how much testing of data collection is included in the advice phase. The elapsed time is, on average, still around two years for a piece of analysis, and around 16

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months for advice, though with some long-running projects now completed, we hope to see this fall in the coming year.

## **OUR ECONOMISTS**

Interest from the economics profession remains strong, with 59 new volunteers registering this year. We undertook an audit during the year, to remove details of those economists who are no longer able to volunteer, or who we are unable to contact. This left us with 277 active volunteers (about 20 more than last year), and with greater confidence that those remaining are interested and able to offer us their time.

We matched 33 economists to new projects this year (the same number as last year) with 93 working on a project during the course of the year (77 last year). To date we have provided opportunities for 174 economists to use their skills for the benefit of the charity sector.

Our first volunteer social event took place last October, kindly hosted by Nomura. Our patron Lord O'Donnell welcomed existing volunteers, PBE supporters, and other economists, to share success stories, thank our volunteers, and grow our funding base.

As part of our drive to build our presence in Scotland, and help more charities north of the border, we held an event for potential volunteers in Scotland in November, to introduce economists in Scotland to our work and grow our volunteer pool. We now have seven volunteers in Scotland registered with us (four who are currently working, or have worked, on projects), and improved networks we can use for future projects.

## **OTHER ACTIVITY THIS YEAR**

As part of our outreach to charities, we gave presentations on the work of PBE and economic evaluation for charities to audiences as diverse as the Charity Finance Group London Members' meeting, Charities Evaluation Service staff, a group of grant-making trusts and foundations, and charities convened by the Mark Leonard Trust, the University of Sussex Department of Social Work and Social Care with Newhaven Community Development Association, and the South West Forum.

We have continued to build links with a number of grant-making trusts and foundations, with a view to working with their grantholders where appropriate. We have also partnered with Locality to offer support to charity-led local partnerships needing to produce a cost-benefit analysis as part of the Our Place programme.

## **TRUSTEES' REPORT YEAR ENDED 30 JUNE 2014**

As well as our volunteer event in Scotland, we made contact with various organisations north of the border and took part in a roundtable on economic evaluation in Scotland.

### **ASSESSING OUR IMPACT**

It is vital that we understand the impact of our work, and how charities use the advice we provide. Although this is difficult to quantify, we gather feedback after each project is completed for views from the economists and charities involved. We revisit the charity a year later to understand what changes may have taken place as a result of the advice we gave, or the analysis that was undertaken.

#### **What the charities say...**

*"I think many charities make the mistake of only considering the direct benefits to their client group, and don't think beyond this to the financial and economic benefits, which can be extremely valuable. PBE helps to understand and articulate this, so we can not only say 'we do good', but that this good has wider impact." Gracia McGrath, CEO, Chance UK*

*"(Working with PBE) has increased our awareness of monitoring and evaluation issues with our client group and focused our thinking on the next steps. This project was the first stage. The next is to gather the information and then the third is to complete the economic and social impact study". Pauline Crowe, Chief Executive, Prisoners Abroad*

*"The figure is referenced at every opportunity (...) It is now part of our standard toolkit and we use it widely." Wendy Jones, Trustee, National Numeracy*

*"It feels right and everyone is confident to use it. As we are a numeracy organisation we need to get facts and figures right." Belinda Vernon, Trustee, National Numeracy*

Much of the valuable learning comes later, once a charity has used the output of a PBE project in campaigning, fundraising, or improving its processes. We carry out one-year reviews which we hope will demonstrate, over time, the lasting value of our work.

Beat (a charity supporting young people with eating disorders) told us that, a year on from the publication of our report looking at the cost of eating disorders, they are still using the report, referencing it whenever relevant, and using the figure to demonstrate the impact of eating disorders and to strengthen their argument about early intervention.

Commonweal Housing found our input useful in seeking new investment, as the recommendations our economist offered moved them towards more robust ways of understanding their impact, which lent greater credibility to their proposals. Ashley Horsey, CEO told us *"I think the real benefit for us*

## **TRUSTEES' REPORT**

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*was reinforcing some thoughts we already had, asking useful questions, and providing us with an objective and detached point of view."*

Retrak made some significant changes on the basis of our advice, altering the way in which they account for their spending, changing their coding of activity types and, as a result, their financial reporting. The charity feels this has given them a greater understanding of how their resources are used, and has improved their governance and transparency as a result. The process is ongoing, and has required staff training, but Retrak feels that this has been worthwhile, with the changes having brought about a fresh perspective.

In two cases, with the Social Research Unit and Friends of the Elderly, the work we completed last year continued into a further phase this year, and so the impacts will take longer to determine.

#### **What the economists say...**

Through our feedback process we have also sought to understand how volunteering benefits individuals and organisations.

*"It was good for staff (...) to take them outside of the normal client base, and having them deal with limited data and make the best of what's available. It was really useful to get away from pure academic thinking." Fod Barnes worked with Centrepoint*

*"I got a lot from it. It taught me a lot about project management. In terms of analysis it was straightforward, but presenting the report, the style and considering the audience was different – I'm used to writing government briefings." Dan Hodges, worked with Chance UK*

*"I needed to look at other ways of doing impact analysis, and understand the challenges that charities deal with. The wellbeing tools were interesting and could be useful elsewhere. Otherwise I would never have been aware of them." James Edgar, worked with Prisoners Abroad*

#### **IMPROVING HOW WE WORK**

We are committed to continued improvement and carry out a review upon the completion of each piece of analysis to understand how we can improve our processes, and ensure a satisfactory outcome and good experience for charities and economists alike.

We are also meeting with more charities pre-application, in order that we, and charities, do not spend time on fruitless applications, but that charities leave us with a clearer idea of the challenges involved in understanding their impact, and what their next steps might be. Many of these charities have offered informal feedback on their meetings with us:

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*"I found it even more productive than I had hoped. It helped me create a baseline structure to frame our work which will make measuring impact (for our funders and for our own organisational development) a much more straightforward process in the future. I am very thankful."*

*" I am most grateful for the time you gave me this afternoon. I was looking for a warm bath of economics and got a cold shower instead - both bracing and valuable. I left knowing more than when I arrived and better placed to argue and assert my case - which nobody has the data to deny! 'You can't always get what you want...sometimes you might find you get what you need.' Thank you - the discussion was extremely useful."*

*"I just wanted to thank you for our meeting and for the very valuable advice that you offered. It was extremely helpful to talk through the various strategies for capturing the true value of the work that we are doing. I am most grateful to you for your time."*

This year we began a practice of project audit, whereby the trustees review a project: interviewing the charity and volunteers and looking at correspondence and documentation, in order to establish whether the processes we have in place are fit for purpose and if they are being adhered to. The first review was a success, highlighting strengths and weaknesses in project processes, but also served to demonstrate the usefulness of the process, and indicating the input required from trustees in undertaking these audits. We will carry out regular project audits in the coming year.

It is vital that we understand the impact of our work, and how charities use the advice we provide. Although this is difficult to quantify, we gather feedback after each project is completed for views from the economists and charities involved.

## **FUTURE PLANS**

Having undertaken a skills review to identify gaps in knowledge and expertise, the Board has recruited two new trustees - Jo Tilley-Riley and Matthew Brumsen - with experience in communications and marketing, and in fundraising, which are the priority areas for year ahead. During the coming year we will establish trustee-led committees to develop strategies to help us improve our performance in these areas. The committees may also include patrons or others who can contribute particular expertise and insights.

Over the course of the year we hope to consolidate our funding base – both with major donors and with our volunteers – and to refine our messaging, for funders and charities.

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We will continue to work with partners in the sector and hope to develop our offer to work with the grant recipients of a number of grant-making trusts and foundations, as well as reaching out to parts of the sector we have not yet worked in through the relevant umbrella bodies.

Due to current funding constraints, our team remains small – two full-time and one part-time member of staff. As we embark on an intensive period of fundraising in the autumn, we hope shortly to be in a position to have a full-time economist and a part-time administrative assistant, in order to enable us to complete more projects for more charities and to provide more support to our volunteer economists.

## **FINANCIAL REVIEW**

During this financial year the Charity received £152,508 (2013 £118,130) in grants and donations, of which £14,250 (2013 £9,120) was restricted income to fund specific projects. Donors included the Barrow Cadbury Trust, The City Bridge Trust, the Esmée Fairbairn Foundation, as well as a number of generous individuals. The Robertson Trust, Tomorrow's People and St Giles Trust made contributions towards our core costs in recognition of work done by our volunteers for them or their grantholders. The number of individuals making a regular monthly or annual donation increased from five to thirteen. No restricted income was unspent at the end of the period.

Total resources expended in the period amounted to £154,161 (2013 £158,198), leaving an unrestricted fund balance of £82,672 (2013 £84,324). Total funds carried forward are sufficient to cover the Charity's costs for six months.

## **RISK MANAGEMENT**

The Trustees are responsible for ensuring that the Charity has an appropriate system of controls, financial and otherwise. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention of fraud and other irregularities.

A full review of financial controls will take place in August 2014, and the risk register will be reviewed at the board meeting on 2<sup>nd</sup> September 2014.

### **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Charity aims to mitigate liquidity risk by properly managing incoming cash resources from grants, donations and other sources in order to meet its charitable purposes and operating requirements.

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**Cash flow risk**

Cash flow risk is the risk that inflows and outflows of cash and cash equivalents will not be sufficient to finance day-to-day operations of the Company and the Charity. The Charity manages cash flow risk by careful management of bank balances to ensure that available funds are maintained to enable them to meet their liabilities as they fall due. A rolling cash flow forecast is reviewed monthly by the Director of the Charity and by the Board of Trustees regularly and as appropriate.

**Going concern risk**

A review of the incoming and outgoing resources and financial position is carried out each month. The Charity has a growing and regular financial donor and grant resource base and, together with careful management of administration costs, ensures that the Charity always has funds sufficient to meet its financial and charitable obligations. As a consequence, the Trustees believe that the Charity is well placed to manage its business risks successfully. Following an increased deficit in net income for the year last year, the Charity reduced the size of the team to control expenditure and continued to diversify the funding base. During the year sufficient income was raised to cover nearly all the expenditure. After reviewing forecasts for the Charity, and discussing with the Executive, the Trustees have a reasonable expectation that the Company and Charity have adequate resources to continue in charitable and operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**RESERVES**

The Reserves Policy was reviewed at the 16 July 2013 Board meeting. The Charity believes it is prudent to hold sufficient reserves to continue operating for a reasonable length of time in the absence of a continued income stream. It also needs reserves as a contingency which will allow the Charity to continue operating beyond an expected reduction in grant funding over the next three years, if the donor base does not develop sufficiently quickly over the lifetime of the current grants. The Trustees therefore believe that it is prudent to hold a minimum of four and a target of six months of projected expenditure in reserves.

**TRUSTEES' RESPONSIBILITIES**

United Kingdom company law requires the Trustees, who are also directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the surplus or deficit of the Charity for that period. In preparing these financial statements, the Trustees have:

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- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed;

And

- prepared the financial statements on the going concern basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Date:

Martin Brookes  
Chair of Trustees

**INDEPENDENT EXAMINER'S REPORT  
TO THE DIRECTORS AND TRUSTEES OF PRO BONO ECONOMICS**

I report on the financial statements of Pro Bono Economics for the year ended 30 June 2014, that are set out on pages 21 to 25.

This report is made solely to the Charity's Trustees, as a body, in accordance with section 43(3) of the Charities Act 1993 ("the Act"). My examination has been undertaken so that I can report to the Charity's Trustees those matters I am required by law to state in an independent examiner's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustees as a body for my examination, for this report or for the opinion I have formed.

**Respective responsibilities of trustees and examiner**

The Charity's Trustees consider that an audit is not required for this year (under section 43(2) of the Act, as amended by section 28 of the Charities Act 2006) and that an independent examination is needed.

It is my responsibility to:

- examine the financial statements (under section 43 of the Act, as amended by section 28 of the Charities Act 2006),
- to follow the procedures laid down in the General Directions given by the Charity Commission (under section 43(7)(b) of the Act, as amended by section 28 of the Charities Act 2006), and
- to state whether particular matters have come to my attention.

**Basis of independent examiner's report**

My examination was carried out in accordance with General Directions given by the Charity Commissioners. An examination includes a review of the accounting records kept by the Charity and a comparison of the financial statements presented with those records. It also includes consideration of any unusual items or disclosures in the financial statements, and seeking explanations from the Trustees and Directors concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the financial statements.

**Independent Examiner's statement**

In the course of my examination, no matter has come to my attention:

1. Which gives me reasonable cause to believe that in any material respect the Trustees and Directors have met the requirements to ensure that:
  - proper accounting records are kept (in accordance with section 41 of the Act); and
  - the financial statements are prepared which agree with the accounting records and comply with the accounting requirements of the Act; or
2. To which, in my opinion, attention should be drawn in order to enable a proper understanding of the financial statements to be reached.

Date:

*K N McCallum B.Acc. C.A.*  
*258 Kew Road, Richmond, Surrey, TW9 3EG*

**STATEMENT OF FINANCIAL ACTIVITIES**  
**Incorporating an Income and Expenditure Account**  
**Year Ended 30 June 2014**

	Note	Unrestricted 2014 £	Restricted 2014 £	Total 2014 £	Total 2013 £
<b>Incoming resources</b>					
Incoming resources from generated funds					
Voluntary income - donations		138,093	14,250	152,343	118,130
Investment income - bank interest		165	-	165	207
		<hr/>			
Total incoming resources		138,258	14,250	152,508	118,337
<hr/>					
<b>Resources expended</b>					
Charitable activities	2	138,957	14,250	153,207	156,524
Governance costs	3	489	-	489	993
Depreciation	4	465	-	465	681
		<hr/>			
Total resources expended		139,911	14,250	154,161	158,198
<hr/>					
Net income for the year		(1,653)	-	(1,653)	(39,861)
<b>Reconciliation of funds</b>		<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	
Total funds brought forward 30 June 2013	5	84,324	-	84,324	
Total funds carried forward 30 June 2014		82,671	-	82,671	

There are no recognised gains or losses other than those shown in the statement of financial activities. All of the above are derived from continuing activities.

**BALANCE SHEET**  
**30 June 2014**

	Note	2014 £	2013 £
<b>FIXED ASSETS</b>			
Tangible assets	4	539	782
		539	782
<b>CURRENT ASSETS</b>			
Debtors		3,170	15,635
Debtors - prepayments		1,300	850
Cash at bank and in hand		81,761	72,138
		86,231	88,623
<b>LIABILITIES</b>			
<b>CREDITORS: amounts falling due within one year</b>			
Accruals		(4,099)	(5,081)
		(4,099)	(5,081)
<b>NET CURRENT ASSETS</b>		82,132	83,542
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		82,671	84,324
<b>NET ASSETS</b>		82,671	84,324
<b>FUNDS</b>			
Restricted funds	5	0	0
General fund – unrestricted		82,671	84,324
<b>TOTAL CHARITY FUNDS</b>		82,671	84,324

**Audit Exemption Statement**

For the period ending 30 June 2014 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' & Trustees' responsibilities:

- the members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 477,
- the Directors and Trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to account records and the preparation of the financial statements,
- these financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved by the Board of Trustees on:

Signed on behalf of the Board of Trustees

Martin Brookes  
 Chair of Trustees

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 June 2014**

### **1. ACCOUNTING POLICIES**

The principal accounting policies, all of which have been applied consistently throughout the period, are:

#### **a) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 and applicable United Kingdom law and accounting standards. They reflect only the revenues, transfers and expenditures of the Charity.

#### **b) Company status**

The Charity is a company limited by guarantee.

#### **c) Fund accounting**

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity.

#### **d) Resources expended**

Charitable expenditure comprises expenditure related to the direct furtherance of the Charity's charitable objectives. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with use of the resources.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the Charity and include the reporting accountant's fees and costs linked to the strategic management of the Charity.

#### **e) Incoming resources**

All income is accounted for on a receivable and accruals basis.

#### **f) Tangible fixed assets**

Tangible fixed assets are stated at cost together with any incidental expense of acquisition. Provision of depreciation is made so as to write off the costs of tangible fixed assets on a straight-line basis over their useful economic life. Computers and office furniture have been depreciated over 3 years at a rate of 33% per annum.

#### **g) Taxation**

As a registered charity, Pro Bono Economics is exempt from taxation of income and gains within section 505 of the Taxes Act 1988 or section 526 of the Charities Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charge has arisen in the year.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 June 2014**

**2. CHARITABLE EXPENDITURE**

Charitable expenditure includes the following direct costs of activities:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Staff Costs - salary	115,389	117,589
Staff Costs - social security	10,711	12,846
Staff Costs - pension	5,396	5,396
Staff Costs - other	771	1,156
Office costs	14,111	10,430
IT	5,049	4,341
Publicity materials	606	74
Events	180	2,560
Other	994	2,132
	<u>153,207</u>	<u>156,524</u>

The charity employed one part-time and two full-time members of staff for the period. No member of staff was paid more than £60,000.

**3. GOVERNANCE**

Governance expenditure included the following direct costs of activities:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Legal costs	489	286
Board expenditure	0	707
Independent Examination & Accountancy	0	0
	<u>489</u>	<u>993</u>

This year's independent examination is being undertaken pro bono.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 June 2014**

**4. TANGIBLE FIXED ASSETS**

	<b>Computers</b>	<b>Office furniture</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost:</b>			
At 1 July 2013	1,830	1,645	3,475
Additions	222	0	222
Disposals	0	0	0
At 30 June 2014	2,052	1,645	3,697
<b>Depreciation:</b>			
At 1 July 2013	1,508	1,185	2,693
Provided during the year	235	230	465
Disposals	0	0	0
At 30 June 2014	1,743	1,415	3,158
<b>Net book value:</b>			
At 30 June 2014	309	230	539
At 30 June 2013	322	460	782

**5. RESERVES**

	<b>Funds b/f</b>	<b>Income</b>	<b>Expenditure</b>	<b>Funds c/f</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Unrestricted funds	84,324	138,258	139,911	82,671
Restricted funds	0	14,250	14,250	0
<b>TOTAL FUNDS</b>	<b>84,324</b>	<b>152,508</b>	<b>154,161</b>	<b>82,671</b>

**6. TRUSTEES' EXPENSES & RELATED PARTY TRANSACTIONS**

No Trustees were paid expenses during the year. Any donations made by Trustees to the Charity are considered a "private matter" as for any other member of the public community and are not disclosed in these financial statements.