

21 July 2022

[N.B. Member details removed for privacy purposes]

Dear Member

In recognition that you were unable to attend the AGM and as requested, please find below in tabular form the Institute's responses to the questions submitted via email by yourself on the 6 July 2022.

Other AGM attendees did not have sight of these questions, therefore, in the interests of transparency, we will publish the questions and responses on CIPFA's website, for a period of three months, in the same location as the annual report.

Q1 The 2020 CIPFA annual report identified 8 red flags relating to the flawed CIPFA Corporate Governance Process.

Can CIPFA report to its members in detail on the progress it has made on resolving each of these 8 Corporate governance red flag issues including all the specific steps which CIPFA has taken and is still planning to take?

As stated in the Annual Report, Martin Sinclair (former Assistant Auditor General at the National Audit Office) was invited to review progress against the recommendations in his review of the actions taken and lessons learned from the failure of the London Counter Fraud Hub project. One year on his assessment was that:

"Governance within CIPFA has improved significantly; there has been investment in developing governance structures; embedding better processes; improving understanding of roles and necessary skills; and working to create a shared culture and positive behaviours."

"All of the LCFH Review recommendations on governance processes have been implemented together with other actions identified subsequently."

The Sinclair Review set out a range of recommendations to improve the processes, culture and maturity of governance to build on changes already made, on which the review concurred. This was welcome advice and as a learning organisation CIPFA will always wish to stretch itself further.

After detailed discussions between management and the CIPFA Board, the Institute's response to the review an action plan for implementation of the recommendations was approved by the Board and then Council in December 2020.

The Council has received regular updates on progress against the plan. The final actions will be completed by the end of the year leaving only a full governance review pending in 2024.

Q2 Given that CIPFA claims to be " people focused, supportive and collaborative" Does CIPFA believe that its refusal to publish the independent report on the 2019 £3.7m write down for its own members to review and even discuss the write down at the July 2022 CIPFA agm enhances its journey towards greater openness, transparency and efficiency as an organisation?

<p>As communicated previously, Council considers that CIPFA has shown sufficient transparency over the last two years. The recommendations of the independent report were published; the 2020 annual report included the outcomes and covered in presentations at the 2021 AGM along with an update on progress. In the 2021 annual report we have referenced the findings of the follow up report. The Sinclair report was not commissioned for an external audience and there is insufficient reason to overturn the original decisions taken by both the Board and Council.</p>
<p>Q3 Can CIPFA confirm or deny that no other failures of any arrangements, companies, agreements it has been involved with have occurred since the 2019 LCFH write down?</p>
<p>CIPFA operates within the risk mandate set by Council and has greatly improved oversight and management of risk for new ventures. As with all organisations, occasionally we will withdraw from new initiatives when they fail to meet our objectives; CIPFA has made no material loses in the period reported.</p>
<p>Q4 Can CIPFA fully update its members on the latest progress concerning its negotiations with ICAEW on closer working relations with that Institute?</p>
<p>Please see the separate communication shared with all members subsequent to the AGM.</p>
<p>Q5 Can CIPFA update its members on progress relating to a specific website which would cover CIPFA member issues like:</p> <ul style="list-style-type: none"> -All CIPFA Committee Meeting minutes -Voting numbers -Discussion issues -CIPFA constitution -Member Q and A page <p>Can CIPFA let members know when such a website could be delivered?</p>
<p>CIPFA has no plans to produce a separate website. However, details of the Institute's constitution are publicly available on the "About CIPFA" section of our website and we have been publishing a recorded "Council update" interview with the President, or other Council members, after each meeting to share the main discussion topics and points of interest for members.</p> <p>We welcome questions on our governance at any time: CIPFAGovernance@cipfa.org Other queries from members can be raised through members@cipfa.org or +44 (0)20 7543 5600 (lines are open 08:30 to 17:30 Monday to Friday) or speak with one of our team via webchat on the website. Full details are here: https://www.cipfa.org/about-cipfa/customer-services</p> <p>We also produce a summary of the chief executive's report to Council which is distributed to volunteer members across the institute.</p>
<p>Q6 The inclusion of climate change definitions in the 2021 annual report is laudable but can CIPFA indicate when it expects to achieve net zero status in terms of its carbon emission impacts on wider society?</p>

<p>In common with many public sector and Membership organisations CIPFA's zero carbon aspirations do not have a deadline ascribed to them and our sustainability strategy is in development.</p>
<p>Q7 The CIPFA balance sheet is negative (at circa £3.6m) and the main driver of this is the pension deficit recorded in that balance sheet (at circa £30.5m).</p> <p>CIPFA intends to achieve a resolution of the pension deficit problem by 2033.</p> <p>Can CIPFA inform its members of the specific strategies it is pursuing and intends to pursue to resolve the pension deficit problem thus ensuring the long term financial stability of the Institute and obviating the need for future negative balance sheets?</p>
<p>CIPFA are in active discussions with the Wiltshire Pension Fund and have made an offer to the Fund to close the Scheme to future accrual for the remaining Members. As and when an agreement is reached with the Fund, we would enter a period of consultation with those remaining Members, and after that consultation we will make a decision on closure</p>
<p>Q8 In 2021 the Group Operating income of CIPFA was some : £26.6m as compared to £24.4m in 2020. This represents an increase of less than 1%.</p> <p>This is a modest increase given that current inflation is just over 9%.</p> <p>Given that the CIPFA business plan, according to my understanding, envisages a doubling of group income in 5 years how does CIPFA think this might be achieved?</p> <p>Why has the growth in group operating income been relatively modest and what plans has CIPFA got to accelerate this growth to meet its future business plan targets?</p>
<p>The surplus for 2020 was £26.6m.</p> <p>Inflation in 2022 is indeed around 9%, however the current rate of inflation cannot be linked to performance of earlier financial years. It should also be emphasised that the root causes of inflation (energy prices in particular) are not as relevant to CIPFA and its operations as the wider economy.</p> <p>The aspiration of revenue of £45m was set before the current financial crisis and will be revisited as part of the revised business planning exercise, which we are about to commence.</p> <p>Against the backdrop of the pandemic, and when compared to similar organisations, the Board was comfortable that the revenue performance was a solid one. This was reiterated at the AGM. Growth in future years will follow investment in a number of areas, not least our international aspirations.</p>
<p>Q9 Between 2019 and 2020 CIPFA reduced its group operating costs by just over £3m which was a significant reduction.</p> <p>The reduction of these operating costs between 2020 and 2021 has been much more modest - £22,948m in 2020 down to £22,881m in 2021.</p>

<p>This definition excludes restructuring costs and represents a reduction of less than half a percent between these two years.</p> <p>What plans has CIPFA got in terms of the levels of group operating costs it envisages to face each year over the next 5 years of its business plan?</p> <p>Does CIPFA envisage these costs reducing significantly over that period?</p> <p>If it seeks to further reduce its group operating costs how does it estimate such reductions might be exacerbated by future inflation estimates?</p>
<p>CIPFA Board has agreed a Business Plan which expects to see growth in activity over that period, and consequential increase in revenue. In order to service that growth in revenue we anticipate that there will be an increase in expenditure rather than a reduction. CIPFA has demonstrated prudent financial management, including in 2021 the early repayment of the cash flow loan taken out in 2018. At the same time, as any financially sensible, prudent and well managed organisation does, we will continue to monitor and control expenditure whilst delivering our ambitious growth programme.</p>
<p>Q10 Why did the second CIPFA subsidiary, CIPFA Co Ltd, appear to make a £40k loss on a £798k turnover?</p> <p>I understand that CIPFA has an 88% stake in this subsidiary up from 75% in 2020.</p> <p>What were the reasons for this loss and how can it be turned around?</p>
<p>CIPFA's majority interest in C.Co does not expose it to financial risk, and the loss, caused by one off and exceptional items in 2021, will be financed from accumulated reserves in CIPFA C.Co rather than a call on the reserves of the parent company (CIPFA). The CIPFA C.Co Board, comprising of CIPFA Executives and independent non Executives have received and approved the Business Plan for 2022 onwards where there is confidence of a return to profitability. The trading performance so far in 2022 underpins that confidence.</p>

Yours sincerely,

Nicola Hannam

Company Secretary and Chief of Staff

cc:

- Jayne Owen, CIPFA President
- Rob Whiteman, CIPFA Chief Executive