

26 June 2023

**[N.B. Member details omitted for privacy purposes]**

Dear Member

Please find below the Institute's responses to the questions submitted via email by yourself on the 14 and 18 June 2023. Responses are provided below each section in blue text.

In the interests of transparency, we will publish the questions and responses on CIPFA's website in the same location as the annual report.

**Q1. CURRENT CIPFA POSITION ON CLOSER WORKING WITH ICAEW**

Rumours are emerging that after over a year of negotiations they have stalled!

- (a) Can CIPFA confirm these negotiations are still live?
- (b) Can CIPFA provide an update on the progress of these negotiations at its forthcoming agm for its members?
- (c) Can CIPFA provide future quarterly updates on the progress of these negotiations for its members?
- (d) Can CIPFA explain why it appears not to have provided member updates on these negotiations to date?

This is a critical issue for CIPFA members and a thorough explanation of what has happened and what the future holds for both CIPFA and the ICAEW is required immediately!

CIPFA needs to act now!

Can you confirm or deny whether ICAEW have retreated from any further negotiations on closer working with CIPFA?

Throughout 2022/23 CIPFA has been progressing discussions with the ICAEW on closer working opportunities. A significant strand of these discussions has centred on developing a route to dual CPFA/ACA qualification. In June the ICAEW's Education and Training Board, having been satisfied that the CPFA had equivalence in all other respects, approved proposals to create one additional module to cover corporate reporting. CIPFA's respective team is working on the top up modules for public sector financial reporting which will enable joint qualification from ACA to CPFA. Both parties recognise the importance of a satisfactory agreement on membership fees to support these new pathways.

Negotiations with the ICAEW are ongoing and bi-lateral meetings are held monthly.

Periodic updates have been provided to the membership through Membership Matters and information on the current position is provided in the 2023 AGM speeches.

## Q2. CIPFA GROUP ACCOUNTS 2022

There are some worrying trends in the accounts which should not be hidden by the accounting entries which deal with the discounted CIPFA pension fund liability that CIPFA aims to settle with the Wiltshire Pension Fund.

It is important to analyse CIPFA'S accounts excluding the effects of these pension adjustments!

CIPFA's Sofa ( Income and Expenditure Account) has benefitted from a circa £18.8 m credit which was entirely a technical adjustment directly related to its settlement of its £30.5 m pensions liability with Wiltshire Pension Fund by the substitution of a discounted £11.7 m liability with that Fund.

We agreed on the importance of clarity, which is why the Financial Summary in the Annual Report starts with a section which highlights these entries:

|  | 2022         | 2021         |
|--|--------------|--------------|
|  | £000         | £000         |
| <b>2022 Full year results before pension entries</b> |              |              |
| Income   | 28,483       | 26,603       |
| Expenses   | 27,341       | 23,129       |
| <b>Contribution</b>                                  | <b>1,142</b> | <b>3,474</b> |

(a) Can CIPFA confirm that this is an increase in its reserves which is not backed by cash resources?

As explained by the Reserves policy on Page 55 of the Annual Report

(b) It appears that CIPFA will need to pay Wiltshire a discounted amount of £11.7 m to settle its pensions liability.

Given that the 2022 CIPFA Group cash flow has shown a reduction of £675k in cash and cash equivalents the following points are pertinent.

How will this commitment to settle the pensions liability affect CIPFA's cash flow position over the coming years?

As recognised in the Annual Report (pages 55 (including the positive statement on Going Concern), 67, 68, the CEO statement (page 8), Opportunities (page 8) and Risks (page 49 & 50))

Does CIPFA envisage settling this liability with with Wiltshire Pension Fund in the next 5 years?

As explained in the Annual Report, yes.

(c) Excluding the pension adjustments, CIPFA's group surplus in 2022 was £1.142 m compared to £3.474 m in 2021!

This is a reduction of circa 67%!

What are the reasons for such a shocking reduction in CIPFA Group surplus?

How does CIPFA envisage turning this group surplus reduction around?

£1.142m surplus out of a turnover of £28.5m is considered a healthy surplus and in line with historic performance. As explained in last year's Annual Report the previous year was high because of the cautious approach we took to our investments.

What are the business plan predictions for CIPFA Group Surplus in the coming years?

We anticipate a surplus of £1m in 2023.

(d) CIPFA Group income was £26.603 m in 2021 and £28.843 min 2022, an increase of circa 7%. Inflation over this period was circa 10%

Inflation was not this high during the whole of 2022.

Why has CIPFA Group income fallen in real terms over this period by circa 3%?

What is CIPFA doing to rectify this real reduction in Group income?

As a charitable organisation and one whose income is derived from the public purse we are cognisant of the impact our pricing policies can have on our customers and we choose prices that reflect that

What are CIPFA's business plan estimates of its Group income over the forthcoming years?

See below

(e) On examining the group expenditure of CIPFA it is crucial to exclude the pension credit of circa £18.8m as this greatly distorts the true picture. CIPFA Group expenditure in 2022 was £27.341 m. It was £23.129 m in 2021. This is a huge annual increase of around £4.2 m or an increase of around 18%!

Agree. See comment above. However, the huge improvement in the Group's financial position, and our resilience in particular, should be acknowledged. The Balance Sheet now shows positive net assets which should be recognised.

Can CIPFA provide a full explanation for this huge annual increase in its group costs?

Details of expenditure are included in the notes to the accounts. In particular, CIPFA has invested in operational systems to improve the member and student experience.

|   |
|---|
| <p>What steps is CIPFA taking to assert more control over its group expenditure?</p>  |
| <p>Please see extract from the Business Plan which was approved by CIPFA Council on 30 November 2022:</p> <p>Overall, in budgetary terms, what we will achieve in 2023 is:</p> <ul style="list-style-type: none"> <li>• minimum income of £30.5m • maximum expenditure of £29.5m</li> <li>• minimum surplus of £1m. In line with CIPFA's ambition, 2023 sets a challenging income budget, together with the associated growth in our cost base, to deliver the planned 2023 surplus. The planned cost for 2023 represents a £1.5m increase on 2022 income, offset by a year-on-year income growth of £2.5m; and so there is real challenge in the budget from both an income and expenditure perspective. This means that throughout 2023 we will continue to monitor income, pipeline and opportunities, as well as expenditure.</li> </ul> <p>In preparing this refresh to the 2023 budget that was agreed in 2021 we have ensured that:</p> <ul style="list-style-type: none"> <li>• expenditure will only increase where there is demonstrable impact on revenue or the investment required is to support delivery of a particular policy objective</li> <li>• a contingency has been included to reflect economic uncertainty and extra costs of four-day working</li> <li>• a pay award has been included, which will further the aspirations of the recent pay and grading review</li> </ul> |
| <p>What are CIPFA's business plan estimates of group expenditure Over the coming years?</p>   |
| <p>See above</p>  |
| <p>(f) The 2022 CIPFA Group Accounts show an organisation with reducing real group income, hugely increased group expenditure with group cash surplus falling by over a half! What are the executive and non executive wings of CIPFA doing to rectify this situation?</p>  |
| <p>These issues are answered above</p>  |
| <p><b>3. CIPFA GOVERNANCE ISSUES</b></p> <p>The current chief executive of CIPFA also has a role as chair of a health authority Board.</p> <p>Given all the changes CIPFA faces:</p> <p>Why is the Chief Executive role of leading CIPFA not deemed to be a full time job?</p> <p>Is the Chief Executive of CIPFA remunerated as a full time CIPFA employee?</p> <p>How much time does the Chief Executive devote to CIPFA matters compared with his time devoted to NHS board matters?</p>   |

Has the non executive wing of CIPFA investigated any potential conflicts of interest resulting from the duality of the current Chief Executive's role?

What steps might the non executive wing of CIPFA take to mitigate/eliminate any such potential conflicts of interest?

CIPFA supports the Chief Executive holding a position of an NHS Trust Chair which provides a public service to the NHS but also ensures the Institute has current knowledge on NHS and Integrated Care System issues. The role of Chief Executive is a full-time role, but Rob Whiteman also takes some unpaid leave from CIPFA toward his non-executive duties. There is oversight of this by the relevant governance within CIPFA.

All potential and actual conflicts of interest are managed through our standard governance procedures on such matters, for example, the Chief Executive would play no role in tendering or contracting services to the Trust and the oversight of relevant policy or standards is through our member-led governance groups.

How has the non executive wing of CIPFA monitored and advised on CIPFA's current and future financial position and viability?

CIPFA Board meets five times a year and reviews reports on financial performance at every meeting. The Commercial Board provides additional scrutiny for commercial operations and also meets five times a year, two of these meetings being full day strategy and business planning sessions held jointly with CIPFA Board. In addition, as one might expect, there is a schedule for in-depth reviews of activity across the business plan and investment proposals are scrutinised by Commercial Board and CIPFA Board as appropriate.

CIPFA Board is a sub-committee of Council and therefore provides an update report to each Council meeting.

The Audit Committee considers the annual going concern statement and all operations are managed within the risk mandate as framed by Council annually.

#### 4. THE NEXT STEPS FOR CIPFA

A worrying picture of CIPFA's current position has been presented and must be tackled.

Can CIPFA provide a detailed written response to its members covering all the aforementioned questions I have asked?

Will the non executive wing of CIPFA now Institute an independent enquiry into the future direction and viability of CIPFA - reporting directly to its members?

I will be presenting these questions to the CIPFA general secretary and my CIPFA Council member. I trust they will act accordingly!

CIPFA's response to these questions is being published on our website in the same location as the annual report.

All Council members will be aware of the questions submitted and responses provided; the recommendation to propose an independent enquiry will be considered the chairs of Council and CIPFA Board.

## **5. WHAT POINTS SHOULD AN INDEPENDENT INQUIRY INTO CIPFA COVER?**

When conducting an inquiry into CIPFA there are several key points that should be addressed. These points can help identify areas of concern and potential improvements. Here are some important aspects to consider:

**Mission and Objectives:** Evaluate CIPFA's mission statement and objectives to determine if they are clear, relevant, and aligned with the needs of the community or cause they aim to serve. Assess whether CIPFA has strayed from its original purpose or if its objectives were unrealistic or poorly defined.

**Governance and Leadership:** Examine CIPFA's governance structure, including the board of directors, executive leadership, and management practices. Assess if there are any conflicts of interest, lack of transparency, or issues related to accountability.

Evaluate the competence and effectiveness of the leadership team in managing CIPFA's operations and finances.

**Financial Management:** Scrutinise CIPFA's financial practices, including budgeting, financial controls, and reporting. Look for signs of financial mismanagement, such as unsustainable spending, inadequate financial reserves, or inappropriate use of funds.

Analyse CIPFA's revenue sources, fundraising strategies, and relationships.

**Program Effectiveness:** Evaluate the impact and effectiveness of CIPFA's programs and services. Assess whether they are meeting their intended goals and making a meaningful difference in the lives of the intended beneficiaries. Determine if there are any gaps in program design, implementation, or evaluation.

**Funding:** Assess CIPFA's funding efforts and its ability to attract and retain funding.

Evaluate the diversification of funding sources, engagement strategies, and stewardship practices.

Determine if there have been any ethical or legal issues related to funding activities.

**External Factors:** Consider external factors that may have contributed to CIPFA's challenges, such as changes in the socio-economic environment, increased competition, or shifts in public opinion. Evaluate CIPFA's ability to adapt to changing circumstances and seize new opportunities.

Stakeholder Engagement: Assess CIPFA's relationships with key stakeholders, including beneficiaries, volunteers, staff, and partners. Determine if there have been any breakdowns in communication, collaboration, or trust. Analyse CIPFA's reputation and public perception.

Compliance and Legal Obligations: Review CIPFA's compliance with applicable laws, regulations, and reporting requirements. Assess whether CIPFA has faced any legal issues, investigations, or regulatory sanctions.

Organizational Culture: Evaluate CIPFA's culture, values, and internal dynamics. Assess if there are any signs of toxic work environments, poor morale, or lack of commitment to the mission. Examine CIPFA's organizational policies, procedures, and practices related to staff recruitment, training, and retention.

Lessons Learned and Future Recommendations: Identify lessons learned from CIPFA's challenges and make recommendations for improvement.

Outline specific actions that could be taken to address the identified issues and enhance CIPFA's chances of success in the future.

Conducting an inquiry into CIPFA will require thorough investigation, sensitivity, and impartiality. It may be helpful to involve external experts or auditors to ensure an objective assessment of CIPFA's operations and governance.

Can I ask the CIPFA Council to instigate such an independent examination forthwith in line with the above stated guidelines and reporting to CIPFA members within 6 months?

[See above](#)

Yours sincerely,

Nicola Hannam

Company Secretary and Chief of Staff

cc:

- Caroline Russell, CIPFA President
- Rob Whiteman, CIPFA Chief Executive