CIPFA

# Annual report and accounts 2020

A review of the year

cipfa.org

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# 01

# President's introduction and CEO overview

This time last year, my predecessor wrote in these pages “little did we realise then the scale of the seismic shock that was to come with the arrival of COVID-19”. She could not have been more right. The challenges that have faced the public sector over the course of 2020 have been unlike any we have ever known. The word ‘unprecedented’ has been used so many times it has almost lost all meaning, but it is also true: it was an unprecedented year in every sense of the word, and thus my term as CIPFA President has been unique. However, despite the obstacles of 2020, it has been an excellent year, both for CIPFA’s students and members, and the organisation corporately.

The public sector has of course been on the frontline of the pandemic, not least my own sector of the NHS. Across the public services we saw inspiring examples of public servants going above and beyond to support citizens and communities. Services and functions were also digitised at a pace previously unheard of.

CIPFA joined this effort, with all face-to-face events and teaching moved online by 18 March 2020. Understanding what we can achieve remotely has been a revelation.

Many organisations do not see themselves ever returning to a full time, 9 to 5, ‘in the office’ model, and at CIPFA, while we look forward to the day we can get together with our members and stakeholders in face-to-face environments, the last year has certainly accelerated our ‘digital first’ approach in the UK and around the world.

In the UK, we were able to provide a bedrock of support to our members. Throughout the pandemic, we have worked closely with the Ministry of Housing, Communities and Local Government (MHCLG) to shape their planned funding package to the sector. We amended our guidance on Section 114 notices to reflect higher demand for services and increased costs. And in addition to the stellar support provide by CIPFA’s Networks and other commercial subscription services, we were also quick to offer a broad range of free-to-air services, including webinars, podcasts and a new weekly bulletin to CFOs that sorted the wheat from the chaff of government announcements.

These successes have also been realised around the world. With strong restrictions on travel, delivering projects internationally was a challenge, but CIPFA was still able to complete all planned projects for the year as well as continue to expand our reach and influence. We continued our capacity-building work in Somalia, Somaliland and Bangladesh and kicked off new World Bank-funded projects in Bangladesh and Albania. We also established our new International Advisory Panel, featuring experts from around the world, to enhance our expertise and influence the development of public financial management globally.

Even though this has, in many ways, been one of the most challenging years of my career, I’m coming away from it with a sense of optimism. Over the course of the last year, I’ve shared in your challenges, but I’ve also shared in your successes. In 2020, I have been a witness to resilience, determination and compassion in the public sector like at no other time in my professional life. It has been an honour to share this time with you.

**Professor Andy Hardy**
President

During 2020, services and functions were also digitised at a pace previously unheard of. CIPFA joined this effort, with all face-to-face events and teaching moved online. Understanding what we can achieve remotely has been a revelation.

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**Professor Andy Hardy**
President

**Rob Whiteman, CBE**
CEO

The scale of the disruption that came in the wake of the COVID-19 was both unpredicted and unprecedented. At CIPFA, while we were not expecting the crisis as we went into 2020, from the outset we moved quickly to stay ahead of the curve, controlling costs, deferring planned investment and adapting our operations to support members, students and customers remotely. I am pleased to report that in spite of these challenges we accelerated the trend of increased better trading over recent years to the degree that we achieved the most financially successful performance for many decades, delivering a £3m trading surplus and £2.8m improvement on budget. We also took the opportunity to review our business model, refresh our senior leadership team and middle management capabilities, and craft a five-year business plan that we are confident will spur us on to future success.

In last year's foreword, I addressed our difficult decision to improve our balance sheet and write down the problematic London Counter Fraud Centre costs borne before July 2019 so that we had no baggage going forward in the challenging context of COVID-19. In retrospect we are all the more confident that we made the right decision, albeit an uncomfortable one. Elsewhere in this annual report you will see that we have very much continued to learn lessons and made good progress with implementing Martin Sinclair's recommendations following his independent review.

Like the organisations we are proud to support, 2020 challenged us to think differently about our business as usual and we rose to the occasion. It's a source of great pride that we moved quickly to adopt online invigilation for our professional exams, meaning we did not cancel a single exam for our students, the only UK professional accountancy body to do so. In parallel to online exam delivery, we shifted rapidly from face-to-face to online delivery of our education programme, with no pause in learning.

CIPFA is, uniquely among UK-based professional accountancy bodies, a standard-setter as well as an educator, and we take a specific role in the statutory framework underpinning local government financial reporting. We worked collaboratively and at pace to reframe our guidance to local government CFOs to reflect the added pressures of the COVID-19 pandemic on local authorities.

We also continued close and productive dialogue with MHCLG to help shape and inform central government's support for the local government sector. As chief executive, I was pleased to be asked to give evidence to both the Commons' Public Accounts Committee and the Housing, Communities and Local Government Select Committee into various inquiries focused on local government.

In the fast-moving, uncertain context of 2020, CIPFA aimed to be a trusted anchor, providing reassurance and stability. We signposted members to the resources they needed to make sense of the new operating context. We introduced a weekly CFO bulletin complemented by monthly CEO bulletins, directing senior leaders in local government to the resources that really mattered. We also introduced more regular podcasts and a programme of free-to-air webinars, attracting high-profile and influential contributors to discuss and explore the professional and personal challenges of the pandemic. Our annual conference went digital and was postponed from July to October, but still offered a rich programme of content with speakers including former chancellor Lord Hammond, Welsh finance minister Rebecca Evans and BBC Newsnight's Nick Watt. We devised a creative delegate offer, extending the reach of the conference in a way that offered good value to our members and employer organisations. Alongside this, our regular programme of smaller events continued successfully, albeit online.

There was particularly strong performance from our Networks, the Achieving Finance Excellence in Policing programme, our training services and our international advisory offer, aided in large part by our shift to online delivery. Agility is vital for organisations such as CIPFA and where we performed less strongly, for example our professional education and training service, in research and analytics and property, we offset the impact by reducing the cost base and in some cases restructuring to address longer-term challenges.

The COVID-19 pandemic has also had a profound impact on us as an employer, and our staff have been largely working remotely since before the first lockdown. Our in-house IT team moved quickly to support the shift to remote working for our staff, HR policies were flexed and updated and our internal communications increased in frequency to ensure staff were kept informed. While retaining a focus on business and customer needs, we took care to ensure staff were supported, offering them access to wellbeing resources throughout what was an uncertain and at times stressful period, which saw some staff placed on furlough. As we move out of the pandemic, we have started consultation on our new operating model in a world where remote working is the norm rather than the exception, with consequent impacts on our estate and people strategies.

These changes strengthen our ability to be an attractive and competitive employer to recruit and retain the very best talent and all the more thrive in our competitive markets.

In the latter part of the year, much of my attention as CEO was focused on the development of our five-year business plan, accompanied by a digital transformation programme to overhaul and update our business processes and systems. We plan to invest £10.5m, with £1.5m earmarked for year 1 (2021) and student and membership pathways are the first milestone on our transformation roadmap.

In summary, we have emerged from the crucible of 2020 a fitter organisation and imbued with the knowledge that we can do things we would never have thought possible, reaching our members and markets in new and exciting ways. We face the future with optimism and confidence. I would like to commend to our members the commitment and energy of managers and staff to achieve this.

Rob Whiteman

**Rob Whiteman, CBE**
CEO

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**Rob Whiteman, CBE**
CEO

# 02

# About CIPFA

CIPFA, the **Chartered Institute of Public Finance and Accountancy**, is the professional body for finance experts in the public sector.

Our members work across all public services. They manage the largest budgets under the greatest scrutiny – that's why the CPFA designation is widely recognised as the benchmark qualification for public service finance.

CIPFA is the world's only professional accountancy body to specialise in public services. Our suite of training and qualifications is sought after and highly respected around the world.

CIPFA

Founded in Manchester in 1885 as the Corporate Treasurers and Accountants Institute, CIPFA has helped shape public financial management in the UK, and increasingly globally.

We champion high performance with information and guidance, courses and conferences, property and asset management solutions, advisory and recruitment services for a range of public sector clients.

# 03

# Our purpose and strategy

## CIPFA's Purpose

# Building trust and delivering excellence in public financial management.

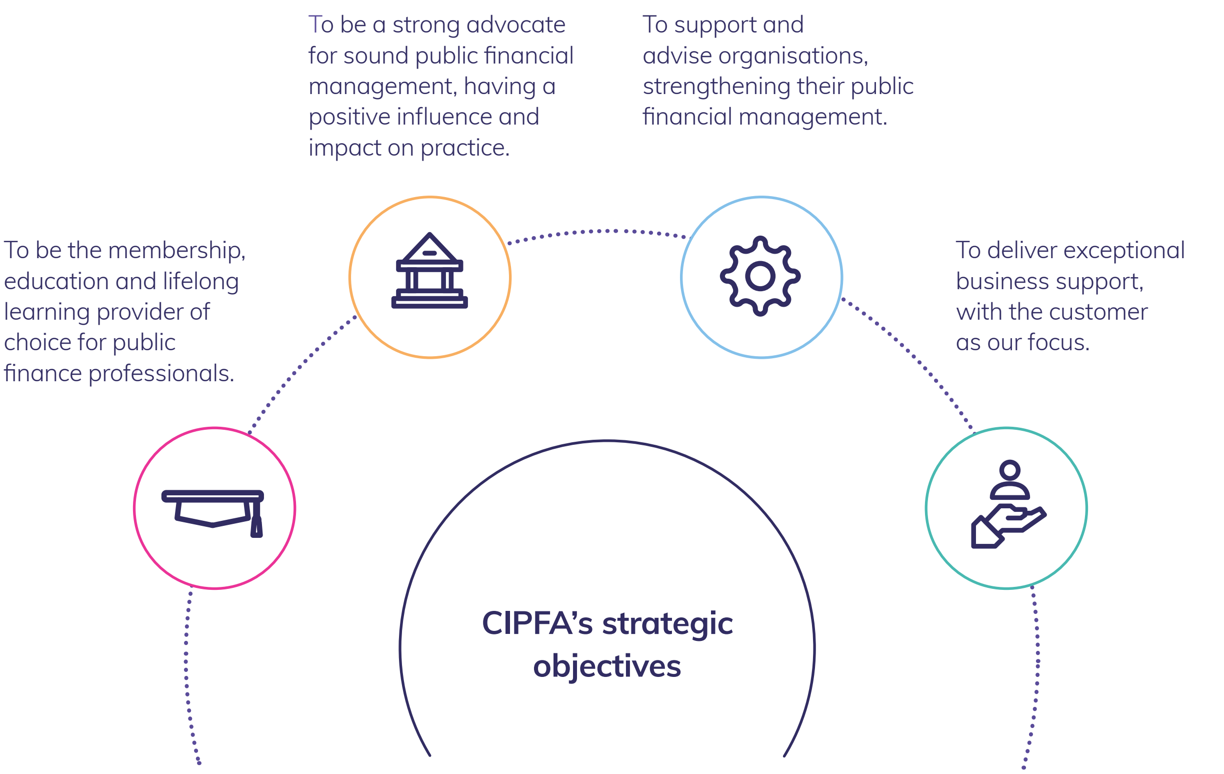
CIPFA believes that improving public services is the key to changing lives for the better. We aim to be the global leader in public financial management and to make a real difference to the world we live in.

CIPFA is a charity that sets the standards that UK local government and organisations worldwide adopt. Good public financial management is central to achieving and building trust across communities. Through resilient finances we can ensure public money is raised and spent with the highest degree of openness and efficiency and that critically important services are provided efficiently and effectively.

CIPFA is a membership body that supports its members and students, ensuring we equip them with the tools to deliver best-in-class public financial management across the whole of their career. We deliver qualifications that are relevant to the public sector and we offer lifelong learning materials to support career development in line with our public finance professional competency framework.

CIPFA's aim is to lead the domestic and global debate on good public financial management and governance.

Our business works with the organisations that employ our students and members, and other key public finance stakeholders, to ensure – at the organisational level – public finance is at its strongest, contributing to effective and efficient public services.



# CIPFA's values

CIPFA

CIPFA provides unique specialist **expertise**

CIPFA is **responsive** and customer oriented

CIPFA is people-focused, supportive and **collaborative**

CIPFA is committed to **innovation** and digital delivery

CIPFA is **trusted** as independent and ethically driven

# 04

# Performance and achievements

CIPFA is a charity. Our charitable objectives are to promote public benefit and create public value by:

1 Advancing public finance and promoting best practice

2 Regulating and supporting members

3 Educating and training student members

# 1 Advancing public finance and promoting best practice

## Supporting the public sector's COVID-19 response

The world public bodies operate in changed in March 2020 with the outbreak of the COVID-19 pandemic. Public bodies had to find a way to deliver their core services and ensuring good financial management continued, while adapting and responding to the impacts of lockdown, processing additional government grants and reliefs.

CIPFA's work in 2020 was integral to these efforts. Expert CIPFA staff worked closely with MHCLG to provide advice on business rates collection fund and accounting, all of which enabled the department to shape its planned funding package to local government.

Recognising that regular and trusted communication was essential in the fast-moving environment created by the pandemic, early on CIPFA introduced a weekly email bulletin for chief financial officers (CFOs) in local government. The first edition was produced in March 2020 and continued throughout the year, receiving very positive feedback.

## Supporting finance professionals in local government

The financial challenges that could be faced by local authorities in England and Wales are recognised in a statutory mechanism. The requirement to issue a Section 114 notice (a term referencing Section 114 of the Local Government Act 1988) emerges when a chief financial officer has to make public a local authority's inability to balance its budget.

During 2020 higher demand for services resulted in increased costs for local authorities, while lockdown restrictions resulted in lower income from fees and charges. Given this content, the immediate issue of Section 114 notices was considered not to be the most appropriate response. CIPFA acted quickly to modify guidance to enable CFOs to more readily navigate the financial issues emerging from the pandemic.

Although these modifications were small, they created space for CFOs to explore other avenues for financial support. They also enabled more finance directors to meet their statutory responsibilities, while avoiding a Section 114 notice and the resulting freeze on local spending that inevitably follows – an essential outcome in the pandemic.

The pandemic required CIPFA, as well as the organisations we support, to work differently. In what was a major success story, CIPFA's team of Network advisors transferred nearly 300 planned face-to-face events into webinar delivery. The shift to a virtual environment ensured a seamless service was provided to customers in finance, governance, procurement, revenues, police and fire, social care, insurance and treasury management, and facilitated international outreach via some training for Unicef staff in New York.

## Policy focus beyond COVID-19

### Working with HM Treasury and the Public Works Loan Board (PWLB)

The Prudential Code for Capital Finance in Local Authorities was developed by CIPFA and is a professional code of practice that supports decision making on capital investment. It sits at the heart of the wider prudential framework for local authorities, which includes the legislative frameworks within the UK.

During 2020 HM Treasury and the Public Works Loan Board (PWLB) made modifications to the way local authorities access borrowing for capital investment. CIPFA was consulted by the Treasury in advance of what was a significant change to PWLB lending terms.

CIPFA also submitted a response to the consultation and gave notice that a fundamental review of the Prudential Code was being planned.

### The Redmond Review

Former CIPFA president Sir Tony Redmond completed his much-awaited review into the Oversight of Local Audit and Transparency of Local Authority Financial Reporting (the Redmond Review) in September 2020. This called on CIPFA's expertise to assist in the design of a summary financial statement (later to be referred to as a standardised statement). We developed a series of pilot statements consistent with Redmond's vision that summary accounts would be a vehicle to increase transparency.

CIPFA has created a small team to address the consequences of the Redmond Review. It is working on training materials for auditors as well as taking forward the proposals for summary statements to make them a reality and add to local authority accountability.

## Advising organisations on the front line

The CIPFA Advisory team built on its 2019 success and 2020 saw a growth in revenue of 9.2% to £1.74m. This is a significant achievement given the impact of COVID-19 on the consulting market. The Advisory team also responded to the challenges of delivery through a digital medium, which has been welcomed by clients.

In 2020 Advisory worked with 56 different clients to deliver almost 90 wide-ranging projects. A significant number of client engagements (18%) realised revenue between £50,000 and £320,000, which signals that our advice and guidance are valued and continually sought.

The range of support provided to local government and the police sector continues to develop. 2020 saw an increased focus on supporting organisations' understanding and their response to commercial activities, financial stability and resilience as well as understanding their balance sheet structure and messages around performance. Advisory also continued to deliver financial management and financial governance reviews, finance function and finance environment transformation as a contribution to organisational improvement and progression.

## Achieving Finance Excellence in Policing

The Achieving Finance Excellence in Policing (AFEP) programme continued successfully following its April 2019 launch, despite the disruptions presented by COVID-19.

Achievements in 2020 included the production of a comprehensive and unique assessment on the statement of financial management in policing – the National Report. This report shone a light on areas of best practice to shape a national roadmap and inform local improvement plans, enabling forces to stay in control of their financial strategy.

AFEP also delivered 12 specific police data dashboards, which collectively created a unique police database, the first of its kind.

Additionally, leadership support academies were convened, attended by 75 delegates and totalling 3,790 CPD hours across the stream. A successful virtual conference was also held in September, attracting 57 delegates and a range of well-placed speakers from across the police sector and other public services.

Work began on two publications focused on the role of the CFO in policing and a guide to police force collaborations.

Preparation also got underway for the second iteration of the programme – AFEP II. This places learning and development as well as talent progression at its heart. The programme will deliver a highly flexible approach to people development, supporting the next generation of police finance leaders. This comprehensive programme includes areas of training that are also available to non-finance team members.

## Supporting the profession internationally

2020 saw a strong start for CIPFA's international work, with a broad portfolio of advisory and capacity building assignments drawing on our experience to strengthen public financial management (PFM) across Africa, South and Central Asia and the Caribbean.

The imposition of travel restrictions that aimed to curb the spread of COVID-19 across the globe immediately impacted many of our projects, where our staff and consultants were delivering face-to-face support in country. After ensuring the safety of our people, our immediate priority was to work with our clients to develop new ways of collaborating to ensure that our projects could continue to be delivered on time and to the quality required. Our responsiveness and flexibility meant we were able to successfully complete all of our planned activities in 2020 as well as expanding our technical breadth and geographical reach through the commencement of new projects.

We continued our ongoing World Bank-funded capacity building work in Somalia, Somaliland and Bangladesh, supporting the professionalisation of civil servants working in the field of PFM through delivery of CIPFA's IPFM qualification. We continued to support the Government of Tajikistan in the organisational and capacity development of the Chamber of Accounts, the country's state audit institution, including practical support for the implementation of performance audits. We also completed a scoping study considering the migration to accrual accounting in the Botswana Unified Revenue Service and provided recommendations on next steps for implementation.

More broadly, 2020 saw the development of important new relationships with key international stakeholders, including central and local governments and state audit institutions, donors, academic institutions and regional bodies. Through these relationships, we seek to influence the development of PFM globally, as well as building capacity to implement such developments.

## Keeping the profession connected through conferences and events

Due to the restrictions imposed by the pandemic, CIPFA's annual conference took place later than usual and was an entirely digital event. Held over four days in October, speakers included former chancellor Lord Hammond, Welsh finance minister Rebecca Evans, Sir Tony Redmond and organisational psychologist John Amaechi. The event attracted 1,064 paying delegates, with 850 attending across the four days. The vast majority of content was available on demand for nine months after the event.

Winners of the annual Public Finance Awards were also announced as part of the conference programme. Awards were given across 17 categories including a Grand Prix, which went to Manchester City Council for its social value through procurement programme.

The annual Northern Ireland conference – Public Finance Live Northern Ireland – was held in December, two months later than its normal scheduled date, but enjoyed its highest turnout ever. Members in Northern Ireland supported the event in numbers with more than 100 attending what was the last policy and technical event of the year.

Alongside these paid-for events, we launched a programme of free-to-air webinars to provide helpful information and support to public finance professionals as they grappled with the personal and professional challenges of COVID-19. Speakers appearing as part of this webinar programme included Sir Michael Barber, Lord Deben (Chair of the Committee on Climate Change), Dame Margaret Hodge MP and the Institute for Fiscal Studies. The webinars broadcast to a total 1,075 delegates live from launch in May. All content is archived on CIPFA's YouTube channel and the channel had received a total of 18,395 views by the end of 2020.

We also increased frequency of the production of the CIPFA podcast, CIPFA Speaks!, covering topics from climate change to inclusion in the accountancy profession and featuring insights from a range of members, policy experts and commentators. Across the year, the podcast received 2,224 listens.

## A new look and feel for CIPFA

Working with design agency PS London, CIPFA conducted a project to refresh our brand and visual identity and began rollout in Q4. The updated look and feel introduced new fonts, a broader colour palette with more tones and depth and a shift to photographic imagery. The website homepage, and some associated landing pages, were also restructured and adopted this refreshed brand identity.

## Public Finance International Advisory Panel (IAP)

In 2020, CIPFA established the Public Finance International Advisory Panel, convening a global panel of more than 35 experts to generate fresh insights into public sector finance issues worldwide.

IAP members include professionals from academia, international bodies and professional accounting organisations. The IAP aims to facilitate professional and academic discussion and thought leadership on pan-public sector finance issues, including anti-corruption, internal control, budgetary management, accounting, auditing and performance reporting.

## International Financial Reporting for Non-Profit Organisations (IFR4NPO)

The International Financial Reporting for Non-Profit Organisations initiative is a five-year project led jointly by Humentum and CIPFA to develop the first ever international financial reporting guidance for non-profit organisations (NPOs).

Project efforts in 2020 were largely focused on increasing awareness of both the project and future guidance, ahead of the IFR4NPO consultation paper launch in January 2021. CIPFA dedicated a significant amount of time in 2020 to developing content for the consultation phase and engaged national standard setters from around the world to better inform efforts. The project team recruited country champions globally to showcase and promote the project, regional awareness sessions were organised and both the Technical Advisory Group (TAG) and Practitioner Advisory Group (PAG) held meetings to better understand and analyse the specific needs of potential users of the guidance.

# 2 Regulating and supporting members

## Supporting members through COVID-19

From day one of the COVID-19 challenge, CIPFA's priority was the health and wellbeing of our 17,000 members and student members and we mobilised quickly and efficiently to support them.

CIPFA consistently remained ahead of the curve of COVID-19 in the support we provided to members. Working across teams, we identified five major stakeholder groups to target in the first instance: students, member volunteers, employers, subscribers and event delegates. Each of these groups received targeted communications outlining the priority of our stakeholders' health and wellbeing and plans for how services would be proceeding.

From 17 March, our full customer services operation was up and running remotely, and all subsequent events were reworked for online delivery. By ensuring all events were recorded, we were able to create additional value for members, as they would be able to participate even if unavailable on the day and view the content on demand.

With a largely public sector membership base for whom the mass shift to remote and online working was going to be unfamiliar, on 20 March we circulated comprehensive 'how to' documents for our major digital platforms, including MS Teams and GoToWebinar.

From early to mid-April, with immediate crisis communications and activities well embedded, efforts were turned to providing resources to members and students to support them in their day-to-day roles. On 8 April we launched a new COVID hub on the website, with sections dedicated to students, events and updates from government segmented by sector. This also included a free guide on leadership in times of crisis. The hub has received over 15,000 hits since launch.

## Professional ethics – supporting our members and students

A major project to assist members and students with professional ethics began in 2020. The majority of public finance professionals will likely face an ethical dilemma at some point in their career and this prompted CIPFA's Public Finance Management Board to commission the development of an e-learning tool.

The development was largely completed in 2020 and final testing revealed a modernised means whereby members and students can benchmark their professional knowledge against the requirements of CIPFA's Statement of Professional Practice on Ethics.

The e-learning addresses the five ethical principles of objectivity, integrity, professional behaviour, professional competence and due care and confidentiality. Users can self-test against a bank of short practical case studies and will be provided with a certificate of completion that will count towards their continuing professional development. The e-learning module will be made available to members and students on a complimentary basis and at a low cost to non-CIPFA members.

## Disciplinary

Protecting the public interest and maintaining public confidence in the integrity and reputation of our membership is paramount. We investigate allegations of malpractice and apply disciplinary sanctions where necessary.

In 2020, six cases were drawn to a conclusion with two resulting in expulsion, one in an entry on record, two in no further action being taken and one case being closed for other reasons. The appeal period for two cases heard in late 2020 will elapse in 2021.

# 3 Educating and training student members

CIPFA provides world-class education and training for student members. We teach the next generation of public sector finance professionals best practice in key areas, including commercial skills, governance and audit, leadership and management, technical accounting and financial reporting.

March saw a successful and very rapid move from face-to-face classes to online delivery. This required significant operational changes but was implemented with no pause in learning.

CIPFA was the only UK professional accountancy body to offer exams throughout the first lockdown thanks to early adoption of online invigilation.

In such an uncertain and unusual time, we felt it was important to offer students support beyond the core requirements of the syllabus and so hosted a series of webinars focused on strategies to maintain wellbeing and good mental health. The student response was particularly positive, with students thanking CIPFA for supporting mental wellbeing, citing the facilitator of the sessions as a calming influence with helpful tips, and welcoming the sense of community gained from the programme.

Total students


Students to members

## The views of regulators and assessors

### Apprenticeships

The Office for Students report on Level 7 apprenticeship provision, presented in March 2020, describes CIPFA's 'high quality provision' of Level 7 apprenticeship qualifications.

Its full summary paragraph was as follows:

**The review team finds that as the training provider, CIPFA has sound governance and management arrangements for its higher apprenticeships; has strong relations with employers that help to enhance the on-the-job and off-the-job training experience that apprentices receive; shows sound institutional judgement in its assessment of the strengths of its programme design as confirmed by employers and the review team; demonstrates competence in how it is identifying and managing risks associated with the way in which Work-Based Learning Coaches (WBLCs) manage and support apprenticeships; in how it is managing the work of the WBLCs overall; and in how it has openly acknowledged to apprentices and to the review team weaknesses in its current online portfolio recording tool and is taking steps to improve matters for apprentices and employers; and operates admissions arrangements that ensure that applicants for its higher apprenticeships are evaluated systematically and fairly, with due regard to their personal circumstances.**

In 2020 changes to regulatory arrangements were announced, bringing all apprenticeship provision under the scope of Ofsted and its Education Inspection Framework in 2021. Work begun to ensure evidence of operational and process compliance and continuous improvement in in relation to the Ofsted framework.

### AAT training

CETC had its regular external assessment as a registered Association of Accounting Technicians' Training Provider in November 2020 and received positive feedback from the external verifier (EV) who was particularly impressed with the flexibility shown by CETC to adapt training plans to meet the needs of our learners who were facing challenges at work and home due to COVID-19.

After meeting students and trainers, the EV concluded that moving to online delivery ensured that there was no break in learning for the students and they completed all training successfully. The EV highlighted the continuity provided to learners during a difficult year and confirmed students were happy with the service and standard of teaching.

Development of the new Counter Fraud Investigator Apprenticeship started in 2020 ready for its launch in 2021.

Student responses to our wellbeing webinars were particularly positive, with students thanking the organisation for supporting mental wellbeing, citing the facilitator of the sessions as a calming influence with fabulous tips, and welcoming the sense of community gained from the programme.

## Non-PQ training

Trainers adapted quickly to enable a shift to training delivery via virtual classroom at the start of the pandemic and this mode has been well-received by employers and delegates. We continue to review materials and delivery methods to ensure continuous improvement in relation to content and learning outcomes.

The pandemic did impact the delivery of some programmes, particularly those being delivered outside the UK, with some clients choosing to delay programme delivery.

A range of new public-sector focused e-learning modules were developed covering Governance and Accountability, Fraud Awareness, Budget Management and Control, and Introduction to Finance Business Partnering.

## Supporting students internationally

We continued to develop our expertise in PFM professionalisation starting new World Bank-funded assignments in Bangladesh and Albania. In Bangladesh, we are supporting the development of a Competency Framework, a training needs analysis and a Code of Conduct for PFM professionals, with the aim of working towards a future-ready PFM workforce. In Albania, we are assisting the Ministry of Finance and Economy in developing and delivering a comprehensive capacity development programme to ensure technical accounting capability and capacity is increased across all tiers of government, starting with central government entities ahead of roll out to local government units.

### Training at the International Fund for Agricultural Development

In 2020 CIPFA was awarded a contract to develop and deliver a global financial management training programme over three years. The client is the International Fund for Agricultural Development (IFAD), a UN Agency. IFAD provides low-interest loans and grants to finance agricultural and rural development projects that support the eradication of poverty and hunger in rural areas of developing countries. The fund commissioned the programme to strengthen the financial management practice of the projects they fund and in turn, improve the project outcomes.

The original plan was for classroom training to be held in four languages in hub locations across Africa, Asia and South America. However, following the start of the pandemic a new delivery format was agreed to incorporate e-learning and web-delivered training. CIPFA quickly geared up to increase e-learning development capacity and by the end of 2020 had completed most of the development work. 2021 sees the roll-out of the programme to delegates.

**250+ delegates**

coming from three continents will complete the training.

**24 e-learning courses**

have been created.

The training will be delivered in

**4 different languages.**

# 05

# Staff and environment

## Staff

We recognise the importance of our staff in helping make CIPFA a stand-out organisation in the way we behave and the quality of the work we deliver for the public, members, customers, each other and everyone with a stake in our work.

We want our people to share our commitment to CIPFA's values and have fulfilling and challenging careers where they contribute to our success. Our shared behaviours form part of a new online staff performance process and are designed to foster and grow how we work.

We have enabled staff to play a key role in the development of CIPFA's vision, strategy and direction and provided opportunities for communication and feedback at open forum engagement sessions that all staff attend and through our leadership development programme, which is creating a cohesive senior management team for the organisation.

Linked to our strategic ambitions, business plan and our aim to transform CIPFA we have implemented a new organisation structure. This will provide greater clarity on accountabilities and responsibilities and facilitate more effective collaboration across the organisation. Our senior structure is based around our four directorates, all led by a director and reporting to the Chief Executive. CIPFA Council and Board delegate to the Chief Executive day-to-day operational control of CIPFA's business and operations.

Our staff forum, a representative group of employees from across the organisation, provides a mechanism for staff to meet with senior management, discuss important business issues and provide feedback on matters that concern or interest our people.

In 2020 we established a staff representative group to provide input and feedback on our plans to implement our diversity and strategy, which along with employee development and wellbeing forms an important part of our people plans for 2021.

Our staff remain committed and engaged with our mission and have performed admirably during what has been exceptional year. As we emerge from the pandemic we will push on with plans for our refocused people agenda and aim to ensure CIPFA remains a great place to work.

## Quality, Health, Safety and the Environment

The COVID-19 pandemic has led to the mothballing of the Birmingham and Edinburgh sites since March 2020 and the partial mothballing of the London office. Areas within the London office and the Chester site have been supported by a very small group of volunteer staff.

The COVID-19 situation has skewed all health, safety and environmental data and targets and detailed figures are therefore unfortunately not available. Wherever possible across all CIPFA sites we recycle paper and all other materials such as food waste and batteries in order to reduce our use of resources and lessen our impact on the environment.

November 2020 saw the successful three yearly re-certification of the ISO 14001-2015 (Environment) and ISO 9001-2015 (Quality) systems held by CIPFA as well as the transition from OHSAS 18001 to ISO 45001:2018 (Health & Safety) covering all four CIPFA office locations. These are run as two management systems, one covering Quality and the other covering Health, Safety & the Environment, with all staff having full access to each.

# 06

# Independent Review: London Counter Fraud Hub

In October 2020, Martin Sinclair, former CIPFA Council Member and prior to retirement Deputy Auditor General at NAO, presented the findings of his independent review looking at the lessons learned from the London Counter Fraud Hub project. The review assessed CIPFA's governance, including risk management and procedures in relation to the project.

Martin Sinclair concurred with the lessons learned and actions put in place by CIPFA and commented on the progress already made to improve capabilities and governance.

As requested by Council, the Sinclair Review also set out a range of recommendations to further improve the processes, culture and maturity of governance and delivery. The advice and action plan in response was welcomed and approved by Council at its meeting in December 2020.

The recommendations and approved action plan fall under eight themes:

1

Improve the clarity of delegated authority and where decisions are made.

2

Improve the corporate and board culture to encourage constructive challenge and balance the perspectives of trustees, non-executive directors and executive directors.

3

Develop an overarching mandate setting out the commercial parameters and risk appetite for Commercial Board to supplement financial and decision making delegations.

4

Improve the opportunities for Council to oversee the work of CIPFA Board.

5

Improve internal governance processes to bed in the new structure and ensure good information flow.

6

Guard against optimism bias with robust business planning.

7

Ensure the revenue and capital implications of programmes and projects are well understood within the governance system.

8

Strengthen risk management.

Governance responsibilities have been brought together into the new role of Company Secretary & Head of Governance with a remit to bring clarity to the system and ensure compliance with the charitable objectives, the Charter and bye-laws, and the scheme of delegation.

The initial stages of implementation have focused on bringing clarity to the governance system with improved information flow. The next phase will be to review risk management and develop the 'mandate' from Council to CIPFA Board and the Commercial Board. This will set out the Council's risk appetite and the parameters for commercial activity.

A new advisory board, the Portfolio Board, is supporting management through introducing rigour to business case development and review for projects and programmes. The Board's membership is designed to provide sufficient breadth of expertise for programme review and monitoring and includes a CIPFA Business Ltd non-executive director.

Culture change was another key area of the recommendations. From the executive side, a leadership training programme for senior executives is designed to support this culture change. The two away-days arranged for the Commercial Board and CIPFA Board will also incorporate facilitated sessions to help develop the right culture.

CIPFA is committed to achieving excellence in its governance and continues to review its practice against the Charity Governance Code annually. To provide an independent check, Martin Sinclair will be invited to assess the progress made after a full year.

# CIPFA's year in numbers

186
scheduled face-to-face classes
moved online

11 conferences attracting
1,468
delegates

17
consultation responses
including submissions to
5 parliamentary inquiries

# 07

# How we are governed

## Name and nature of the charity

The full name of the charity is The Chartered Institute of Public Finance and Accountancy (CIPFA). It is governed by Royal Charter granted in 1959 and is registered with the Charity Commission for England and Wales, number 231060.

CIPFA is also registered with the Office of the Scottish Charity Regulator. The registration number is SC037963.

CIPFA is managed and regulated in accordance with its Charter and Bye-laws.

### Charitable objectives

To **advance the science of public finance** and of **accountancy** and cognate subjects as applied to all or any of the duties imposed upon and functions undertaken by public service bodies, and to promote public education therein.

To **advance** and **promote any scheme or schemes** (howsoever constituted), having as one or more of their objects the review or regulation in the public interest of the **establishment of standards** by, and the training, regulatory and disciplinary activities and procedures of, any one or more accountancy bodies.

To **promote** and to **publish** the results of **studies and research** work therein and in related subjects.

To **advance** and **promote co-operation** between accountancy bodies in any way.

## Public benefit

CIPFA's work building trust and delivering excellence in public financial management aims to ensure public money and services are managed effectively, efficiently and securely for the benefit of all.

The Council confirms that it has complied with the duty under the Charities Act 2011 to have due regard to the Charity Commission's guidance on public benefit. The work of CIPFA in pursuit of its objectives is detailed in Performance and Achievements.

Within the charity is a network of branches and regions. They work alongside CIPFA helping to deliver the charitable objects, principally through the provision of support and information to members and students locally.

CIPFA has one active wholly-owned subsidiary company: CIPFA Business Ltd, Companies House registration number 2376684, and a majority holding in CIPFA C.Co Ltd, registration number 10212053.

CIPFA Business Ltd is the management support services company of CIPFA and has a separately constituted board of directors. It specialises in providing financial advice and governance, property and asset management solutions, and the supply of information and expertise.

The charity (including regional groups) and the subsidiary company are reported on a consolidated basis. Membership of CIPFA is open to all who can demonstrate the required academic achievement. Fees are kept to a minimum through subsidy supplied by profits generated through the subsidiary company.

## The Institute Council

The President chairs the Institute Council. In addition to four honorary officers, the Council is constituted of no less than 21 elected members of CIPFA and up to 16 co-opted individuals.

The Council approves the co-options, taking into consideration the skills, experience and knowledge required. It evaluates these against an agreed set of criteria and aims to ensure a balanced council reflecting the sectors, geographical coverage and general make-up of the Institute membership.

All Council members play a non-executive role.

A programme of induction is provided for new Council members and mentors arranged from the cohort of more experienced council members.

Council appoints the members of the CIPFA Board, which deals with the oversight of operational matters, and includes the six trustees, who are Council members, to deal with reserved matters.

## The role of the Institute Council

Council is responsible for the strategic direction of CIPFA and approving major developments. It also approves the terms of reference and delegated powers of its committees and boards. Through delegation to the CIPFA Board, it is responsible for the effective oversight of the operations of CIPFA and its subsidiary company. The Council normally meets four times a year.

## Statement of Council responsibilities

The trustees must ensure that the annual report and financial statements are made in accordance with applicable law and regulations. They are also responsible for the integrity of the corporate and financial information included on the charity's website.

Charity law requires the trustees to prepare financial statements for each financial year. Statements must give a true and fair view of the charity and the group and their financial activities in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards).

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- follow applicable UK accounting standards and the Charities SORP, disclosing and explaining any departures in the accounts
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and group will continue to operate.

The trustees must disclose with reasonable accuracy at any time the financial position of the charity and the group, and ensure that the financial statements comply with the Charities Act 2011.

Trustees are also responsible for safeguarding the assets of the charity and the group and ensuring their proper application in accordance with charity law. This includes taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees have adopted the Charity Governance Code. While CIPFA complies with the seven principles of the code, the trustees acknowledge the need to maintain compliance with the code and to strive for excellence. Therefore, we continuously review compliance and take actions where necessary. The trustees are aware that the code was updated in December 2020 and will continue to monitor its application of principles against the revised code in the year ahead.

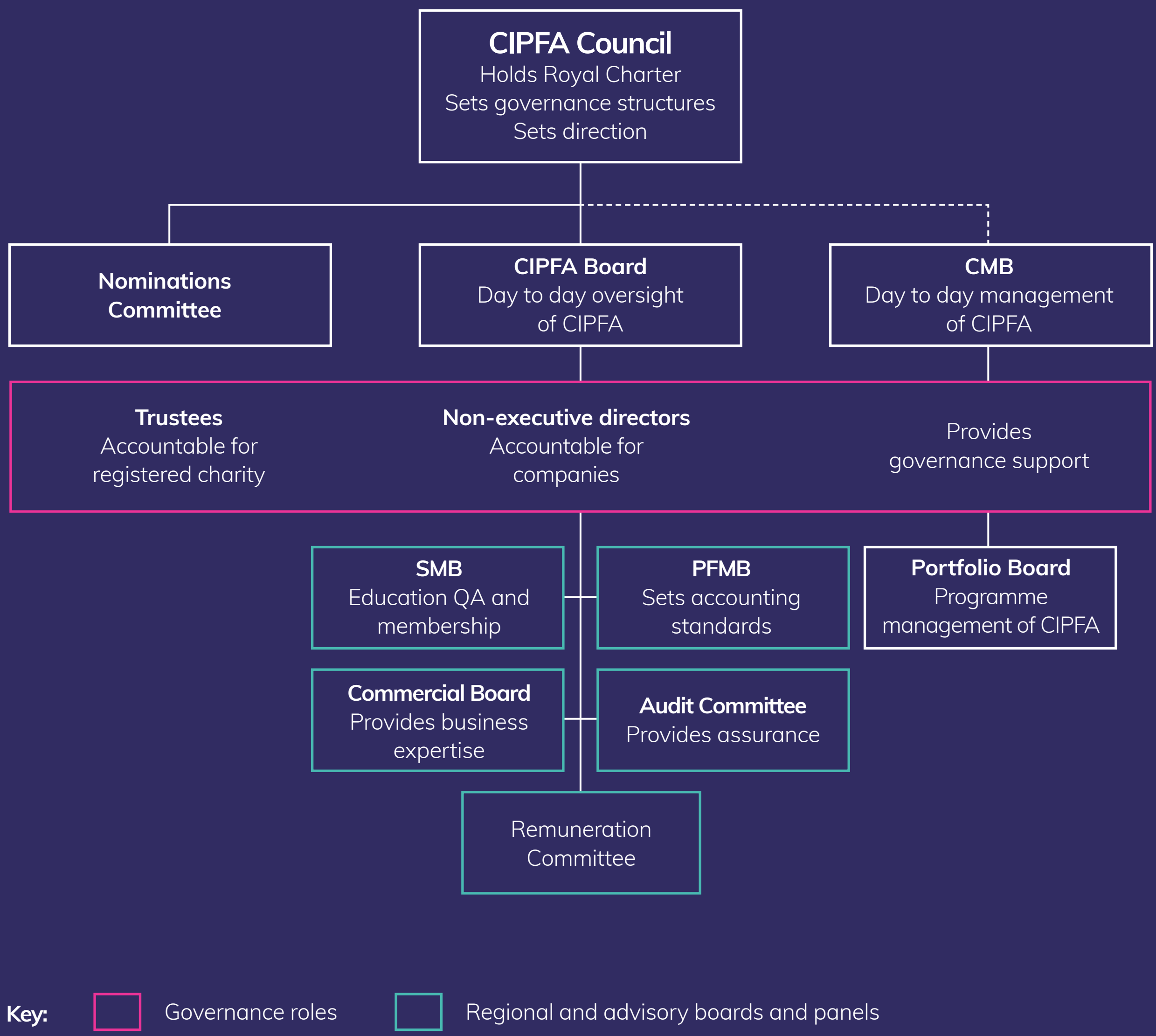
## The governance structure

Having set the strategy for the organisation, Council delegates oversight of CIPFA's business to the CIPFA Board, which implements the approach through other boards and committees.

The CIPFA Board comprises six trustees of CIPFA (which include the four honorary officers of the Institute), two non-executive directors, the Chief Executive and the Director of Finance.

The CIPFA Business Ltd Board, which also acts as the Commercial Board, comprises the President, Vice President, three non-executive directors, the Chief Executive, the Director of Finance and the Chief Operating Officer.

All boards and committees are formally constituted with terms of reference. The Council acts on advice and information provided by the executive. Members of Council are able, where appropriate, to take independent professional advice at no personal expense so that they are able to fulfil their role.



## Key individuals

A summary of the key individuals with responsibility for the boards and committees at the core of the Institute is given below.

| | Audit Committee | CIPFA Board | Students and Members Board | Public Financial Management Board | Remuneration Committee | Commercial Board | Nominations Committee |
|---|---|---|---|---|---|---|---|
| **Chair** | Lyn Davies | Andy Hardy | Caroline Rassell | Mohammed Sajid | Joe Sealy | Joe Sealy | Carolyn Williamson |
| **Vice Chair** | Suresh Patel | Joe Sealy | Leslie Milne | Rosanne Nulty | Jane Cuthbertson | Roger Alderson | Jane Cuthbertson |

**CIPFA Business Ltd:** CIPFA Business Ltd is the professional services business of the Chartered Institute of Public Finance and Accountancy (CIPFA). During 2020, we continued to provide cutting-edge advice and services to help public bodies improve financial management and efficiency in the face of contracting budgets.

The directors of CIPFA Business Ltd are all experienced in business or the markets that it serves. Brief details of their background and experience are included below.

- **Roger Alderson:** Roger has spent a significant portion of his career working internationally, as a consultant (with the McKenna Group), a strategist (with Perot Systems) and a marketing director (with EDS, HP and Logica). Roger has proven experience working with a range of organisations from start-ups to multi-nationals and has operated from both headquarters and the field.

- **Mike Driver CB (Vice President):** Mike moved into government finance in 1999 and held a number of senior roles from 2012 including Chief Financial Officer at the Department for Work and Pensions and Ministry of Justice. In 2017 Mike was appointed to Head of the Government Finance Function, HM Treasury, a position he held for over three years to drive the agenda to substantially strengthen the finance function's critical role at the heart of government, ensuring better political and business outcomes. Mike has a plethora of additional roles including as a non-executive board member of Shared Services Connect Limited.

- **Professor Andrew Hardy (President):** Andy is Chief Executive Officer of University Hospitals Coventry and Warwickshire NHS Trust (UHCW), one of the largest tertiary acute trusts in the country, with an annual turnover in excess of £650m. In addition, Andy is currently Chair of Coventry and Warwickshire Local Workforce Action Board (LWAB), a member of Midlands and East Local Education and Training Board, Chair of the West Midlands Academic Health Science Network South Membership Innovation Council and a member of Warwick Medical School Faculty Advisory Board. Andy is also Professor of Industry at the University of Warwick and has been appointed as Chair of the Coventry and Warwickshire STP Footprint.

- **Mark Lovell:** Mark is a Principal of TSAP advising clients in policy making, horizon scanning, strategic planning, new market development and competitive differentiation. His advisory work spans central and local government, as well as social sector organisations and private companies working with the public sector both in the UK and internationally. He spent over 20 years in the private sector leading businesses to pioneer and innovate in public service delivery. He is a Fellow of Practice at the Blavatnik School of Government at the University of Oxford.

**Joe Sealy:** Founding Partner at Greater Pacific Capital, Joe was previously a managing director in the Investment Banking division at Goldman Sachs. Joe has been a specialist in providing strategic advice to clients covering communications, media, entertainment, advertising and security. He is an experienced strategic advisor to corporations, investors and government institutions across multiple regions and industries.

He was a partner at KPMG in strategy consulting and implementation and has also held positions as an advisor in the public sector, specialising in privatisation and outsourcing.

**Mark Thomson:** Mark Thomson is an experienced business leader, having held high-profile senior positions in both the private and public sector. As Director General for UK Visas and Immigration and Her Majesty's Passport Office, Mark led teams responsible for managing around 10 million visa and passport applications a year and advised the Home Secretary on immigration strategy and policy.

**Rob Whiteman, CBE:** Rob is CIPFA's Chief Executive. He formerly held a senior civil servant role as the Chief Executive of the UK Border Agency and led the Improvement & Development Agency. Rob has also worked in local government as Chief Executive of the London Borough of Barking and Dagenham and Director of Resources at the London Borough of Lewisham.

**Gareth Moss:** A CIPFA qualified accountant, Gareth is a former Director of Resources of two local authorities and before becoming Finance Director he worked in CIPFA's Consultancy arm, advising public sector bodies on issues as wide as financial management, governance and senior staff recruitment. Gareth's past employment includes roles at Serco, where he was responsible for their local government contracts, Price Waterhouse and several local authorities.

Gareth is a non-executive director at Worcestershire Children First and Chairs the John Taylor Multi Academy Trust (based in Staffordshire and Derbyshire).

**Key:**

- Non-executive director
- Member of the CIPFA Group Remuneration Committee
- CIPFA Trustee

### Key management personnel remuneration

The trustees consider the CIPFA management board, which includes the chief executive, as comprising the key management personnel of the charity.

The CIPFA management board is made up of the executive directors of CIPFA and CIPFA Business Ltd. It is responsible for directing and controlling, and running and operating, the charity on a day-to-day basis.

All trustees give of their time freely and no trustee remuneration was paid in the year.

The remuneration committee has full delegated responsibility for decision making in relation to the pay and conditions of senior management including the chief executive in relation to remuneration, including:

- remuneration
- terms and conditions upon appointment
- changes to base salary
- bonus arrangements and payments thereunder
- honoraria and ex-gratia payments
- severance payments
- pensions.

The pay of the CIPFA management board is reviewed annually and is informed by any general pay award within the Institute. In the case of the chief executive, any changes to current salary, terms and conditions, bonus awards, etc are considered on advice from the honorary officers, and on receipt of recommendations from the chair of the remuneration committee.

The Institute provides a single discretionary group bonus scheme applicable to all eligible staff including the CIPFA management board, which has clear trigger points and also allows for investment in the organisation's future growth.

The trigger point and target surplus is reviewed and agreed as part of the annual business planning process by the trustees. The trigger and the split between bonus scheme pot and investment may vary. The bonus scheme is triggered when CIPFA generates a trading surplus above the approved business plan. All bonus awards are subject to the overall value of the bonus pot and based on assessment of individual in-year performance.

In the case of the CIPFA management board, the chief executive recommends any bonus awards to the remuneration committee. In the case of the chief executive, any bonus award is considered on advice from the honorary officers, and on receipt of recommendations from the chair of the remuneration committee.

The committee obtains independent professional advice as required including to compare and benchmark CIPFA's practices against those of other organisations. Executive remuneration is also benchmarked periodically with organisations of a similar size within the sector and activity to ensure that the remuneration set is fair and not out of line with that generally paid for similar roles. Such advisers may attend meetings as necessary.

### Equal opportunities

CIPFA is committed to the principle and practice of equal opportunities and aims to be an equal opportunities employer.

Our employment policy seeks to ensure that no job applicant or employee receives less favourable treatment on the grounds of sex, marital status, pregnancy and maternity, sexual orientation, race, religion or belief, age, disability, gender reassignment or any other grounds that are unjustifiable in terms of equality of opportunities for all.

The nominations committee embraces CIPFA's commitment to equal opportunities. Its role includes identifying candidates to stand for CIPFA Council from a wide variety of backgrounds. It also recommends to council candidates for co-option as well as chair and vice chair roles on major boards and committees. Again, diversity is a major factor in its considerations.

## Council members and attendance chart

| | Council 19/20 | Council 20/21 | Council | Audit Committee | Co-opted member |
|---|---|---|---|---|---|
| David Aldous | ● | ● | 3/3 | ● | ● |
| Danny Batten | ● | ● | 2/3 | | |
| John Bloomer | ● | ● | 2/3 | | |
| Michael Brodie | ● | ● | 3/3 | | ● |
| James Charlton | ● | ● | 1/3 | | ● |
| Carol Culley | ● | ● | 3/3 | | ● |
| Mike Driver | ● | ● | 1/3 | | |
| Tony Era | ● | ● | 2/3 | ● | |
| Kathryn Goodall | ● | ● | 2/3 | | |
| Claire Gravil | ● | | 0/3 | | |
| Shaer Halewood | ● | ● | 0/3 | | |
| Richard Harbord | ● | ● | 3/3 | | |
| Andrew Hardy | ● | ● | 3/3 | | |
| Elizabeth Honer | ● | ● | 3/3 | | ● |
| Sarah Howard | ● | | 0/3 | | |
| Vanessa Howlison | ● | ● | 3/3 | | ● |
| Milt Isaacs | ● | ● | 3/3 | | |
| Toshihiko Ishihara | ● | ● | 3/3 | | |
| Hari Iyer | | ● | 2/3 | | ● |
| Dr Peter Kane | ● | ● | 3/3 | | |
| Catherine Little | ● | ● | 1/3 | | ● |
| Muhammad Maqbool | ● | ● | 3/3 | | ● |
| Mark McBride | ● | ● | 3/3 | | |
| Lynda McMullan | ● | ● | 1/3 | | ● |
| Leslie Milne | ● | ● | 3/3 | | |
| Rosanne Nulty | ● | ● | 3/3 | | |
| Lee Outhwaite | ● | ● | 3/2 | | ● |
| Jayne Owen | ● | ● | 3/3 | | |
| Suresh Patel | ● | ● | 3/3 | ● | |
| Caroline Rassell | ● | ● | 3/3 | | |
| Mohammed Sajid | ● | ● | 3/3 | | |
| Renaud Seligmann | ● | ● | 2/3 | | ● |
| Kelly Watson | ● | ● | 3/3 | ● | |
| Mark White | ● | ● | 2/3 | ● | |
| Jon Williams | ● | ● | 3/3 | | |
| Carolyn Williamson | ● | ● | 3/3 | | |
| Derek Yule | ● | ● | 3/3 | | |

# 08

# Opportunities and risks

## Opportunities

Reduced spending across the public sector in the UK and internationally brings many challenges, but it also presents opportunities for CIPFA, through training, consultancy activity, leadership and support.

The Institute's reputation has been established over years of promoting best practice in public finance and guiding public bodies through the toughest challenges. 2020 was no exception to that and saw CIPFA (internally) respond well to the global pandemic but it also provided opportunities for our services to support customers and members during difficult times. CIPFA continues to see these as its central roles, which makes it the first choice for public sector finance professionals looking for advice and help when the pressure is on. We are dedicated to public service, we understand how public sector organisations work and we provide bespoke support. Our UK and International Advisory work continues to support organisations deal with funding and COVID-19 related challenges.

As the world's only public sector accountancy body there is strong demand for our expertise around the globe. Internationally, demand for public services is growing. By investing in our overseas capability, CIPFA is able to help governments across the world establish sound financial management and train the professionals needed to deliver high-quality services. Our strategy reflects these opportunities.

CIPFA invests significant time and resources into ensuring new finance professionals are fully prepared for their future careers and will operate to the highest standards. During 2020, the CIPFA Education and Training Centre has continued to focus efforts on ensuring its professional qualification and its apprenticeship offers are cutting edge, engaging and fit for purpose, to encourage new and talented individuals choose a career in public finance.

Fraud is a recognised and growing problem for the public sector, which is why CIPFA's Counter Fraud Centre (CCFC) works to ensure public bodies have the training and support to stamp out the crime wherever it appears.

## Risk management and internal control

Risks are monitored and reported on a quarterly basis at all levels of the Institute including the CIPFA Management Board, CIPFA Board and the audit committee. Risks are addressed as part of the business planning process and placed under the management of a senior member of staff and the appropriate board or committee. The Council and its audit committee are satisfied that all reasonable steps are being taken to manage exposure to major risks.

The advice received following the London Counter Fraud Hub was that the CIPFA Council mandate levels of risk that the Institute should take on different aspects of activity. This has been incorporated into our already established risk management process.

We operate a comprehensive business planning process, with an annual business plan and budget set by the CIPFA Board and approved by the Council. The CIPFA management board review key performance indicators monthly and revise forecasts as a minimum on a quarterly basis, and performance is reported to every CIPFA Board meeting.

CIPFA maintains a comprehensive set of delegations of authority and financial regulations. The financial controls and procedures are reviewed regularly and compliance with them verified by the work of the internal and external auditors.

We maintain a comprehensive set of policies and procedures, including: whistle-blowing, data protection, health and safety, complaints handling, code of conduct and register of interests for council members, non-executive directors and senior staff.

The audit committee reviews, on behalf of the Council, CIPFA's accounting and financial reporting practices. Internal audit reviews are prioritised using a risk-based approach. Recommendations are followed up.

Following the external review by Martin Sinclair into events surrounding the London Counter Fraud Hub, CIPFA management board has developed a Risk Mandate and Appetite for Council to consider. We will further develop our approach to evaluating, mitigating and managing risks at strategic and operational levels.

## Risks

CIPFA remains alert to both the immediate and longer term risks that our core market faces. CIPFA recognises the risk caused by COVID-19 and takes seriously the health and safety of staff and customers, as well as the potential impact on income streams. The Institute has moved to digital delivery of services wherever practical to ensure the high level of service expected from us continues to be provided and to safeguard our stakeholders' health and safety. This mode of delivery has been popular with customers, members and students and as we emerge from the pandemic we will look to retain the best and most appropriate facets of digital as well as face to face activity (although we anticipate we will continue to deliver the majority of our activity digitally). 2021 has seen the retention of a sizeable contingency to enable us to manage unforeseen situations.

Following the experience of the London Counter Fraud Hub CIPFA has revised its approach to programme and project management. A non-executive director now sits on the Programme Management Board where a rigorous approach is taken to reviewing the risks and opportunities as well as the delivery of our programmes and projects.

We continue to diversify our products and services as well as review the markets within which we operate, both within the UK and Internationally.

We continue to look to market our Professional Qualification as a relevant and attractive career path and demonstrate the opportunities to build successful and rewarding careers in public sector financial management.

| Principal risks for CIPFA | What the risks mean | How we manage the risks |
|---|---|---|
| Sustained reductions in public spending by the government lead to a significant reduction in our commercial income | Impact on the delivery of our objectives, including our charitable aims | Diversification of products, services, markets and sectors to maintain our income base. |
| Employers seeing less value in CPFA leads to reduction in PQ student numbers | Reduced student numbers lead to a reduction in members and a smaller Institute, which in turn impacts our ability to support existing members and customers | CIPFA Futures, key account management to ensure we retain our focus, attention on new apprenticeship scheme, focus on quality submissions to ESFA and OFQUAL. Joint working with customers and stakeholders to ensure the relevance of the qualification. |
| COVID-19 leads to a significant reduction in our income and a failure to achieve the 2020 and 2021 business plan and budget | Inability to invest in CIPFA activities and consequential impact on our attractiveness as a training and membership organisation | Immediate reaction to home working and digital delivery as well as management action on recruitment and expenditure. Focus on emerging from the pandemic and on developing a balanced approach to our operations that continues to deliver services at optimum cost without compromising the health and safety of our employees. |
| Loss of a major training provider | Loss of an employer would result in a loss of income, impact on reputation and reduction in student (and hence future member) numbers | Continued attention given to ensuring our offer remains relevant and appropriate for all of those customers. |
| The level and volatility of the Wiltshire pension fund deficit damages the confidence of members, staff, customers, partners and stakeholders in the long-term future of CIPFA | Although the going concern is not an issue (because of the Mansell St asset on the balance sheet) the volatility of the valuation compromises our long-term planning | Monitor performance of scheme. Close scheme to new employees. Review potential options to address the deficit in line with Council instruction (June 2015). Ensure revenue contributions to the scheme are appropriate to cover the risk. |
| Failure to comply with the regulatory requirements relating to CPD and the subsequent reputational and brand damage | Adverse FRC monitoring would impact significantly on our reputation | Launch of CPD policy in January 2020 and sampling of member compliance will identify non-compliance and mitigate the risk. |
| Loss of right to deliver apprenticeship training or end point assessments | Significant financial and reputational impact on CIPFA | OFQUAL application process has enabled us to mitigate many of the risks identified. |

# 09

# Financial summary

## CIPFA ended the year with a negative balance sheet of £15.9m and the statement of financial activities shows a negative net movement of £8.4m for the year.

The deterioration in the CIPFA balance sheet is due to movements in the FRS 102 Pension valuation. CIPFA operates two pension schemes: a funded defined benefit pension scheme and a defined contribution group personal pension plan that has been offered to new members of staff since 1 January 2007.

The assets and liabilities of the Wiltshire Pension Fund of the Local Government Pension Scheme are subject to a full actuarial valuation every three years in accordance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008. The latest valuation of the scheme was carried out as at 31 March 2019.

With effect from 1 April 2017 the employer's contributions are made up of two elements – a fixed sum annual payment for past service and an employer's contribution rate of 26.0% of pensionable earnings for future service until the next triennial valuation. At the March 2019 valuation CIPFA had a pension deficit of £4,567,000.

The assumptions used in the actuarial valuation as at 31 March 2019, together with the market value of assets and funding level were:

Rate of return on investments

3.3%

Rate of increase in salaries

2.7%

Retail price inflation

2.3%

However, FRS 102 rules require inclusion of the year-end valuation calculated on the basis defined in that standard. The scheme actuary has valued the pension scheme in accordance with FRS 102 for the purpose of the statutory financial statements. FRS 102 methodology differs from that used in the triennial funding valuation, particularly in the determination of the discount rate.

The valuation uses the projected unit credit method of valuation, projecting the valuation results of the latest formal valuation date (31.03.2019). This allows for changes in financial assumption among other factors. Similarly liabilities are rolled forward, any changes in pensionable payroll and asset values are also taken into account but it is important to stress that FRS 102 is not a formal valuation and that the pensions reserve valuation under FRS 102 is only a snapshot in time and will fluctuate.

The costs of a pension arrangement require estimates regarding future experience. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment), can have a significant effect on the value of the liabilities reported. The assumptions used have been discussed with the scheme actuary.

The variability inherent in FRS 102 valuations can be demonstrated by CIPFA's recent history:

| | Year | Year-end pension valuation (£000) | Year-end balance sheet position (£000) | Actuarial gain/(loss) (£000) |
|---|---|---|---|---|
| | TRIENNIAL (@ 31.03.XX) | FRS 102 (@ 31.12.XX) | | |
| 2016 | (13,000) | (34,471) | (11,389) | (16,500) |
| 2017 | | (28,825) | (4,492) | 8,603 |
| 2018 | | (21,477) | 981 | 3,868 |
| 2019 | (4,600) | (27,152) | (7,498) | (6,190) |
| 2020 | | (38,567) | (15,905) | (11,266) |

Although the pension fund deficit poses a long-term issue for CIPFA, CIPFA's governing Council recognises that FRS 102 does not, of itself, affect cash flows because CIPFA makes employer contributions to the pension fund on the basis of advice from the scheme actuary as part of their report on the triennial valuation. Following the 2019 triennial revaluation the primary employer contribution rate (costs of new benefits accruing) will increase over the three-year valuation period from April 2020 by 3.2%, and the secondary employer rate (deficit repayment) decreased by 30.0% over the same period. The objective is to fund the deficit over a total of 14 years. We acknowledge our pension fund obligations and have a clear strategy to manage the deficit, which includes a deficit reduction plan that is designed to get the scheme to self-sufficiency by 2033 subject to continued discussion and agreement with the pension scheme trustee board. The scheme is not open to new members of staff and the cost implications have been built into our business plans. The Council will continue to closely monitor any further upward pressure on the contribution rate and it is included in the CIPFA risk register. The resulting defined benefit pension scheme liability is presented separately after other net assets on the face of the balance sheet.

Reductions in public spending and a concentration of activity in responding to the pandemic and its consequences saw a reduction in our trading activity of 5.8%. However, with a very tight control on expenditure, a freeze on recruitment and deferral of investment we made an operating surplus on our trading activity of £3.026m in 2020. This retained profit will enable CIPFA to invest in our strategic priorities:

- To be a strong advocate for sound public financial management, having a positive influence and impact on practice.
- To be the membership, education and lifelong learning provider of choice for public finance professionals.
- To support and advise organisations, strengthening their public financial management.
- To deliver exceptional business support, with the customer as our focus.

CIPFA returned an operating profit, for the third successive year, of £3.065m for the year (before non-cash FRS 102 pension and property adjustments), as a consequence of the improvement in areas of our business.

| **CIPFA group operating statement** | **2020**<br>**£000** | 2019<br>£000 |
|---|---|---|
| Income | **26,417** | 26,889 |
| Costs (excluding restructuring costs) | **(22,948)** | (26,240) |
| | **3,469** | 649 |
| Restructuring costs | **(404)** | (174) |
| **Operating profit/(loss)** | **3,065** | 475 |
| Intangible impairment | **(74)** | (3,736) |
| FRS 102 pension credit | **(149)** | 515 |
| **Net income/(expenditure)** | **2,842** | (2,746) |
| Gain on property valuations | **17** | 457 |
| Actuarial gain on pension scheme | **(11,266)** | (6,190) |
| **Net movement in funds** | **(8,407)** | (8,479) |

## Financial review and related policies

The total income for the CIPFA Group was £26.4m (2019: £26.9m) a small decrease of £0.5m (1.9%).

The net movement in funds shows a deterioration of £8.4m (2019: £8.5m deterioration), the actuarial loss on the defined benefit pension scheme offset by a modest gain in property assets and a substantial operating profit.

Detailed analysis of group operating income and expenditure shows some variations between 2019 and 2020. We had a strong performance from our Advisory, Networks and Education & Training teams who adapted immediately and successfully to the challenges of the year; our customers responded positively to these adaptations. CIPFA's education and training student members' incomes were impacted by the pandemic as employers deferred decisions given the uncertainties, although expenditure also dropped given the reduced costs of delivering this reduction in programmes. A restructuring of the Analytics and Research portfolio also led to a below budget outturn although this will turn around in 2021.

In 2020 the turnover reduced by 5.8% but tight control of our cost base resulted in an operating surplus of £3.026m. The prior year loss was impacted by the impairment of the London Counter Fraud Hub of £3.7m.

The business continues to respond to the needs of the changing market; as the impact of the government's policies, most notably the reduction in public services spend, continue. Despite the continued challenging and highly competitive trading conditions, this is primarily the result of continued strong demand for our advisory, statistical, benchmarking, publishing, networks and property services.

The very strong underlying performance in 2020, allied with the continued development of our portfolio and keeping the cost base under review, will enable us to continue to respond effectively to the demand for performance improvement and transformation support in public services.

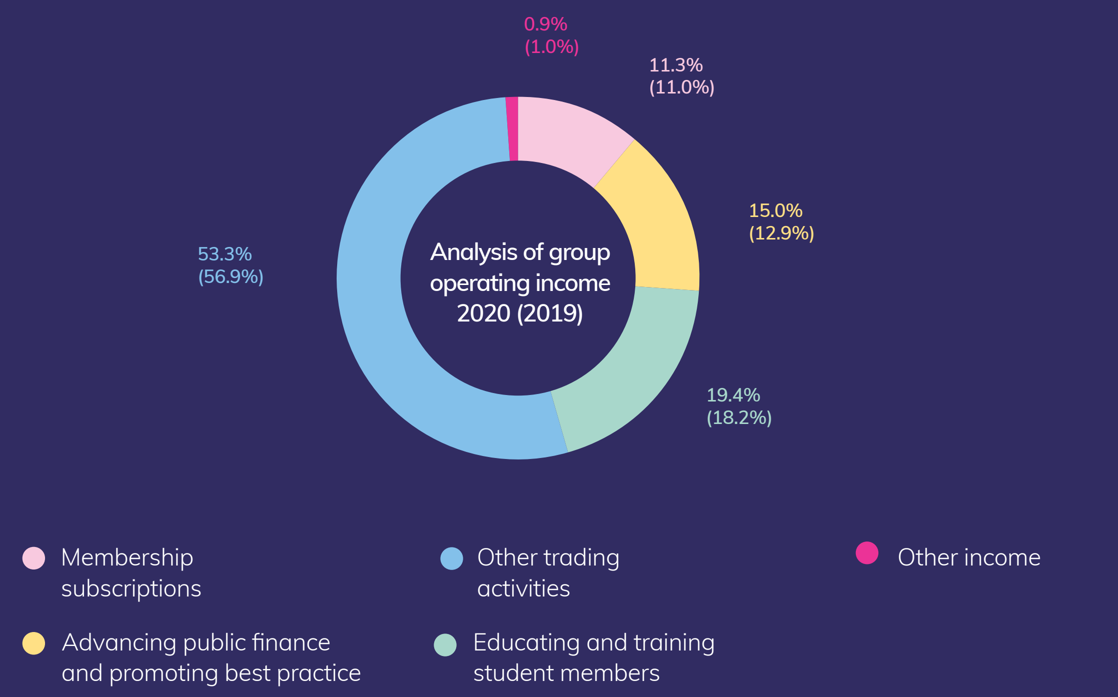
CIPFA C.Co Ltd commenced trading in July 2016 when former directors and senior managers from local government who had successfully supported the transformation of public services formed a partnership with the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA C.Co Ltd has been established to support public sector organisations deliver the levels of transformation required to deliver public services against the backdrop of budget reductions. The aim of the company is to work with organisations that deliver public services to help them improve the advancement and wellbeing of society.

Total income for the CIPFA Group

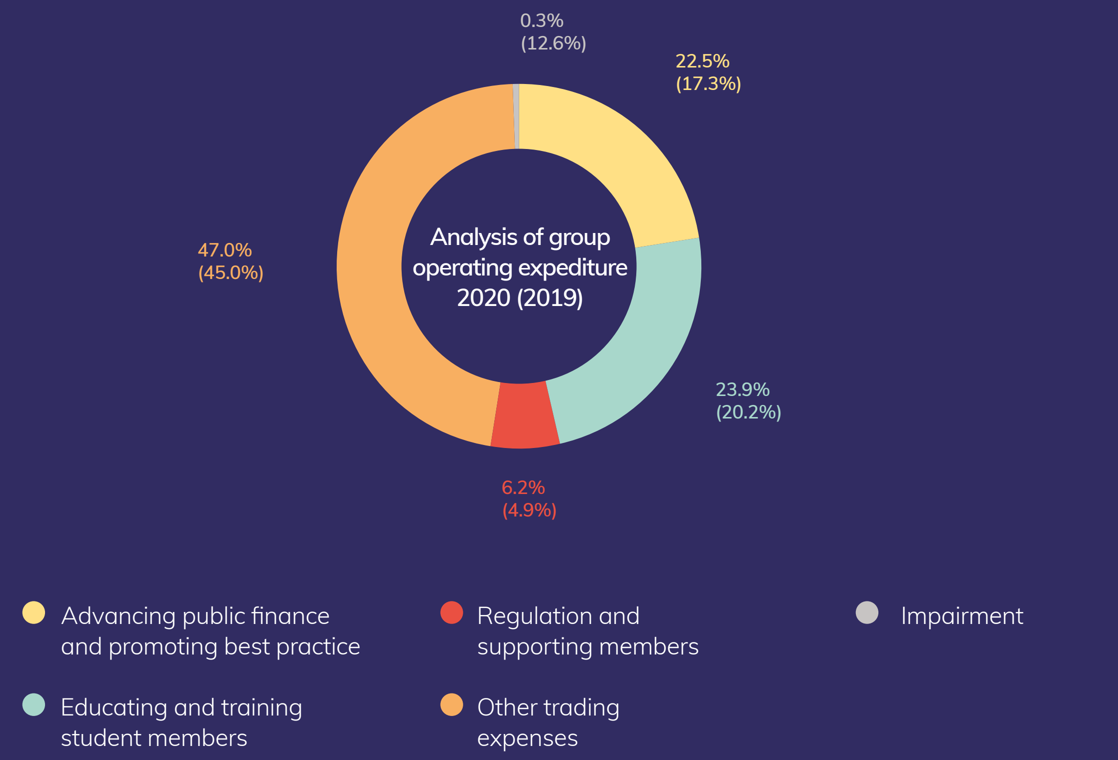
2020 £26.4m

2019 £26.9m

## Income by source




## Expediture by source



## Reserves policy

At 31 December 2020 CIPFA had total funds excluding the pension liability of £22.5m (2019: £19.75m). Overall CIPFA had negative total funds, including the pension liability, of £15.9m with total negative unrestricted funds of £16m.

At 31 December 2020 there were total designated funds of £15.4m (2019: £15.3m) and a revaluation reserve of £4.7m (2019: £4.9m). The designated funds are represented by the property fund that represents the element of reserves that represents the cost of the freehold buildings and investment properties as at 31 December 2015, the designated fund for other fixed assets. In 2020 we released a provision of £0.5m previously designated for future legal costs given that legal action will not now be pursued against the London Borough of Ealing in relation to the legality of London Counter Fraud Hub contract. The revaluation reserve relates to the revaluation of freehold and investment property.

At 31 December 2020 there were restricted funds of £97,000 (2019: £102,000) comprising trust funds and regional funds that have been established either by way of donations in memory of eminent accountants within public finance or from various organisations.

The CIPFA Board, on behalf of Council, reviews its reserves annually. The CIPFA Board view of CIPFA's overall position remains cautious despite the improved performance in recent years. It recognises that CIPFA remains vulnerable to economic downturns given its heavy dependence on commercial income and the public sector market.

It considers that CIPFA needs to hold reserves to protect core activities (which means being able to fund obligations, including employer pension contributions, but ideally not at the cost of charitable activities) in the event of income shortfall and to enable balanced long-term strategic planning. The approved reserves policy recognises that measuring total unrestricted funds is only one indicator and includes fixed assets that could not easily be converted to cash. Hence CIPFA Council focuses much of its effort on monitoring the group cash and current asset/liability position, including management of the pension deficit described above.

In recognition of this focus the Board defined two key financial targets.

1. The group should have available cash or cash equivalent resources of in excess of £2m, being broadly one month's cash requirement.

2. The group should hold a level of other charitable funds equivalent to two months of CIPFA Group expenditure. Other charitable funds exclude CIPFA's property assets which are treated as designated funds, revaluation and pension reserves.

During 2020, the CIPFA group operated for 21 working days (74 working days in 2019 and 73 working days in 2018) with less than its target cash availability. In relation to its reserves target, while CIPFA's total funds excluding the pension reserves at the year-end stood at £22.7m, this includes property assets of £20.5m (2019: £20.7m) that could only be realised on the sale of the property. The other charitable funds at the year-end were £2.5m representing a £1.4m (36%) shortfall against the reserves target of £3.9m. Cash balances have held up particularly well relative to previous years as a result of the underlying business performing well and returning an operating profit of £3.1m for the year, and tighter cash management. Despite that the balance sheet shows a net current liability position at the end of 2021.

The continued emphasis on cash management and improving the current asset position will therefore be a feature for 2020 and beyond.

## Going concern

The CIPFA Board, on behalf of Council, has assessed the ability of CIPFA to continue as a going concern and has considered several factors when forming its conclusion as to whether the use of the going concern basis is appropriate when preparing these financial statements. This has included the revised budget for 2021 and forecast for 2021–25 contained in the business plan, cash flow forecasts to 31 December 2023 and a consideration of the key risks, including the ongoing impact of COVID-19 on the continued operation of CIPFA's activities as well as the impact on our customers. In addition during the preparation of the budgets we incorporated some sensitivity analysis per service area around income and expenditure assumptions included in the final submission to the Board.

Since the changes forced on our operations by the pandemic in 2020 our activities have settled into 'digital by default' and that is now considered our preferred mode of activity. Ahead of a full move out of lockdown we are planning how we will operate our services with a greater use of remote activity than before the pandemic and we have reflected that in our plans. We do not anticipate an adverse impact on our finances; in fact, greater take up of those services and delivery at a reduced cost have been built into the business plan. We continue to anticipate access to broader markets given this mode of delivery and our operational resilience and lower risk will continue.

We maintain our focus on high quality products and services for our members and customers and seeking innovations in the delivery of those services and products.

In addition we have maintained our tight controls over expenditure and investment, only releasing the investment that is included in the business plan when we are comfortable that the underlying business performance warrants that.

CIPFA continues to face a pension fund deficit that remains subject to the future volatility of the pension scheme's liabilities as a result of changing actuarial variables. Pension scheme considerations and contributions are incorporated into our business plan. The business plan also considers the terms and conditions of the existing bank facilities. During 2020 CIPFA took steps to make use of the various support mechanisms instigated by the UK government and that has continued into 2021 at a much reduced level.

The CIPFA reserves position is a deficit of £15.905m (2019: £7.948m deficit) complicated by the inclusion of the FRS 102 Pensions reserve, which stands at a deficit of £38.567m (2019: £27.152m deficit). Within that our designated funds (principally the Mansell St property) have remained stable (£15.350m (2019: £15.265m). However our charitable funds (free reserves available for investment) have seen a large increase and now stand at £2.484m (2019: £0.619m deficit) as a result of the operating surplus in 2020. This figure is still short of our target of having reserves of two months' average expenditure (2020: £3.9m) but the planned surpluses for 2021 (£256k) and our contingency (£1.5m) if not utilised will see us hit that target. Our cash flow forecasting across the period of review indicates that sufficient working capital is available for CIPFA to satisfy all of our commitments as they fall due.

Having regard to the above, the trustees believe there are no material uncertainties surrounding the decision to adopt the going concern basis of accounting in preparing the financial statements.

## Investment policy

Byelaw 59 details the extensive investment powers that are bestowed upon the Council. Given the annual cycle of fluctuation in cash balances held, the current investment policy is limited to depositing surplus funds with a range of approved institutions in tranches with a range of maturity dates. The policy focuses on low risk and readily realisable investment forms. Within these confines, we seek to obtain the best interest rates possible.

## Fundraising

CIPFA had no fundraising activities requiring disclosure under section 162A of the Charities Act 2011.

# CIPFA's year in numbers

56
clients
advised across
90
projects

18,395
views of CIPFA's
YouTube channel and
2,224 listens to
CIPFA's
podcast

22,000
customer email enquiries
were responded to alongside
over 9,000
web chats across
the UK and
internationally

53
press releases and
comments issued

# 10

# Our future plans

CIPFA is unique. Unique in our reputation and brand strength, unique in the commitment and passion of our team and unique in our focus. No other Institute does what we do, focusing purely on public finance. Now is the time to capitalise on the opportunity presented by governments and their public sectors, which are facing very real challenges and risks, ensuring CIPFA is a responsive organisation that is vibrant, energetic and focused. This ambition is reflected in our growth plans contained in the 2021–2025 business plan.

As an organisation we will be responding to some major global challenges: emerging from the disruption caused by the COVID-19 pandemic, climate change, the advent of globalisation and the need for sustainability reporting. We will need to ride the waves of data and disruptive technology and accommodate their impact on the accountancy, audit and public finance profession. We will be leading on prevention and fighting the rising tide of corruption and fraud. We will complement governments as they seek to professionalise the public sector with tailored training and development.

CIPFA is a membership body that supports our members and students, ensuring we equip them with the tools to deliver best-in-class public financial management across the whole of their career. CIPFA is a charity, promoting best practice in public finance. CIPFA sets the standards that UK local government and organisations worldwide adopt. CIPFA is a trainer, delivering accountancy and other qualifications that are relevant to the public sector, and preparing students for the future and lifelong learning materials available to support career development in line with a clearly defined competency framework for public finance professionals. In 2021 we will launch our benchmark chartered professional accountancy qualification, grow our capacity to meet rapidly rising demand for accountancy apprenticeships in the UK and extend our accredited training programmes in finance, governance and counter fraud globally.

To support CIPFA's aims, our business teams work with the organisations that employ our students and members, and other key public finance stakeholders, to ensure – at the organisational level – public finance is working at its strongest, contributing to effective and efficient public services. In 2021 CIPFA will continue to build on its recent strong performance in the advisory field, supporting public sector financial resilience improving organisational capacity and good governance. 2020 saw the delivery of the next generation of CIPFA data analytics solutions as we aim to meet the growing demand for accessible, portable, flexible and customised products and services, and in 2021 we will grow our use and availability of that.

In 2020 we were forced by the pandemic to delay the launch of 'CIPFA and me', our new people strategy, which sets out what we offer staff and what we expect from them. This will roll out in 2021. We will create an environment where people want to work and can perform at their best. We will create a culture where our people are supported, engaged and empowered to fulfil their potential and deliver results. We will also initiate the plans set out in our new diversity and inclusion strategy supporting staff, members and the wider profession to improve access and opportunity for progression in their careers regardless of background as well as developing our approach to sustainability and sustainability reporting.

Through our new business plan and strategy CIPFA will focus on the key account sectors – local government, central government, health and social care, international, police and property – while also remaining responsive to the wider market. We will continue to collaborate with other professional accounting organisations, ministries of finance and supreme audit institutions across the globe, growing our student and member base.

2020 was a particularly strong year for CIPFA in terms of our business performance and financial position; we will look to consolidate this success and invest in services, digital delivery and key new capabilities evolving CIPFA's policy, research and evidence base, investing in product development and digitising our services.

Notwithstanding recent growth, there remains significant uncertainty arising from COVID-19 and a sluggish global economic outlook and these are still challenging times, so we will continue to balance investment with a cautious approach, building a stronger balance sheet and reducing our long-term liabilities.

The trustees' annual report was approved on 29 April and signed on their behalf by Professor Andy Hardy, CIPFA President.

**Professor Andy Hardy**
President

# CIPFA's year in numbers

**24**
e-learning courses
developed for IFAD students

**207**
new apprentices enrolled

**1,128**
media mentions

**200**
open training events (4,826 delegates), of which **28** were provided at no charge to participants (1,565 delegates)

# 11

# Administrative information

The full name of the charity is The Chartered Institute of Public Finance and Accountancy (CIPFA). It is a charity by Royal Charter granted in 1959 and is registered with the Charity Commission for England and Wales, number is 231060.

CIPFA is also registered with the Office of the Scottish Charity Regulator. The registration number is SC037963.

## CIPFA Management Board

**Chief Executive:** Rob Whiteman, CBE

**Director of Finance and Performance:** Peter Woodman (retired December 2020)

**Director of Finance:** Gareth Moss (joined January 2021)

**Chief Operating Officer:** Dan Worsley

**Director of Policy and Membership:** Drew Cullen

**Director of Public Financial Management:** Karen Sanderson

**Director of International:** Khalid Hamid

**Interim Director of Transformation:** Ravi Dhindsa (joined November 2020)

**Head of HR:** Darren Parris

**Interim Head of Governance:** Nicola Hannam (joined November 2020)

## Principal Office

77 Mansell Street
London E1 8AN

## Principal Advisers

### Bankers

Lloyds Bank Plc
Villiers House
48-49 Villiers Street
London WC2N 5LL

### Insurers

Bartlett and Company Ltd
Broadway Hall
Horsforth
Leeds LS18 4RS

### Solicitors (disciplinary)

DAC Beachcroft
100 Fetter Lane
London EC4A 1BN

### Solicitors (corporate)

Steeles Law Solicitors Limited
154 Bishopsgate
London EC2M 4LN

### Auditor

Crowe U.K. LLP
55 Ludgate Hill
London EC4M 7JW

# 12

# Financial report

## Consolidated statement of financial activities for the group

### Year ended 31 December 2020

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Income** | | | |
| *Income from charitable activities:* | | | |
| Membership subscriptions | | **2,995** | 2,956 |
| Advancing public finance and promoting best practice | | **3,967** | 3,472 |
| Educating and training student members | | **5,138** | 4,884 |
| Regulation and supporting members | | **0** | 5 |
| | | **12,100** | 11,317 |
| *Other trading activities:* | | | |
| Income from information, advisory and property services | 2 | **14,081** | 15,296 |
| Investments: Interest received | | **9** | 16 |
| *Other income:* | | | |
| Property sales and rentals | 3 | **227** | 260 |
| **Total income** | | **26,417** | 26,889 |
| **Expenditure** | | | |
| *Expenditure on charitable activities:* | | | |
| Advancing public finance and promoting best practice | | **5,314** | 5,138 |
| Educating and training student members | | **5,644** | 5,985 |
| Regulation and supporting member | | **1,466** | 1,445 |
| | | **12,423** | 12,568 |
| *Other expenditure:* | | | |
| Expenditure from information, advisory and property services | 2 | **11,078** | 13,331 |
| Impairment of intangible asset | 8 | **74** | 3,736 |
| **Total expenditure** | 4 | **23,575** | 29,635 |
| **Net income (expenditure)** | | **2,842** | (2,746) |
| *Other recognised gains/losses:* | | | |
| Gain on revaluation of fixed assets | 18 | **17** | 457 |
| Actuarial gain on defined benefit pension scheme | 7 | **(11,266)** | (6,190) |
| **Net movement in funds** | | **(8,407)** | (8,479) |
| **Reconciliation of funds** | | | |
| Fund balances brought forward at 1 January | | **(7,498)** | 981 |
| **Fund balances carried forward at 31 December** | | **(15,905)** | (7,498) |

The results set out in the above statement of financial activities all relate to continuing operations and include the net restricted expenditure attributable to the non-controlling interest in CIPFA C.Co Ltd of £5k net expenditure (2019: £25k net income).

There are no other gains or losses other than those recognised above and therefore no separate statement of total recognised gains and losses has been presented. Further analysis can be found in note 19.

The notes on pages 66 to 84 form part of these financial statements.

# Consolidated balance sheets

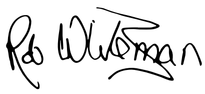
## As at 31 December 2020

| | Note | Group 2020 £000 | 2019 £000 | CIPFA 2020 £000 | 2019 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 8 | **552** | 346 | **263** | 141 |
| Tangible assets | 9 | **13,710** | 13,865 | **13,638** | 13,770 |
| Investment property | 10 | **6,975** | 7,100 | **6,975** | 7,100 |
| Investments | 11,12 | **9** | 9 | **409** | 409 |
| | | **21,246** | 21,320 | **21,285** | 21,420 |
| **Current assets** | | | | | |
| Stocks and work in progress | 14 | **299** | 110 | **157** | 2 |
| Debtors | 15 | **2,862** | 3,740 | **1,962** | 2,439 |
| Cash at bank and in hand | | **6,011** | 2,574 | **1,244** | 1,346 |
| | | **9,172** | 6,424 | **3,363** | 3,787 |
| **Creditors:** amounts falling due within one year | 16 | **(7,105)** | (6,934) | **(2,090)** | (3,914) |
| Net current (liabilities)/asset | | **2,067** | (510) | **1,273** | (127) |
| **Total assets less current liabilities** | | **23,313** | 20,810 | **22,558** | 21,293 |
| **Long-term liabilities** | | | | | |
| **Creditors:** amounts falling due after more than one year: | | | | | |
| Loan | 17 | **(651)** | (1,156) | **–** | – |
| **Net assets excluding pension liability** | | **22,662** | 19,654 | **22,558** | 21,293 |
| Defined benefit pension scheme liability | 7 | **(38,567)** | (27,152) | **(38,567)** | (27,152) |
| **Net assets/(liabilities) including pension liability** | | **(15,905)** | (7,498) | **(16,009)** | (5,859) |
| **Funds** | | | | | |
| Restricted funds | 19 | **42** | 42 | **42** | 42 |
| Minority interest | | **55** | 60 | **–** | – |
| **Unrestricted funds** | | | | | |
| Designated funds | | **15,350** | 15,265 | **15,350** | 15,265 |
| Revaluation reserve | | **4,731** | 4,906 | **4,731** | 4,906 |
| Other charitable funds | | **2,484** | (619) | **2,435** | 1,080 |
| **Total funds excluding pension liability** | | **22,662** | 19,654 | **22,558** | 21,293 |
| Pension reserve | 7 | **(38,567)** | (27,152) | **(38,567)** | (27,152) |
| **Total funds including pension liability** | | **(15,905)** | (7,498) | **(16,009)** | (5,859) |

The financial statements of CIPFA's branches, regions, and students' societies are incorporated within the Charity's financial statements. Before consolidation into the group financial statements, the charity made a surplus of £1,083,000 in 2020 (2019: a deficit of £754,000) The surplus for this year is before other recognised losses of £11,249,000 (2019 £5,733,000).

Approved and authorised for issue by the Council on 29 April 2021 and signed on its behalf by:

**President**



**Chief Executive**

The notes on pages 66 to 84 form part of these financial statements.

## Consolidated statement of cash flows

### For the year ended 31 December 2020

| | Note | 2020 £000 | 2020 £000 | 2019 £000 | 2019 £000 |
|---|---|---|---|---|---|
| **Net cash provided by operating activities** | | | **4,577** | | 1,800 |
| **Cash flows from investing activities** | | | | | |
| Interest received | | **8** | | 16 | |
| Purchase of intangible fixed assets | | **(381)** | | (281) | |
| Purchase of tangible fixed assets | | **(215)** | | (160) | |
| **Net cash (used in) investing activities** | | | **(588)** | | (425) |
| **Cash flows from financing activities** | | | | | |
| Commercial loan | 17 | **(484)** | | (360) | |
| Interest paid | 2 | **(69)** | | (91) | |
| **Net cash provided by financing activities** | | | **(553)** | | (451) |
| **Net increase in cash and cash equivalents** | | | **3,437** | | 924 |
| b/fwd Cash at bank | | | **2,574** | | 1,650 |
| c/fwd Cash at bank | | | **6,011** | | 2,574 |

## Notes to the cash flow statement

| **A. Net cash (used in) operating activities** | | 2020 £000 | 2019 £000 |
|---|---|---|---|
| Net income/(expenditure) | | **2,842** | (2,746) |
| Current year pension (credit) | 7 | **149** | (515) |
| Interest receivable | | **(8)** | (16) |
| Interest payable | 2 | **69** | 91 |
| Commercial loan | 17 | **484** | 360 |
| Depreciation and amortisation charges | 8 & 9 | **420** | 600 |
| Impairment of intangible asset | 8 | **74** | 3,736 |
| Loss on disposal of fixed assets | | **–** | 56 |
| Decrease/(increase) in stocks and work in progress | | **(189)** | 251 |
| Decrease/(increase) in debtors | | **879** | (73) |
| (Decrease)/increase in creditors | | **(142)** | 56 |
| | | **4,577** | 1,800 |

| **B. Analysis of changes in net debt** | At 1 Jan 2020 £000 | Cashflows £000 | At 31 Dec 2020 £000 |
|---|---|---|---|
| Cash in hand | **2,574** | **3,437** | **6,011** |
| Commercial Loan | **(1,640)** | **484** | **(1,156)** |
| Total | **934** | **3,921** | **4,855** |

# Notes to the financial statements

## 1. Accounting policies

### Company information

The full name of the charity is the Chartered Institute of Public Finance and Accountancy (CIPFA). It is a public benefit entity set up by Royal Charter granted in 1959 and is registered with the Charity Commission for England and Wales. The charity registration number is 231060. CIPFA is also registered with the Office of the Scottish Charity Regulator. The registration number is SC037963. CIPFA is a Public Benefit Entity and its registered office is 77 Mansell Street, London, E1 8AN.

### Accounting conventions

The consolidated financial statements comprise the financial statements of CIPFA and its subsidiary undertakings, CIPFA Business Ltd, registration number 2376684 and CIPFA C.Co Ltd, registration number 10212053, on a line by line basis and adjusted for the elimination of inter-group transactions and balances.

### Going concern

The CIPFA Board, on behalf of Council, has assessed the ability of CIPFA to continue as a going concern and has considered several factors when forming its conclusion as to whether the use of the going concern basis is appropriate when preparing these financial statements. This has included the revised budget for 2021 and forecast for 2021–25 contained in the business plan, cash flow forecasts to 31 December 2023 and a consideration of the key risks, including the ongoing impact of COVID-19 on the continued operation of CIPFA's activities as well as the impact on our customers. In addition during the preparation of the budgets we incorporated some sensitivity analysis per service area around income and expenditure assumptions included in the final submission to the Board.

Since the changes forced on our operations by the pandemic in 2020 our activities have settled into 'digital by default' and that is now considered our preferred mode of activity. Ahead of a full move out of lockdown we are planning how we will operate our services with a greater use of remote activity than before the pandemic and we have reflected that in our plans. We do not anticipate an adverse impact on our finances; in fact, greater take up of those services and delivery at a reduced cost have been built into the business plan. We continue to anticipate access to broader markets given this mode of delivery and our operational resilience and lower risk will continue.

We maintain our focus on high quality products and services for our members and customers and seeking innovations in the delivery of those services and products.

In addition we have maintained our tight controls over expenditure and investment, only releasing the investment that is included in the business plan when we are comfortable that the underlying business performance warrants that.

CIPFA continues to face a pension fund deficit that remains subject to the future volatility of the pension scheme's liabilities as a result of changing actuarial variables. Pension scheme considerations and contributions are incorporated into our business plan. The business plan also considers the terms and conditions of the existing bank facilities. During 2020 CIPFA took steps to make use of the various support mechanisms instigated by the UK government and that has continued into 2021 at a much reduced level.

The CIPFA reserves position is a deficit of £15.905m (2019: £7.948m deficit) complicated by the inclusion of the FRS 102 Pensions reserve, which stands at a deficit of £38.567m (2019: £27.152m deficit). Within that our designated funds (principally the Mansell St property) have remained stable (£15.350m (2019: £15.265m). However our charitable funds (free reserves available for investment) have seen a large increase and now stand at £2.484m (2019: £0.619m deficit) as a result of the operating surplus in 2020. This figure is still short of our target of having reserves of two months' average expenditure (2020: £3.9m) but the planned surpluses for 2021 (£256k) and our contingency (£1.5m) if not utilised will see us hit that target. Our cash flow forecasting across the period of review indicates that sufficient working capital is available for CIPFA to satisfy all of our commitments as they fall due.

Having regard to the above, the trustees believe there are no material uncertainties surrounding the decision to adopt the going concern basis of accounting in preparing the financial statements.

## Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and investment property and in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) – effective 1 January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. The departure has arisen because charities are now required to prepare their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005, which has since been withdrawn.

The functional currency of CIPFA and its subsidiary entity is considered to be GBP because that is the currency of the primary economic environment in which the group operates. The consolidated financial statements are also presented in GBP.

Further details of the CIPFA's active subsidiary undertakings are provided in note 2.

The financial statements of CIPFA's branches, regions, and students' societies are incorporated within the Charity's financial statements.

## Income recognition

Income is credited to the statement of financial activities in the year to which it relates. Income is deferred only when conditions have to be fulfilled before CIPFA becomes entitled to it or where the donor has specified that the income is to be expended in the future period. In the case of membership subscriptions and subscriptions for journals and electronic services any receipt in respect of future years is shown as deferred income.

- Membership subscriptions comprise membership fees from CIPFA professional qualifications.
- Advancing public finance and promoting best practice comprises income from publications, courses and conferences and advisory services.
- Educating and training student members comprises income from training and examining for CIPFA's professional qualifications.
- Regulation and supporting members comprises the income from practice assurance and disciplinary fines.

## Government grants

Government grants are recognised on the performance model, when the charity has complied with any conditions attaching to the grant and the grant will be received. The grant in connection to the job retention scheme has been recognised in the period to which the underlying furloughed staff costs relate to. Included in income is an amount of £292,702 in respect of the Coronavirus Job Retention Scheme.

## Investments

Listed investments are stated at mid-market value at the year-end, with realised and unrealised gains and losses being shown in the statement of financial activities. Other investments where there is no identifiable market price are valued having regard to the cost of the investment, the underlying net assets of the entities invested in and a potential market valuation.

Investment properties are measured at fair value annually with any change recognised in the statement of financial activities. The trustees deem market value to be a fair approximation of fair value for the purpose of obtaining annual valuations. A full valuation is undertaken every three years and interim valuations are performed in intermediate years.

## Expenditure recognition

Expenditure, including irrecoverable value added tax, is debited to the statement of financial activities on an accruals basis:

- Expenditure from information, advisory and property services comprises the costs of the trading subsidiaries.
- Charitable expenditure comprises direct expenditure including direct staff costs attributable to the activities. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.
- Governance costs comprise those incurred as a result of constitutional and statutory requirements.
- Support costs, which include central office functions such as finance, information technology and human resources, are allocated across the categories of charitable expenditure. The basis of the cost allocation has been explained in the notes to the accounts.

## Pensions

CIPFA operates two pension schemes for its staff. The first is a funded defined benefit pension scheme under the Superannuation Act 1972, which is subject to the Local Government Pension Scheme (Administration) Regulations 2008 and which, from 1 January 2007, staff are only eligible to join under specific circumstances. The second pension scheme introduced from 1 January 2007 is a defined contribution group personal pension plan via Aegon.

### Defined benefit pension scheme

Pension contributions are paid to a local government defined benefit pension scheme in accordance with the recommendations of actuaries. The scheme is funded, with the assets of the scheme held separately from those of CIPFA, in separate trustee-administered funds.

CIPFA has fully adopted Financial Reporting Standard FRS 102 for the accounting treatment of retirement benefits.

Current service costs, past service costs, gains and losses on settlements and curtailments, interest on pension scheme liabilities and the expected return on pension scheme assets are charged to resources expended.

Actuarial gains and losses are recognised immediately as other recognised gains and losses, after net incoming/(outgoing) resources for the year.

As detailed in note 7, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained triennially and are updated at each balance sheet date. The resulting defined benefit pension scheme liability is presented separately after other net assets on the face of the balance sheet.

### Defined contribution scheme

Defined contributions are paid to the group personal pension plan via Aegon in accordance with the group policy. The policy allows for minimum employee contributions of 3%, with the employer contributing double the employee contribution up to a maximum of 10%.

CIPFA C.Co Ltd operates a defined contributions personal pension plan via Royal London, with defined contributions paid in accordance with the company policy.

## Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Work in progress comprises the cost of ongoing projects and work performed on contracts not yet billed to clients. Costs include direct labour, contractual costs and attributable overheads.

## Leased assets – lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

## Leased assets – lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## Research and development

Research and development is normally written off as incurred, except for specific projects that are deemed to generate future benefit.

## Intangible fixed assets – development expenditure

Intangible fixed assets represent development costs capitalised in accordance with FRS 102. These are stated at historical cost and amortised on a straight-line basis over the period which revenue is expected to be generated (three to five years).

Amortisation is recognised in the statement of financial activities under expenditure on charitable activities.

## Tangible fixed assets and depreciation

Freehold property is held at valuation and depreciated over 50 years. Revaluations are undertaken by an independent valuation expert annually. A full valuation is undertaken of freehold property every three years and interim valuations in intermediate years. Included in the fixed asset note is the carrying amount that would have been recognised had the assets been carried under the historical cost model.

Other fixed assets are capitalised and depreciated if the value is greater than £1,000 for an individual asset or greater than £5,000 for a capital project.

Tangible fixed assets are depreciated from the month the assets are first used on a straight-line basis over their estimated economic lives as follows:

| | Years |
|---|---|
| Computer equipment | 3 |
| Furniture, fittings and other equipment | 5 |

Assets under construction relate to refurbishment and information technology development and are not depreciated until brought into use.

## Deferred taxation

Deferred tax is provided in full in respect of material timing differences between the treatment of certain items for taxation and accounting purposes. A deferred tax asset is only recognised where the conditions for recognition in FRS 102 are satisfied and such balances may fall due after more than one year.

## Fund accounting

Unrestricted funds held by the charity are:

**Designated funds –** these are unrestricted funds set aside by the trustees for specific future purposes or projects.

**Other charitable funds –** these are unrestricted general funds that can be used in accordance with the charitable objects at the discretion of trustees.

**Restricted funds –** those funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the accounts.

## Critical accounting judgements and key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

**Pension liabilities –** The charity recognises its liability to its defined benefit pension scheme, which involves a number of estimations as disclosed in note 7. These estimates were made having taken advice from the scheme actuary.

**Valuation of land and buildings and investment property –** The charity's land, buildings and investment property are stated at their estimated fair value based on professional valuations as disclosed in note 9 and 10.

## Financial instruments

Financial assets and financial liabilities are recognised when CIPFA becomes a party to the contractual provisions of the instrument. Additionally, all financial assets and liabilities are classified according to the substance of the contractual arrangements entered into. Financial assets and liabilities are initially measured at transaction price (including transaction costs) and are subsequently re-measured where applicable at amortised cost. Assets and liabilities held in foreign currency are translated to GBP at the balance sheet date at an appropriate year-end exchange rate.

## 2. Profits from trading activities of subsidiary

CIPFA has one active wholly-owned trading subsidiary: CIPFA Business Ltd, registration number 2376684. The principal activities of CIPFA Business Ltd are networks, advisory and research. CIPFA Business Ltd remits a proportion of its profits to CIPFA by means of gift aid. Audited accounts are filed with the Registrar of Companies.

CIPFA additionally owns a 75% interest in the trading subsidiary CIPFA C.Co Ltd, registration number 10212053, which commenced trading in July 2016. The principal activities of CIPFA C.Co Ltd are strategy, transformation and improvement advisory services. A summary of the trading results of both subsidiaries are shown below.

| Profit and loss account – CIPFA Business Ltd | 2020 £000 | 2019 £000 |
|---|---|---|
| Turnover | **13,187** | 14,002 |
| External charges | **(1,581)** | (2,706) |
| Staff costs | **(5,884)** | (6,248) |
| Depreciation | **(89)** | (134) |
| Impairment of intangible asset | **–** | (3,736) |
| Other operating charges | **(2,545)** | (2,970) |
| Operating profit | **3,088** | (1,792) |
| Interest receivable | **8** | 5 |
| Interest payable | **(71)** | (91) |
| Profit on ordinary activities before taxation | **3,025** | (1,878) |
| Tax on profit on ordinary activities | **–** | – |
| Profit after taxation | **3,025** | (1,878) |
| Funds brought forward | **(1,478)** | 230 |
| Gift aid to CIPFA | **(1,262)** | (230) |
| Retained in subsidiary | **(2,740)** | (1,878) |
| Net assets | **285** | (1,478) |

| Profit and loss account – CIPFA C.Co Ltd | 2020 £000 | 2019 £000 |
|---|---|---|
| Turnover | **904** | 1,318 |
| External charges | **–** | – |
| Staff costs | **(604)** | (801) |
| Other operating charges | **(320)** | (393) |
| Operating profit | **(20)** | 124 |
| Interest receivable | **–** | – |
| Profit on ordinary activities before taxation | **(20)** | 124 |
| Tax on profit on ordinary activities | **–** | (24) |
| Retained in subsidiary | **(20)** | 100 |
| Net assets | **218** | 239 |

## 3. Property income

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Rent and dilapidations from tenants | **227** | 260 |
| | **227** | 260 |

Property income is the income from tenants occupying parts of the Mansell Street property during the year.

## 4. Total resources expended

| | | Support costs | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Activities direct costs** | **Human resources** | **ICT** | **Finance & admin support** | **Marketing & public relations** | **Govern** | **Defined benefit pension costs** | **2020 Total** |
| **Group** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| *Charitable expenditure:* | | | | | | | | |
| Advancing public finance and promoting best practice | 3,390 | 122 | 349 | 213 | 1,008 | 149 | 83 | 5,314 |
| Educating and training students | 3,713 | 181 | 539 | 298 | 774 | 160 | 52 | 5,717 |
| Regulation and supporting members | 853 | 30 | 85 | 120 | 323 | 41 | 14 | 1,466 |
| **Total charitable costs** | **7,956** | **333** | **973** | **631** | **2,105** | **350** | **149** | **12,497** |
| *Other expenditure:* | | | | | | | | |
| Expenditure from information, advisory and property services | 8,026 | 178 | 516 | 635 | 1,641 | 82 | – | 11,078 |
| | **15,982** | **511** | **1,489** | **1,266** | **3,746** | **432** | **149** | **23,575** |
| **Total 2019** | **22,963** | **372** | **1,329** | **1,150** | **3,840** | **496** | **(515)** | **29,635** |
| Basis of allocation: | | | | | | | | |
| – Charitable costs | | Headcount | Work | Income | Estimated | Income | Headcount | |
| – Information, advisory and property services | | Actual cost | Actual cost | Actual cost | Actual cost | Actual cost | | |

| **Net income for the year is stated after charging** | **2020 £000** | 2019 £000 |
|---|---|---|
| FRS 102 pension | **149** | (515) |
| Depreciation and amortisation | **419** | 600 |
| Impairment | **74** | 3,736 |
| Operating lease rentals | **163** | 163 |
| One-off costs of restructuring | **–** | 91 |

| **Auditor fees – group** | **2020 £000** | **2019 £000** |
|---|---|---|
| Statutory audit – Crowe | **49** | 46 |
| Statutory audit – Other | **6** | 6 |
| Tax advisory services | **12** | 7 |
| | **67** | 59 |

## 5. Governance costs

| Group | 2020 £000 | 2019 £000 |
|---|---|---|
| Audit fees | **55** | 52 |
| Internal audit fees | **18** | 27 |
| Annual report and accounts | **–** | 1 |
| Council, committees and boards | **62** | 107 |
| Management and governance support | **220** | 237 |
| Apportionment of costs supporting governance activities | **77** | 77 |
| | **432** | 501 |

## 6. Employees

| Group | 2020 £000 | 2019 £000 |
|---|---|---|
| Salaries and wages (including temporary staff) | **10,065** | 9,951 |
| National insurance | **1,120** | 1,072 |
| Pension costs | **1,650** | 2,427 |
| Other staff costs | **574** | 439 |
| Redundancy and termination costs | **404** | 174 |
| | **13,813** | 14,063 |

Redundancy and termination payments of £404,000 (2019: £174,000) were paid during the period and are recognised in the statement of financial activities. These costs include £0 one-off pension costs (2019: £91,000).

Ex-gratia payments of £31,000 (2019: £40,000) were paid during the period and are recognised in the statement of financial activities.

The average number of employees in the Group in 2020 was 219 (2019: 221).

| Group | 2020 No | 2019 No |
|---|---|---|
| Advancing public finance and promoting best practice | **22** | 19 |
| Educating and training student members | **34** | 35 |
| Regulation and supporting members | **5** | 5 |
| Governance | **3** | 3 |
| Support services | **90** | 85 |
| CIPFA Business Ltd | **59** | 64 |
| CIPFA C.Co Ltd | **6** | 10 |
| | **219** | 221 |

Senior employees received remuneration falling within the following ranges:

| | | | CIPFA<br>2020 | CIPFA Business<br>2020 | CIPFA C. Co Ltd<br>2020 | CIPFA<br>2019 | CIPFA Business<br>2019 | CIPFA C. Co Ltd<br>2019 |
|---|---|---|---|---|---|---|---|---|
| £230,000 | – | £239,999 | 1 | – | | | | |
| £210,000 | – | £219,999 | 1 | – | – | – | – | – |
| £200,000 | – | £209,999 | – | – | – | 1 | – | – |
| £150,000 | – | £159,999 | – | 1 | – | – | 1 | – |
| £130,000 | – | £139,999 | 1 | – | – | 2 | – | – |
| £120,000 | – | £129,999 | 1 | – | – | – | – | – |
| £110,000 | – | £119,999 | 2 | – | – | 1 | – | – |
| £100,000 | – | £109,999 | 1 | – | – | 1 | – | – |
| £90,000 | – | £99,999 | 2 | – | 1 | – | – | 1 |
| £80,000 | – | £89,999 | 3 | 3 | – | 2 | 2 | – |
| £70,000 | – | £79,999 | 7 | 2 | 1 | 8 | 5 | 1 |
| £60,000 | – | £69,999 | 11 | 8 | 4 | 9 | 4 | 4 |

Of the senior employees 30 CIPFA (2019: 22), 14 CIPFA Business Ltd (2019: 10) and six CIPFA C.Co Ltd (2018: six) are members of the pension schemes. Employer pension contributions made on behalf of senior employees in 2020 was £827,000 (2019: £1,065,000).

### Remuneration of key management personnel

Key management is made up of the Chief Executive and the executive directors. CIPFA's total cost, including pension and national insurance, for key management personnel for 2020 was £1,215,331 (2019: £956,000). The total cost for the Chief Executive, including pension and national insurance, was £241,444 (2019: £236,710).

### Volunteers

CIPFA is supported by a strong network of volunteers who play a vital role advancing our objectives of advancing public finance, promoting best practice, educating and training student members and regulating and supporting members.

Volunteers sit on our Council, boards, committees and policy panels; they also undertake regional engagement and are involved in organising regional events.

## 7. Pensions

CIPFA operates two pension schemes for its staff:

**The Local Government Pension Scheme –** this is a statutory, defined benefit pension scheme. Pension benefits in the scheme are determined by reference to an individual's pensionable pay at retirement and their length of scheme membership. The Local Government Pension Scheme is administered through 100 funds across the UK. CIPFA is an admitted body in the Wiltshire Pension Fund, which is administered by Wiltshire County Council. On 1 January 2007, CIPFA took the decision to largely close the scheme to new members, with membership only offered where business need dictates and it is approved by the Remuneration Committee.

The scheme is contributory for both employer and employees. Total contributions recognised in the statement of financial activities during 2020 were £1,072,000 (2019: £1,880,000).

**The CIPFA Personal Pension Plan** – this is a defined contribution, money purchase scheme, operated on behalf of CIPFA by Aegon. Pension benefits payable under the scheme are dependent upon contributions made and fund growth over the life of the scheme.

This scheme replaced the Local Government Pension Scheme as the default scheme for CIPFA employees joining on or after 1 January 2007.

The scheme is contributory for both employer and employees. CIPFA matches employee contributions up to 10% of salary.

The total pension cost to the group for the financial year, in respect of the pension schemes, for 2020 were £1,654,000 (2019: £2,427,000).

## The Local Government Pension Scheme

The assets and liabilities of the Wiltshire Pension Fund of the Local Government Pension Scheme are subject to a full actuarial valuation every three years in accordance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008. The latest valuation of the scheme was carried out as at 31 March 2019.

With effect from 1 April 2017 the employer's contributions are made up of two elements – a fixed sum annual payment for past service and an employer's contribution rate of 26.0% of pensionable earnings for future service until the next triennial valuation. At the March 2019 valuation CIPFA had a pension deficit of £4,567,000.

The assumptions used in the actuarial valuation as at 31 March 2019, together with the market value of assets and funding level were:

| | |
|---|---|
| Rate of return on investments | **3.3%** |
| Rate of increase in salaries | **2.7%** |
| Retail price inflation | **2.3%** |
| Funding level for CIPFA staff | **95.0%** |
| Deficit for CIPFA staff | **£4.567m** |

The actuary has valued the pension scheme in accordance with FRS 102 for the purpose of the statutory financial statements. FRS 102 methodology differs from that used in the triennial funding valuation, particularly in the determination of the discount rate.

The FRS 102 disclosures are shown below.

The amounts recognised in the balance sheet are as follows:

| | **2020 £000** | 2019 £000 |
|---|---|---|
| Fair value of employer assets | **107,410** | 100,072 |
| Present value of funded obligations | **(145,940)** | (127,176) |
| Present value of unfunded liabilities | **(37)** | (48) |
| Net (underfunding) in funded plans | **(38,567)** | (27,152) |
| Net (liability) | **(38,567)** | (27,152) |
| Amount in balance sheet: | | |
| Liabilities | **38,567** | (27,152) |
| Assets | **–** | – |
| Net (liability) | **38,567** | (27,152) |

| Reconciliation of defined benefit obligation | 2020 £000 | 2019 £000 |
|---|---|---|
| Opening defined benefit obligation | **127,224** | 110,654 |
| Current service cost | **787** | 723 |
| Past service cost | **–** | 43 |
| Interest cost | **2,524** | 3,175 |
| Contribution by members | **150** | 164 |
| Actuarial (gains)/losses | **18,252** | 15,744 |
| Past service losses | **–** | – |
| Losses on curtailments | **–** | – |
| Benefits paid | **(2,960)** | (3,279) |
| Closing defined benefit obligation | 145,977 | 127,224 |

| Reconciliation of fair value of employer assets | 2020 £000 | 2019 £000 |
|---|---|---|
| Opening fair value of employer assets | **100,072** | 89,177 |
| Expected return on assets | **1,985** | 2,568 |
| Contributions by members | **150** | 164 |
| Contributions by the employer | **1,177** | 1,888 |
| Actuarial (loss)/gain | **6,986** | 9,554 |
| Estimated benefits paid | **(2,960)** | (3,279) |
| Closing fair value of employer assets | **107,410** | 100,072 |

| Recognition within the statement of financial activities | 2020 £000 | 2019 £000 |
|---|---|---|
| Current service cost | **(787)** | (766) |
| Past service cost | **–** | – |
| Interest cost | **(2,524)** | (3,175) |
| Expected return on employer assets | **1,985** | 2,568 |
| Past service loss | **–** | – |
| Contributions by employer | **1,177** | 1,888 |
| Losses on curtailments and settlements | **–** | – |
| Total amount (charged)/credited within net incoming resources | **(149)** | 515 |
| Actuarial (loss) | **(11,266)** | (6,190) |
| Total amount (debited)/credited to statement of financial activities | **(11,415)** | (5,675) |

CIPFA's estimated employer's contribution for the year to 31 December 2020 will be approximately £1,072,000.

| The major categories of plan assets as a percentage of total plan assets | 2020 £000 | 2019 £000 |
|---|---|---|
| Equities | **52%** | 56% |
| Bonds | **37%** | 29% |
| Property | **11%** | 12% |
| Cash | **0%** | 3% |

| Principal assumptions at the balance sheet date | **2020 £000** | 2019 £000 |
|---|---|---|
| Pension increase rate | **2.4%** | 2.2% |
| Salary increase rate | **2.0%** | 2.2% |
| Discount rate | **1.4%** | 2.0% |
| Assumes life expectations on retirement age 65: | | |
| Current pensioners – males | **21.7** | 21.7 |
| Current pensioners – females | **24.0** | 24.0 |
| Future pensioners – males | **22.5** | 22.5 |
| Future pensioners – females | **25.5** | 25.5 |

The amounts for the current and previous periods are as follows:

| | 2020 £000 | 2019 £000 | 2018 £000 | 2017 £000 | 2016 £000 |
|---|---|---|---|---|---|
| Defined benefit obligation | (145,977) | (127,224) | (110,654) | (117,881) | (113,347) |
| Scheme assets | 107,410 | 100,072 | 89,177 | 92,056 | 78,876 |
| (Deficit) | (38,567) | (27,152) | (21,477) | (25,825) | (34,471) |

## 8. Intangible assets

| A Group | Other £000 | Assets under construction £000 | **Total £000** |
|---|---|---|---|
| **Development at cost** | | | |
| At 1 January 2020 | 719 | 251 | **970** |
| Additions | 124 | 202 | **326** |
| Transfers | 202 | (202) | **–** |
| Impairment | – | (74) | **(74)** |
| Disposals | (229) | – | **(229)** |
| At 31 December 2020 | 816 | 177 | **993** |
| | | | |
| **Amortisation** | | | |
| At 1 January 2020 | 624 | – | **624** |
| Charge for year | 46 | – | **46** |
| Eliminated on disposal | (229) | – | **(229)** |
| At 31 December 2020 | 441 | – | **441** |
| Net book value 31 December 2020 | 375 | 177 | **552** |
| Net book value 31 December 2019 | 95 | 251 | **346** |

| B CIPFA | Other £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|
| **Development at cost** | | | |
| At 1 January 2020 | 561 | 55 | **616** |
| Additions | 17 | 202 | **219** |
| Transfers | 6 | (6) | **–** |
| Impairment | – | (74) | **(74)** |
| Disposals | (229) | – | **(229)** |
| At 31 December 2020 | 355 | 177 | **532** |

| **Amortisation** | | | |
|---|---|---|---|
| At 1 January 2020 | 475 | – | **475** |
| Charge for year | 23 | – | **23** |
| Disposals | (229) | – | **(229)** |
| At 31 December 2020 | 269 | – | **269** |
| Net book value 31 December 2020 | 86 | 177 | **263** |
| Net book value 31 December 2019 | 86 | 55 | **141** |

Intangible assets relate to product software, delivery and supports software, and the costs of learning materials to support students training for the professional qualification. The assets under construction relate to the periodic refresh of the learning materials, migration of our servers to Amazon Web Service and an interface to assist recognition of our apprenticeship income streams.

## 9. Tangible fixed assets

| A Group | Freehold land & buildings £000 | Furniture & Fittings £000 | Computers £000 | Total £000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2020 | 13,600 | 1,396 | 2,548 | **17,544** |
| Revaluations | (50) | – | – | **(50)** |
| Additions | – | – | 76 | **76** |
| Disposals | – | – | (9) | **(9)** |
| At 31 December 2020 | **13,550** | **1,396** | **2,615** | **17,561** |
| **Depreciation** | | | | |
| At 1 January 2020 | – | 1,233 | 2,446 | **3,679** |
| Charge for year | 192 | 99 | 82 | **373** |
| Revaluations | (192) | – | – | **(192)** |
| Eliminated on disposal | – | – | (9) | **(9)** |
| At 31 December 2020 | **–** | **1,332** | **2,519** | **3,851** |
| **Net book value 31 December 2020** | **13,550** | **64** | **96** | **13,710** |
| Net book value 31 December 2019 | 13,600 | 163 | 102 | **13,865** |

| B CIPFA | Freehold land & buildings £000 | Furniture & Fittings £000 | Computers £000 | **Total £000** |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| Revaluations | 13,600 | 1,172 | 2,156 | **16,928** |
| Additions | (50) | – | – | **(50)** |
| Transfer/reclassifications | – | – | 57 | **57** |
| Disposals | – | – | (35) | **(35)** |
| At 31 December 2020 | **13,550** | **1,172** | **2,178** | **16,900** |
| **Depreciation** | | | | |
| At 1 January 2020 | – | 1,095 | 2,063 | **3,158** |
| Charge for year | 192 | 59 | 54 | **305** |
| Revaluations | (192) | – | – | **(192)** |
| Eliminated on disposal | – | – | (9) | **(9)** |
| At 31 December 2020 | **–** | **1,154** | **2,108** | **3,262** |
| **Net book value 31 December 2020** | **13,550** | **18** | **70** | **13,638** |
| Net book value 31 December 2019 | 13,600 | 77 | 93 | **13,770** |

The tangible fixed assets are held for charitable use.

Cushman & Wakefield, Property Consultants, completed a desktop valuation of the Mansell Street property as at 31 December 2020. The basis used for the valuations was open market value. The historical cost of the freehold land and buildings is £13,572,000.

## 10. Investment property

| Group and CIPFA | **2020 £000** | 2019 £000 |
|---|---|---|
| **Cost** | | |
| At 1 January | **7,100** | 3,300 |
| Additions | **-** | 3,800 |
| Revaluation | **(125)** | – |
| At 31 December | **6,975** | 7,100 |

The investment property relates to the third and fifth floors of the Mansell Street property.

## 11. Investments in subsidiary company

| | **2020 £000** | 2019 £000 |
|---|---|---|
| 400,000 £1 ordinary shares in CIPFA Business Ltd | **400** | 400 |
| 75 £1 ordinary shares in CIPFA C.Co Ltd | **–** | – |
| | **400** | 400 |

## 12. Other investments

| Group and CIPFA | 2020 £000 | 2019 £000 |
|---|---|---|
| Balance at 1 January | **9** | 9 |
| Movement in year | **–** | – |
| Balance at 31 December | **9** | 9 |

As one of five major accountancy bodies the Institute holds 70 £1 shares in CCAB Ltd at a cost of £70 (7% of the issued equity capital). Other investments comprise a number of funds that have been established either by way of donations in memory of eminent accountants within public finance or from various organisations.

## 13. Deferred tax

A deferred asset of £12,000 (2019: £363,000) exists at 31 December 2019 in respect of timing differences. However, the asset has not been recognised in the balance sheet as it is not deemed likely to crystallise given CIPFA Business Ltd's policy and practice of remitting all taxable profits to CIPFA under gift aid.

## 14. Stocks and work in progress

| | Group 2020 £000 | 2019 £000 | CIPFA 2020 £000 | 2019 £000 |
|---|---|---|---|---|
| Finished goods | **4** | 6 | **1** | 2 |
| Work in prograss | **295** | 104 | **156** | – |
| | **299** | 110 | **157** | 2 |

## 15. Debtors

| | Group 2020 £000 | 2019 £000 | CIPFA 2020 £000 | 2019 £000 |
|---|---|---|---|---|
| Trade debtors | **1,688** | 2,085 | **813** | 1,019 |
| Amounts due from subsidiary undertakings | **–** | – | **254** | 538 |
| Other tax and social security | **–** | 13 | **–** | 13 |
| Other debtors | **851** | 1,275 | **680** | 618 |
| Prepayments | **323** | 367 | **215** | 251 |
| | **2,862** | 3,740 | **1,962** | 2,439 |

## 16. Creditors: amounts falling due within one year

| | Group 2020 £000 | 2019 £000 | CIPFA 2020 £000 | 2019 £000 |
|---|---|---|---|---|
| Trade creditors | **565** | 1,120 | **55** | 334 |
| Amounts due to subsidiary undertakings | **–** | – | **6** | 1,076 |
| Other tax and social security | **2,107** | 920 | **356** | 431 |
| Other creditors | **618** | 876 | **565** | 731 |
| Receipts in advance | **3,305** | 3,527 | **1,103** | 1,335 |
| Property provision | **4** | 7 | **4** | 7 |
| Commercial loan | **505** | 484 | **–** | – |
| | **7,105** | 6,934 | **2,090** | 3,914 |

Receipts in advance of £3,305,000 (2019: £3,527,000) relate to professional membership and commercial services that will be delivered in the next financial year.

## 17. Commercial loan

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Balance at 1 January | **1,640** | 2,000 |
| Repayments | **(484)** | (360) |
| Balance at 31 December | **1,156** | 1,640 |

| **Analysis of commercial loan** | 2020 £000 | 2019 £000 |
|---|---|---|
| Within one year | **505** | 484 |
| Within two to five years | **651** | 1,156 |
| | **1,156** | 1,640 |

CIPFA Business Limited has a commercial loan of £2,000,000 which is secured on the Mansell Street, London property. The loan has an interest rate of 4.82% with principal repayment over years two to five of the loan, which matures in February 2023.

## 18. Group funds

| | Balance at 1 Jan 2020 | Transfers | Income | Expenditure | Other recognised gains/losses | **Balance at 31 Dec 2020** |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | **£000** |
| **Unrestricted funds** | | | | | | |
| Designated (property) | 14,154 | 484 | – | – | – | **14,638** |
| Designated (other fixed assets) | 611 | 402 | – | (301) | – | **712** |
| Designated (contractual dispute) | 500 | (500) | – | – | – | **–** |
| Revaluation reserve | 4,906 | – | – | (192) | 17 | **4,731** |
| Other charitable | (619) | (386) | 26,191 | (22,702) | – | **2,484** |
| Pension reserve | (27,152) | – | – | (149) | (11,266) | **(38,567)** |
| | (7,600) | – | 26,191 | (23,344) | (11,249) | **(16,002)** |
| **Restricted funds** | | | | | | |
| Trust funds | 9 | – | – | – | – | **9** |
| Regional funds | 33 | – | – | – | – | **33** |
| Minority interest | 60 | – | 226 | (231) | – | **55** |
| **Total funds** | (7,498) | – | 26,417 | (23,575) | (11,249) | **(15,905)** |

| | Balance at 1 Jan 2019 | Transfers | Income | Expenditure | Other recognised gains/losses | Balance at 31 Dec 2019 |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Unrestricted funds** | | | | | | |
| Designated (property) | 15,667 | (1,513) | – | – | – | 14,154 |
| Designated (other fixed assets) | – | 4,763 | | (4,152) | | 611 |
| Designated (contractual dispute) | – | 500 | – | – | – | 500 |
| Revaluation reserve | 4,633 | – | – | (184) | 457 | 4,906 |
| Other charitable | 2,101 | (3,770) | 26,560 | (25,510) | – | (619) |
| Pension reserve | (21,477) | – | – | 515 | (6,190) | (27,152) |
| | 924 | (20) | 26,560 | (29,331) | (5,733) | (7,600) |
| **Restricted funds** | | | | | | |
| Trust funds | 9 | – | – | – | – | 9 |
| Regional funds | 13 | 20 | – | – | – | 33 |
| Minority interest | 35 | – | 329 | (304) | – | 60 |
| **Total funds** | 981 | – | 26,889 | (29,635) | (5,733) | (7,498) |

**Designated fund (property)** – The Council has classified as designated funds the element of its reserves that represents the cost of the freehold buildings and investment properties as at 31 December 2015.

**Designated fund (other fixed assets)** – The Council has classified as designated funds the intangible assets and other non-property fixed assets.

**Designated fund (contractual dispute)** – The Council has removed the previously designated £500,000 for future legal costs in relation to the contract dispute relating to the London Counter Fraud Hub contract.

**Revaluation reserves (property)** – This relates to the revaluation of the freehold and investment properties.

**Trust funds** – A number of funds have been established either by way of donations in memory of eminent accountants within public finance or from various organisations. The income from the investments is used for prizes in each year's examinations, either for the best subject or the best student in a particular field. A proportion of the funds (£9,000) are administered through a separate charity, Charity Commission Registration 313981.

**Regional funds** – A number of funds have been established by way of donations in memory of eminent accountants within public finance. The funds are used to support students or further the work of the region.

**Minority interest** – This represents CIPFA's non-controlling interest in CIPFA C.Co Ltd, of which it owns 75% of issued shares in the company.

## 19. Analysis of group net assets between funds

| | Designated £000 | Other charitable £000 | Pension reserve £000 | Revaluation reserve £000 | Restricted £000 | **Total £000** |
|---|---|---|---|---|---|---|
| **Fund balances at 31 December 2020 are represented:** | | | | | | |
| Intangible assets | 552 | – | – | – | – | **552** |
| Tangible fixed assets | 8,979 | – | – | 4,731 | – | **13,710** |
| Investment property | 6,975 | – | – | – | – | **6,975** |
| Investments | – | – | – | – | 9 | **9** |
| Current assets | – | 9,139 | – | – | 33 | **9,172** |
| Current liabilities | (505) | (6,655) | – | – | 55 | **(7,105)** |
| Long-term liabilities | (651) | – | – | – | – | **(651)** |
| | 15,350 | 2,484 | – | 4,731 | 97 | **22,662** |
| Pension liability | – | – | (38,567) | – | – | **(38,567)** |
| **Group net assets/(liabilities)** | **15,350** | **2,484** | **(38,567)** | **4,731** | **97** | **(15,905)** |

| | Designated £000 | Other charitable £000 | Pension reserve £000 | Revaluation reserve £000 | Restricted £000 | Total £000 |
|---|---|---|---|---|---|---|
| Fund balances at 31 December 2019 are represented: | | | | | | |
| Intangible assets | 346 | – | – | – | – | 346 |
| Tangible fixed assets | 8,959 | – | – | 4,906 | – | 13,865 |
| Investment property | 7,100 | – | – | – | – | 7,100 |
| Investments | – | – | – | – | 9 | 9 |
| Current assets | 500 | 5,891 | – | – | 33 | 6,424 |
| Current liabilities | (484) | (6,510) | – | – | 60 | (6,934) |
| Long-term liabilities | (1,156) | – | – | – | – | (1,156) |
| | 15,265 | (619) | – | 4,906 | 102 | 19,654 |
| Pension liability | – | – | (27,152) | – | – | (27,152) |
| Group net assets/(liabilities) | 15,265 | (619) | (27,152) | 4,906 | 102 | (7,498) |

## 20. Leasing commitments

At 31 December 2020 the future minimum lease payments under non-cancellable operating leases were as follows:

| A Group | Land & buildings 2020 £000 | Other 2020 £000 | Land & buildings 2019 £000 | Other 2019 £000 |
|---|---|---|---|---|
| Leases that expire: | | | | |
| within one year | **153** | **19** | 153 | 23 |
| within 2 to 5 years | **377** | **18** | 480 | 42 |
| in over 5 years | **36** | **–** | 89 | – |
| | **566** | **37** | 722 | 65 |

| B CIPFA | Land & buildings 2020 £000 | Other 2020 £000 | Land & buildings 2019 £000 | Other 2019 £000 |
|---|---|---|---|---|
| Leases that expire: | | | | |
| within one year | **104** | **15** | 104 | 19 |
| within 2 to 5 years | **183** | **16** | 286 | 35 |
| in over 5 years | **–** | **–** | – | – |
| | **287** | **31** | 390 | 54 |

## 21. Leased assets

At 31 December 2020 the future minimum lease receipts due to CIPFA under non-cancellable operating leases were as follows:

| Group and CIPFA | Land & buildings 2020 £000 | Land & buildings 2019 £000 |
|---|---|---|
| Leases that expire: | | |
| within one year | **175** | 190 |
| within 2 to 5 years | **303** | 15 |
| in over 5 years | **-** | – |
| | **478** | 205 |

## 22. Transactions with trustees

The trustees received no remuneration in relation to fulfilling their role as trustees (2019: Nil).

Four trustees were reimbursed £2,239 for actual travel and subsistence costs necessarily incurred on institute business (2019: four trustees were reimbursed £21,902). No additional payments were made to trustees.

## 23. Transactions with related parties

In 2020, the following transactions were incurred between CIPFA and its subsidiaries, CIPFA Business Ltd and CIPFA C.Co Ltd. There are no other related transactions or balances for disclosure in this report.

| | **2020**<br>**£000** | 2019<br>£000 |
|---|---|---|
| Management fees/recharges charged by CIPFA to CIPFA Business Ltd | **2,311** | 2,142 |
| Sales to CIPFA from CIPFA Business Ltd | **(1)** | 17 |
| Sales to CIPFA Business Ltd from CIPFA | **10** | 17 |
| Sales to CIPFA C.Co Ltd from CIPFA Business Ltd | **1** | 3 |
| Amounts due to CIPFA from CIPFA Business Ltd | **254** | 226 |
| Amounts due to CIPFA Business Ltd from CIPFA | **6** | 1,076 |
| Amounts due to CIPFA from CIPFA C.Co Ltd | **211** | 312 |
| Loan interest charged by CIPFA to CIPFA C.Co Ltd | **6** | 9 |
| Gift aid paid to CIPFA by CIPFA Business Ltd | **1,000** | 230 |

# Independent auditor's report to the trustees of the Chartered Institute of Public Finance and Accountancy

We have audited the financial statements of the Chartered Institute of Public Finance and Accountancy ('the charity') and its subsidiaries ('the group') for the year ended 31 December 2020, which comprise the statements of financial activities, the group and charity balance sheets, the consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 December 2020 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (amended).

## Basis for opinion

We conducted our audit in accordance with International Standards on auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's or the group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

## Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 and the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient and proper accounting records have not been kept by the parent charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under Section 151 of the Charities Act 2011, and Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 together with the Charities SORP (FRS 102) 2019. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's and group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were taxation legislation, employment legislation and General Data Protection Regulation (GDPR).

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing surrounding recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

## Use of our report

This report is made solely to the charity's members, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

**Crowe U.K. LLP**
**Statutory Auditor**
**London**
Date: 9th June 2021

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under Section 1212 of the Companies Act 2006.

CIPFA

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