



CIPFA

ANNUAL REPORT AND
ACCOUNTS 2004

AT THE HEART OF
PUBLIC SERVICES 

CIPFA – AT THE HEART OF PUBLIC SERVICES

WHAT DO WE AIM TO DO?

CIPFA is a charity. Our charitable objectives as set out in our Charter are:

- 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;
- to promote public education therein;
- 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; 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 help us to focus effectively on the delivery of our charitable objectives we have adopted seven hallmarks which highlight key features or characteristics of the organisation we strive to be:

- 1 Accessible and responsive – an Institute which is open and accessible, responsive to the needs of its members and students, including those who wish to contribute to its work as volunteers;
- 2 Strong sustainable growth – an Institute which is making significant strides to grow its membership and to broaden its reputation across the full breadth of the public services in the UK and the Republic of Ireland;
- 3 Upholding highest standards – an Institute which exudes and promotes the very highest standards of probity, conduct, professionalism and equality of opportunity;
- 4 Influential in the profession – an Institute which is acknowledged to be a significant influence within the Consultative Committee of Accountancy Bodies in the UK and the Republic of Ireland, and internationally;
- 5 High profile in the public services – an Institute which is well known, influential and highly regarded within its core public service market and more widely;
- 6 Delivering real improvements on the ground – an Institute which is widely recognised to be playing a significant role in the development and implementation of real improvements in the public services provided to and for the citizens; and
- 7 Best use of resources – an Institute which conducts its business efficiently and makes best use of the resources at its disposal.

To find out how we have performed against these aspirations in 2004 and what we aim to achieve in 2005 and beyond please read on.

FOREWORD



2004 was a very significant year for CIPFA. Indeed, subject to events over coming months, it may prove to be a watershed in the Institute's long, proud history.

Throughout the greater part of the year we worked closely with our sister professional bodies, the Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Accountants in England and Wales (ICAEW), to explore options for a major consolidation initiative.

Many commentators were less than positive about our chances of success, reciting the litany of failed merger attempts which have so dogged the profession for three or four decades – as if we needed to be reminded! But by the turn of the year a number were beginning to review their predictions, especially when we were able to announce formal plans for CIPFA and ICAEW to join forces in a new combined institute. Members will have the opportunity to vote on this proposal in October 2005.

The success or otherwise of this scheme will have huge implications, not only for the two bodies and their members and students, but also for the wider profession. A powerful new institute will have the capacity and credentials to serve all sectors of the economy and to span all of the specialisms which make up the modern profession. It will be able to command a leadership role globally, helping to position the public interest at the heart of the agenda and to deliver the very highest standards on which future confidence and credibility depend so heavily.

But this is only half the story of 2004. Bold new projects have a potential downside too. Most obviously they can sap energy and distract attention from the organisation's day-to-day business.

Throughout the year we have been resolutely determined to avoid this pitfall. And I believe that our results confirm remarkable success. A surplus of £670,000 on the year's activities (excluding property valuation adjustments) and our best new student registration numbers since 1990, speak volumes.

Two particular highlights of the year were the launches of the CIPFA Financial Management Model and the new Good Governance Standard for Public Services. The latter represented the work of an Independent Commission set up by CIPFA and the Office of Public Management, working in partnership with the Joseph Rowntree Foundation.

For me, these were examples of the Institute at its very best – conceiving big ideas, delivering them with style and finesse, and making a real difference in public service organisations up and down the land.

All of this leads me to thank the many volunteers and staff who work together so effectively to make our Institute such a vibrant organisation. Whatever the future holds, with these levels of skill and commitment, I am confident that we shall continue to thrive.

Mike Barnes, President

JANUARY

New Charities Panel

We launched a new Charities Panel in recognition of the growing number of CIPFA members working in the sector and the strong linkages between the public services and the charity sector. The new panel's agenda includes considering and providing responses to government policy statements and other initiatives on charity governance and finance; producing publications for use in the charity sector; providing training resources for charity sector finance staff; and examining convergence issues between the public and charity sectors.

FEBRUARY

International agreement with CMA Canada and CIPFA

CIPFA signed a mutual recognition agreement with its sister body CMA Canada. The agreement recognises both organisations' shared interest in the advancement of financial and strategic management. It enables qualified members of CIPFA to gain membership of CMA and vice-versa. The arrangement is expected to benefit CPFAs working in Canada and CMAs working in the public services. It also provides a platform for future joint development projects between the two bodies.

2004 has been a busy and challenging year for CIPFA. Our diary of highlights, covered in the following 8 pages, admirably demonstrates why CIPFA is *the* professional body for accountants and financial managers working in the public services.



ISO award

The Education & Training (E&T) directorate was awarded the internationally recognised quality standard ISO 9001:2000 for the excellence of its student-focused services. In doing so, CIPFA became the first of the UK's professional accountancy bodies to secure this prestigious accreditation.

London boroughs choose CIPFA for new training scheme

In February, 29 trainees commenced their CIPFA studies following a successful recruitment drive, spearheaded by the Society of London Treasurers, to encourage applicants from underrepresented groups into local government finance careers. According to the 2001 Census, ethnic minorities account for 25% of London's economically active population. 40% of the recruits attracted by this campaign came from an ethnic minority background. This training scheme helps local authorities in London to reflect the communities they serve, as well as building strong financial management skills and capacity for the future.

MARCH

CIPFA publishes local income tax report

CIPFA presented a major report on the pros and cons of local income tax to Local Government Minister Nick Raynsford and the Balance of Funding Review Steering Group, which was considering alternative ways of funding local services. In April, Steve Freer, CIPFA's chief executive, also gave a presentation on the work of the Balance of Funding Review to a seminar organised by the Society of County Treasurers.

Funding Strategy Statements guidance published

Our pensions panel issued guidance for those involved in administering local authority pension schemes on how to prepare and maintain funding strategy statements (FSSs). The FSS is part of new regulations which came into force on 1 April 2004 and the first FSS must be published by 31 March 2005. CIPFA's guidance aims to highlight the issues that the FSS should address, while giving administering authorities the flexibility to reflect local circumstances appropriately.

APRIL

IPF

IPF's Market Research Unit introduced MUSE (Museums User Surveys Evaluation) service.

www.ipfproperty.net

We also launched www.ipfproperty.net, the one-stop resource for public sector property professionals which has already become the established portal for property asset management.



HIGHLIGHTS OF THE YEAR

CIPFA in Scotland Conference

This year's Scotland conference was themed "Raising Standards at the Heart of Public Services". Attracting more than 300 delegates and the biggest exhibition at the event to date, delegate feedback gave it a resounding thumbs-up as the best CIPFA in Scotland conference yet.

Launch of consultation on public sector governance standards

A major consultation exercise was launched in March by an Independent Commission chaired by sir Alan Langlands. Set up by CIPFA and the Office of Public Management, in partnership with the Joseph Rowntree Foundation, the commission focused on governance practices and systems in the public services, exploring the essentials of good governance which are common to all types of public service organisations. Ultimately, in January 2005, the commission published the Good Governance Standard for Public Services to wide acclaim.

The Cliff Nicholson Award

The Cliff Nicholson Award for innovation and excellence in public sector audit was presented to the National Audit Office at the Annual Audit Conference.

MAY

Public Servants of the Year Awards

Public Finance magazine's glittering awards presentation was held at the prestigious Grosvenor House Hotel. The Outstanding Public Services Team of the Year award was presented to the Resettlement Unit of HMP Dartmoor for their inspiring work to enable offenders to break away from a life of crime and rebuild their lives. The Outstanding Public Servant of the Year was Badrul Hussain of the London Borough of Tower Hamlets for his work with young people in the area. With close to 800 guests, it was the biggest ceremony to date.



CIPFA Benchmarking Services

We launched the Financial Assessments Benchmarking Club, bringing the total number of clubs currently working to help organisations improve efficiency and performance to 15.

JUNE

International activities

Steve Freer gave a presentation on public sector reform at a conference in South Africa hosted by the Public Financial Services Agency and the University of Fort Hare.

CIPFA National Annual Conference and Career Conference, Brighton

More than 900 delegates attended this year's Conference responding to the invitation to consider "What next for the public services?" A line up of A-list speakers included Charles Kennedy, Nick Raynsford, Michael Portillo,



Role of the Finance Professional in Central Government

Our central government panel published its comprehensive review of the wide ranging roles of senior finance professionals in central government. This coincided closely with government's own announcements about a strategic initiative to emphasise the key roles of professionals in the senior civil service.



James Strachan, Linda Dickens, Sir Sandy Bruce-Lockhart, Evan Davies and Andrew Rawnsley. In an interesting first for the Conference, we were especially pleased to welcome the director general of the CBI, Digby Jones and the general secretary of the TUC, Brendan Barber. As ever, the Conference catered for all ages. Students and newly qualified members were out in force at the special Career Conference, listening to yet more inspiring speakers, including Olympic champion Sally Gunnell.

JULY

CIPFA in Scotland defines audit committee principles for Scottish local authorities

Fundamental audit committee principles for local authorities in Scotland were defined for the first time in a new guidance note published by CIPFA Scotland and the Scottish Local Authorities Directors of Finance Section.

AAT Fast Track launched

We teamed up with the Association of Accounting Technicians (AAT) to launch a new fast track route to the CIPFA professional accountancy qualification. The initiative enables an AAT member to

more energy upon how they can use public reporting to encourage stronger accountability relationships.

Launch of Financial Management Model

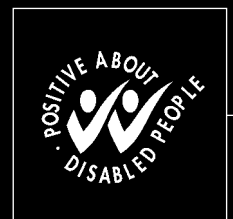
We launched the CIPFA Financial Management Model (FM Model), a web-based self-assessment tool that examines financial management in the public services. It tests how an organisation measures up against 42 good practice statements and positions an organisation's financial management arrangements on a spectrum of three 'styles' – enabling transformation, supporting Performance and securing stewardship.

Positive About Disability Award

CIPFA's President Mike Barnes accepted the award which is given by the Department for Work and Pensions to organisations that agree to meet specific criteria regarding the employment of disabled employees.

CIPFA comments on the final report of the Balance of Funding review

CIPFA's chief executive Steve Freer was a member of the Balance of Funding Review working party chaired by Local Government Minister Nick Raynsford. Responding to the final report, CIPFA welcomed retention and proposed



HIGHLIGHTS OF THE YEAR

qualify as a CIPFA accountant in just two years, thanks to carefully considered examination exemptions. AAT students are also able to count 200 days' work experience required for CIPFA from their experience gained during AAT training.

Public Reporting and Accountability Awards winners

Addenbrooke's NHS Trust was awarded the top prize for excellence in its public reporting at this year's CIPFA/Pricewaterhouse Coopers Public Reporting and Accountability Awards. It was the second time that Addenbrooke's has scooped the top honours since the awards were first launched three years ago. We hope that other organisations will be inspired by their efforts to focus

Organisations can use the model to identify and prioritise improvements in practice and to ensure that good financial management is helping to deliver good front-line services.

Property Asset Management

IPF launched its assetmanager.net software, a leading-edge, online system that enables organisations to manage their property assets efficiently and effectively.

reform of the council tax but advocated that the local tax base would need to be expanded, either by the localisation of business rates or the introduction of local income tax to make a real difference.

CIPFA International

CIPFA International provided internal audit training for the Directorate General for Agriculture of the European Commission. We also developed a financial reporting manual for the South African Treasury.

JULY

Improving Financial Management

IPF's consultancy team worked with WaterAid, an international charity, to assess their financial management using the CIPFA Financial Management Model and to produce a five-year finance strategy.

AUGUST

Improving Governance and Accountability

CIPFA Council member Tony Redmond was invited to speak at the CPA Australia Forum "Challenge of Change: Driving Governance and Accountability" in Singapore. Tony's subject was effective financial management and its links to good governance and accountability.

SEPTEMBER

CIMA/CIPFA/ICAEW Consolidation

We announced that CIPFA was entering into discussions with CIMA and ICAEW to explore the potential for consolidating the three organisations, creating a powerful combined institute which would strengthen leadership of the profession in the UK and globally.



CIMA CIPFA



Review of internal organisation of CIPFA and its subsidiary companies completed

Following an extensive review with wide consultation, we announced a number of organisational changes to strengthen secretariat performance in several key areas. Since August, work has been under way to implement the changes which include: group-wide harmonisation of support services, a new directorate for marketing and brand management, new arrangements for leadership and co-ordination of local offices and the development of new leadership roles to give greater focus to our activities in a number of key markets, specialisms and products and services.

Conference for the Regions - Isle of Man

The Conference for the Regions provides an opportunity for regional volunteers to meet and debate topical issues, receive briefings on best practice and also hear national updates on Institute policy and initiatives. The 2004 event was hosted by the North West and North Wales Society and took place on the Isle of Man in the second week of September.

OCTOBER

Setting the standard for good governance of the UK's public services

Following the major consultation exercise in March, (see page 3) the draft Good Governance Standard for Public Services was published, identifying the key ingredients necessary to deliver good governance in the public services. In particular, it analysed the critically important role of the 450,000 elected or appointed governors who lead the UK's public service organisations. The draft standard encouraged governors to review, challenge and question governance practice and to evaluate

Financial Management Standards for Schools

The Department for Education and Skills contracted IPF to update the Financial Management Standards Toolkit for Schools, developed in 2003, which was distributed to all schools on CD-Rom. The update includes web-based assessment tools.

CIPFA supports FEE/European Commission accruals accounting seminar

We supported the organisation of the FEE Public Sector Committee's joint seminar with the European Commission on the introduction of accruals accounting into the commission.

CIPFA in Northern Ireland Conference

Now in its twelfth year, the Northern Ireland Conference is an established and important event in the public sector calendar. The theme for 2004 was "Improving services on the front line - new beginning or false dawn?" it attracted 270 delegates, exhibitors and sponsors making it the largest CIPFA Northern Ireland conference to date.



HIGHLIGHTS OF THE YEAR

whether their organisations are fully applying the standard. CIPFA also gave evidence at a hearing of the Committee on Standards in Public Life on this issue.

CIPFA International

CIPFA International provided technical and training assistance to the Sierra Leone Auditor General and began an assignment to advise the North West Frontier Province of the Pakistan provincial government on the development of performance budgeting.

CIPFA European Group seminar.

Our European Group held a seminar in Brussels attended by a third of CIPFA European Group members. Its rich programme included an address from CIPFA President Mike Barnes.

www.ipfprocurement.net

IPF launched a website, www.ipfprocurement.net for public sector procurement practitioners, clients and partners. One of its key functions is that it provides a convenient tendering route for users.

NOVEMBER

CIPFA assists the creation of new IFAC board

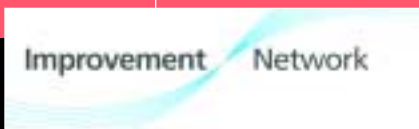
John Stanford, a senior member of our Policy and Technical team, acted as secretary to a review of IFAC's Public Sector Committee, which in November was reconstituted as the International Public Sector Accounting Standards Board. The new board is responsible for issuing International public sector accounting standards and promoting their use by governments and international public sector organisations.

Improvement Network

Working in partnership with the Audit Commission, the Employers' Organisation for local government and the Improvement and Development Agency, CIPFA helped to develop the Improvement Network, a one-stop shop for improvement tools and techniques for local authorities. The free web-based service, available at www.improvementnetwork.gov.uk, provides a deep reservoir of proven ideas and best practice to help councils to make real progress towards the delivery of excellent services.

CIPFA teams up with Warwick Business School

Senior staff of central government departments and other public bodies are now able to fast track to CIPFA's full professional accountancy qualification and at the same time earn a new Postgraduate Diploma in Public Finance and Leadership in under two years. Launched with Warwick Business School, this innovative scheme responds directly to governmental plans to professionalise the civil service. It provides the opportunity for senior civil servants to enjoy an especially stimulating programme and to add new professional competencies to their existing skills and experience.



CIPFA International Chair wins IFAC Article of Merit Award

Noel Hepworth OBE, chair of CIPFA International, received an Article of Merit Award from the International Federation of Accountants (IFAC) for his essay *"Preconditions for Successful Implementation of Accrual Accounting in Central Government"*. Noel has advised a number of countries about the challenge of migrating from cash to accruals-based budgets and accounts.

Striving for excellence in Wales

The CIPFA in Wales Annual Conference lived up to its own event theme: "Striving for Excellence." The residential format again proved popular, with a significant increase in delegate numbers and a substantial exhibition area.

DECEMBER

Education Finance Advisory Network

IPF launched our Education Finance Advisory Network (Ed-FAN) to help local authorities face the huge programme of change facing education finance officers.

Managing Highways Assets

The Asset Management Planning Network (AMP) and the County Surveyors Society joined forces to launch a network called the Highways Asset Management Planning Network (HAMP).

Whole of Government Accounts (WGA) briefing paper

CIPFA and the Audit Commission teamed up to publish a briefing paper highlighting some of the main aspects of WGA, including audit considerations.

Sustainability reporting in the public services

CIPFA issued 'Advancing sustainability accounting and reporting: an agenda for public services organisations', a discussion paper designed to promote debate on how to move this important agenda forward. It was followed up with a seminar in early 2005.

Strategic Grant Agreement with Department for International Development

CIPFA issued the first in a series of international development briefings as part of our Strategic Grant Agreement with DfID. The briefing addressed "Gender and Participatory Budgeting," an important agenda for many developing countries.



HIGHLIGHTS OF THE YEAR

New CIPFA/SOCITM Network

CIPFA, in partnership with the Society of IT Managers (SOCITM), launched the new CIPFA-SOCITM Network: Improvement Through Technology. It aims to support public sector improvement programmes by providing a blend of perspectives and expertise that reflect the core strengths of CIPFA and SOCITM.

Record student numbers again!

2004 was another strong year for student registrations, with 942 new students joining. This provides welcome endorsement of the new, fully modular, CIPFA Professional Accountancy Qualification (PAQ), which was launched in autumn 2003. Feedback from both students and employers confirms that the PAQ offers students the best of both work-based practice and in-class learning, while also enabling employers to tailor student learning around the needs of their business.

PERFORMANCE AGAINST HALLMARKS

For our 2004 Annual Report we are adopting a new approach to reviewing our performance against the seven hallmarks which are described in full at the outset of this report. Taking each hallmark in turn, we have identified what the desired outcomes are. Where we have insufficient information to give a clear position on a particular outcome we have identified "predictor measures", from which we are able to infer the levels of success that we have had in achieving the hallmarks. This is work in progress which will be further refined and developed in the future. Several of the outcomes are about key stakeholders having a high regard for our activities. We did not undertake a full survey of stakeholder opinions in 2004 but we plan to do more opinion research in 2005, starting with the readers of this annual report. If you are a CIPFA member you will have received this report with our AGM mailing. We would be most grateful if you would complete and return the short survey enclosed. For other readers, the survey is also available online at www.cipfa.org.uk. We look forward to receiving your comments.

HALLMARK 1: ACCESSIBLE AND RESPONSIVE

Outcome 1A
% of stakeholders that believe CIPFA/IPF is very responsive to their needs (see survey)

Predictor measure
 1A.1 Number of complaints, comments, compliments from stakeholders.

CIPFA introduced a more systematic complaints, comments and compliments process in April 2004 as an initiative to improve our customer focus. The scheme is clearly signposted, easy to access and guarantees the user a response in accordance with clear performance criteria. By the year end we had received

- 49** complaints
- 18** comments
- 28** compliments

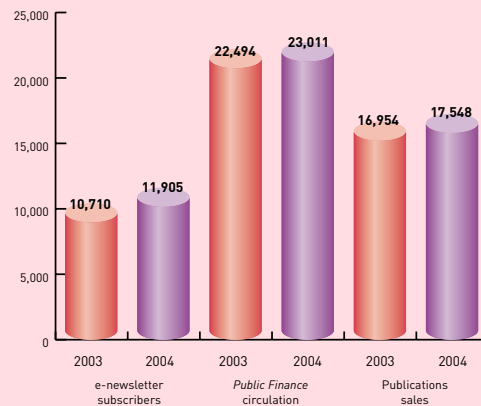
through the scheme. Clearly this does not represent the sum total of all of the feedback which the CIPFA Group receives across all of our many and varied activities. Our target for 2005 is to bring all of this information together to ensure we have clear understanding of the scale, range and content of feedback received and that, where appropriate, all communications receive a timely response. This is likely to result in an increase in the feedback recorded and will give us a solid base from which to measure performance improvement in the future.

Outcome 1B
% of stakeholders who believe that it is easy to access appropriate services (see survey)

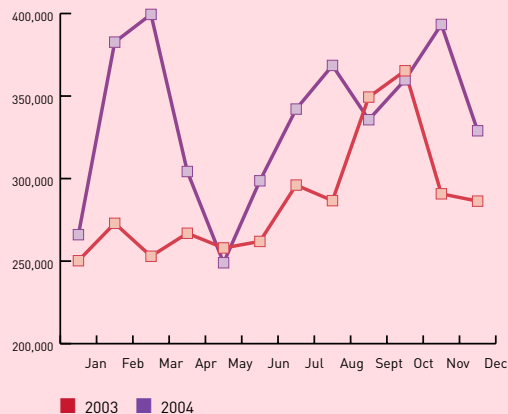
Predictor measures
 1B.1 Number of people accessing national and regional services

We have identified the numbers of people accessing our services as an indicator of the ease of access. The graphs below show this information for a range of services. Year-on-year information is given where this is available. Business plans for these activities for 2005 incorporate a range of growth targets.

Publications

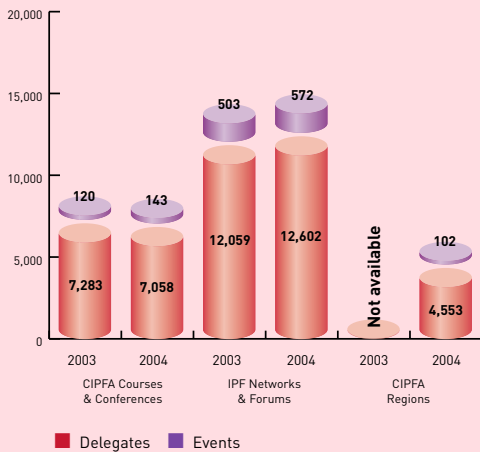


Website hits statistics



Demand for written information in all media continues to grow strongly.

Events and attendance



1B.2 Number of volunteer vacancies

Hallmark 1 also contains an important aspect about our being open and accessible to those who wish to participate as volunteers. At the end of 2004 we had 2,045 people undertaking voluntary roles for the Institute. This figure compares with 2,042 at the end of 2003.

At the end of 2004 we had the following vacancies for volunteer roles:

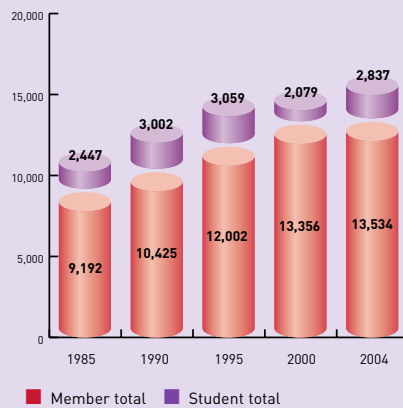
Activity	No. of volunteer positions vacant
TIS boards	14
SIS working parties	9
Case study examiners	13
Invigilators	15
Central Government panel	4
Disciplinary scheme	2
FE/HE panel	1
Assessment approval panel	1
CPD advisers	2

The target for 2005 is to fill these vacancies and others that arise. For readers who would like to offer their support, details of how to do this and how to find about more about the roles are given in the section "Thank you to volunteers" on page 15 of this report.

HALLMARK 2: STRONG SUSTAINABLE GROWTH

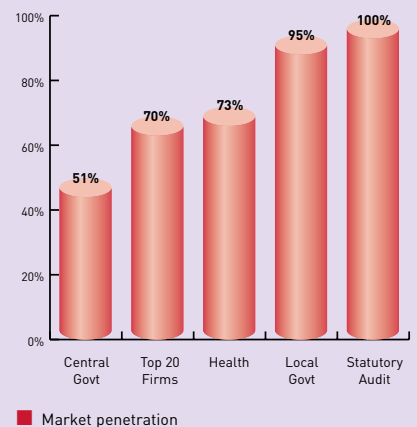
**Outcome 2A
 Number of members**

Over the past 20 years, CIPFA membership has grown. Students are the lifeblood of our organisation. Registrations have shown strong growth over the past five years and are now close to replicating the all-time highs of the early 1990s. Targets for 2005 are for a further 5% year-on-year growth in student registrations with more modest targets for member number maintenance.



**Outcome 2B
 Number of employing organisations of members**

At the end of 2004 our records showed more than 2,500 employers (including self employed) of CIPFA members and students, which is an all-time high. The growth in the number of employing organisations reflects positively upon the skills of CPFAs and the portability of the CIPFA qualification. It also reflects changes in the structure of the public sector and changing employment trends. Another way of evaluating our performance is the representation of members in key target markets. The graph below shows the proportions of organisations employing CIPFA members in 5 of our target markets.



PERFORMANCE AGAINST HALLMARKS *continued*

HALLMARK 3: UPHOLDING HIGHEST STANDARDS

Outcome 3
% of external stakeholders who believe that CIPFA promotes the very highest of standards. *(see survey)*

Predictor measures

3.1 The number of disciplinary complaints received

3.2 The number of disciplinary complaints upheld

At the beginning of 2004, we had 8 outstanding disciplinary cases. During the course of the year, the Investigations Committee considered 11 potential new cases. Of these, 9 were actually investigated; 2 were dismissed at the first hurdle.

Nine cases were closed in 2004. Of these, 4 cases were proven to involve misconduct and a sanction was imposed; 4 cases were dismissed on the basis that there was no case to answer; and one case was dismissed on public interest grounds relating to the member's ill health.

Eight cases therefore remained outstanding at the end of 2004.

The low level of complaints received and upheld relating to CIPFA members compares very favourably with the levels of other professional accountancy institutes.

HALLMARK 4 – INFLUENTIAL IN THE PROFESSION

Outcome 4
% of external stakeholders who believe that the Institute is influential in the profession. *(see survey)*

Predictor measures

4.1 The number of CIPFA members on international accountancy committees.

A number of CIPFA members hold positions of influence in the international profession. In 2004 these were:

Deborah Williams UK representative on the IFAC Developing Nations Permanent Taskforce.

Roger Tabor on the Professional Accountants in Business Committee of IFAC.

Mike Hathorn vice-chair of the International Public Sector Accounting Standards Board.

Caroline Mawhood chair of the FEE Public Sector Committee.

Vernon Soare is a member of a sub-group of IFAC's Ethics Committee reviewing the application of the IFAC Code of Ethics to accountants in government.

Additionally, **John Stanford**, CIPFA's Assistant Director Technical and International has been the technical adviser to the IFAC Public Sector Accounting Standards Board and is to be seconded to IFAC for 18 months commencing in 2005. John was also the secretary to the external review of the IFAC Public Sector Committee prior to its renaming.

4.2 The number of other countries in which CIPFA has established delivery or development links/partnerships.

During 2004, CIPFA has delivered services and/or maintained development links and partnerships with 33 countries. A flavour of the range of activities covered is given in the highlights of the year section. CIPFA is now training students in 25 countries, including Gambia, Slovenia and Slovakia. Our strategy for 2005 is to increase the number of overseas students.



■ Students ■ International Projects

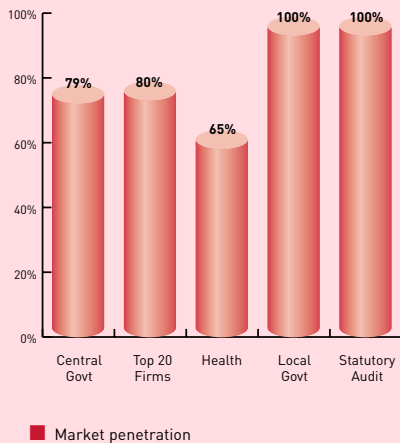
HALLMARK 5 – HIGH PROFILE IN THE PUBLIC SERVICES

Outcome 5
% of public sector employing organisations that believe that CIPFA/IPF is delivering valuable services to the public sector marketplace *(to be surveyed)*.

Predictor measures

5.1 The number of organisations purchasing products and services from the CIPFA Group

In 2004 the Group sold products and services to 3,900 organisations. The graphs below show market penetration of the 5 key markets that we described in outcome 2B.



5.2 % of customers satisfied or very satisfied with the quality of service provided.

We have collected a great deal of feedback from customers about our services during the course of 2004. We have recognised that we could do this in a more consistent way across the group to enable meaningful comparisons and we aim to improve in this area in 2005. Some examples of the feedback we received in 2004 are:

95% of respondents rated CIPFA's annual conference organisation as either excellent or good

74% of respondents felt the overall service provided by the CIPFA Statistical Information Service was very good or good.

95% of respondents would definitely return to a CIPFA course or conference

5.3 % of press releases reported on by the media

CIPFA issued 109 press releases in 2004 to the national press, 89% of which received coverage. A further 58 releases were made to the regional press for Public Servants of the Year Award nominees and winners and student prizewinners. All of these received coverage. During 2004 CIPFA was mentioned 1,795 times across the print, broadcast and online media.

HALLMARK 6 – DELIVERING REAL IMPROVEMENTS ON THE GROUND

Outcome 6
% of public sector customers who believe that CIPFA/IPF helps them to deliver real improvements in services to their communities *(see survey)*

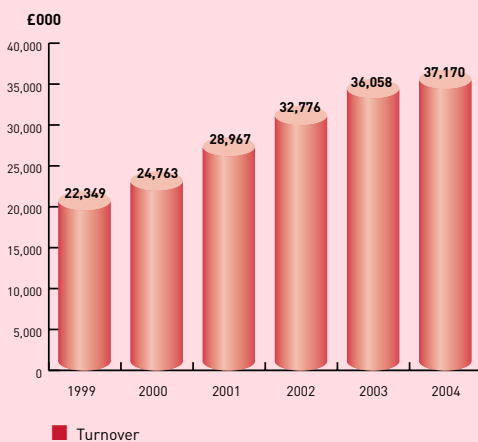
The predictor measures for this outcome are the number of organisations employing CIPFA members and students and the number of organisations purchasing products and services from the CIPFA Group which are covered at hallmarks 2 and 5 respectively.

PERFORMANCE AGAINST HALLMARKS

HALLMARK 7 BEST USE OF RESOURCES

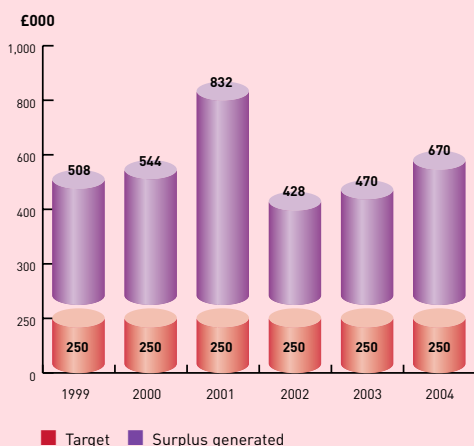
Outcome 7A Turnover

The CIPFA Group turnover has grown year on year, reaching an all-time high of £37,170,000 in 2004. Business plans anticipate further growth in 2005.



Outcome 7B Surplus generated

CIPFA has consistently achieved financial surpluses in recent years, reflecting the success of trading activities and good cost control. Business plans for the period shown have targeted annual surpluses of £250,000, which have been regularly exceeded. Targets have been retained at £250,000 per annum for the next three years, reflecting plans to invest in the delivery of our charitable objectives over this period.



Outcome 7C % of staff satisfied with CIPFA as an employer

CIPFA conducts a staff survey every year. In 2004, 75% of staff gave a high satisfaction rating for CIPFA as an employer. This was a downturn from our 2003 survey which recorded 91% satisfaction. This reflects uncertainties associated with the internal restructuring exercise, now completed (*see highlights of the year, August*) and the consolidation discussions which are ongoing. Targets for management in 2005 are to keep staff fully informed of the consolidation developments and to ensure full staff consultation on all appropriate issues.

Predictor measures 7C.1 % staff turnover

Staff turnover for 2004 was 21.9%. This compares unfavourably with the latest external benchmark figure from the Chartered Institute of Personnel and Development of 16.1% and is higher than the previous year (15.3%). Again, we interpret these results to reflect higher levels of uncertainty in the organisation. Our target is to reduce turnover back to more usual levels (c15%) in 2005.

7C.2 % uncertified absence (*ie instances of less than five days*)

CIPFA lost 1.4% of working time in uncertified absences, which compares favourably with the latest external benchmark figure from the the Chartered Institute of Personnel and Development of 2.4%. This is consistent with uncertified absence levels in previous years.

THANK YOU TO VOLUNTEERS



Sue Beauchamp being presented with the Sir Harry Page Merit Award for outstanding technical work.



Dave Sexton, the winner of the Tom Sowerby Award for outstanding service to students, pictured with Hilary Daniels and Tom Sowerby.



David Clement of the Northern Ireland Branch was this year's worthy recipient of the Dr Hedley Marshall CBE Memorial Award.

This Annual Report gives the Council the opportunity to thank publicly CIPFA's many volunteers. Their contributions both at the national and regional level enable the Institute to tackle and deliver a far more ambitious agenda than would otherwise be possible without their support.

On the technical front, much of our work is achieved with the assistance of volunteers, contributing to research, providing copy and quality assuring output. An excellent example of this is the CIPFA Financial Management (FM) Model (*see highlights of the year, June*). We were delighted to be able to recognise this groundbreaking piece of work by awarding the FM Model working party and its chair, Sue Beauchamp, the Sir Harry Page Merit Award for outstanding technical work.

Another significant area of our activity which benefits from volunteer support is our education and training scheme. CIPFA practitioners, academics and students play an important role in developing qualifications, quality assurance, the provision of support to students and the examination process. In recognition of his significant contribution to the development of education and training over many years, the 2004 winner of the Tom Sowerby Award for outstanding service to students was Dave Sexton of Ashcroft International Business School.

CIPFA's regional presence would not be possible without the contribution of volunteers. During 2004, regional volunteers made significant improvements to regional websites which now provide a rich source of information about our local activities. Mentoring schemes were launched in Scotland and the South East region. A new student union was launched in the Midlands and the Students' Forum in North West and North Wales region ran its first team-building weekend. No mention of regional volunteer contribution is complete without special thanks to those involved in the organisation of the Conference for the Regions, this year hosted by the North West and North Wales region in the Isle of Man.

David Clement of the Northern Ireland Branch was this year's worthy recipient of the Dr Hedley Marshall CBE Memorial Award for his career-spanning service to regional activities.

With the wide range of volunteering opportunities that we have available, there is an activity to suit all types of interest and all levels of time commitment. Volunteering with CIPFA offers great opportunities for personal and professional development. Meeting fellow practitioners from outside the workplace provides the opportunity to exchange experiences which can be of great benefit to individuals and their employers alike. The network of contacts that can be built up through getting involved is frequently cited by volunteers as invaluable. The areas where we have volunteering vacancies are listed in the performance section on page 11. But this is constantly changing and to find out more about current vacancies and how to go about getting involved you are invited to visit the volunteering section of CIPFA's website www.cipfa.org.uk or contact Alex Cenic on 0207 543 5781, or email alexandra.cenic@cipfa.org.

Heartfelt thanks to all those who have given their time to CIPFA in 2004.

FUTURE DEVELOPMENTS

CIPFA enters 2005 in a very strong position and with a very exciting agenda. 2005 is CIPFA's 120th anniversary.

The annual conference will be returning to our roots in Manchester, where the Institute was formed in 1885. We hope that we will see many of you there.

Consolidation

Inevitably, the year will be shaped by our consolidation proposals. As the President explains in his foreword to this Report, we expect members to have the opportunity to vote on the integration of CIPFA and the ICAEW in October 2005. Draft proposals outlining the terms of this scheme were published in the April 2005 edition of *Spreadsheet*.

Meantime, the work of the Institute goes on. In particular, we continue to implement a range of new projects and initiatives consistent with the CIPFA Development Strategy published in 2001. Our plans for 2005 include:

CIPFA Learning Centre

We have made a significant investment in this exciting development which will be launched in June. This on-line facility will provide a comprehensive, free resource to help all members fulfil their Continuing Professional Development needs.

Canada

We plan to develop and launch with our sister body CMA Canada, a joint qualification for public sector accountants at national government level in Canada. It will offer the potential for both CMA and CIPFA membership.

Financial forecasting and rolling budgeting model

We plan to review approaches to budgeting in the public sector, to ensure that they are effective and contribute to good financial management. Budget processes often consume much management time, yet result in statements that are quickly out of date.

We hope to identify and develop financial forecasting tools that can lead to better planning, and to improved scrutiny and accountability.

Sustainability reporting – development of reporting framework

We will be building on the discussion paper published in 2004. Many private sector organisations are already providing sustainability information in their financial statements. Our aim is to build on the discussions and to move forward, in partnership with other interested organisations, towards the development of a framework for sustainability reporting for public sector organisations.

Balance sheet management

We plan to provide guidance for the public sector on better use of balance sheets to manage assets and liabilities in an effective way. This guidance will cover both the opportunities for greater economy, efficiency and effectiveness in the use of resources, and the challenges and risk management issues involved in adding this dimension to the traditional performance statement.

Frequently asked questions (FAQs) on the CIPFA website

This development will provide answers to the most common questions received by the Technical Enquiry Service and advice on topical issues as they arise.

Adaptation of Operating and Financial Review (OFR) Standard for the public services

We will publish a discussion paper reviewing current approaches to narrative reporting in the public sector, and assessing the appropriateness of other reporting models, including the Accounting Standards Board's (ASB) OFR standard, that is mainly aimed at the private sector. The discussion paper will invite responses from interested parties, with a view to developing guidance.

Simplification of the local authority Statement of Accounts

This project aims to eliminate as far as possible the remaining areas of non-UK GAAP compliance and to make the Statement of Accounts as simple and accessible as possible for users.

Guidance on the role of audit committees in local government

Audit committees are a key component of corporate governance and form an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. We plan to publish guidance in 2005 on implementing and running audit committees in local government.

The guidance will not prescribe a particular model but instead will set out the features that all audit committees should have, and draw on good practice examples and experience from other parts of the public sector.

Local provision of events to support CPD

The Board for the Regions will review the CPD support that CIPFA regions can provide for members through networking/seminar events.

Position of the director of finance in local government

We plan to undertake and publish the results of a full survey reviewing the position of the director of finance (DoF) in local authorities. We want to examine the extent to which new structural arrangements within councils are impacting upon the DoF's role and, potentially, the effectiveness of financial arrangements.

2005 promises to be a very busy and exciting year for the Institute!

OUR GOVERNANCE ARRANGEMENTS

NAME AND NATURE OF CHARITY

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. The charity registration number is 231060. The charitable objects and hallmarks that CIPFA aspires to are listed on the inside front cover of this report. Within the charity, CIPFA has a network of 12 branches, regions and students' societies. They work alongside CIPFA, helping to deliver the charitable objects and hallmarks, principally through the provision of support and information to members and students locally.

CIPFA has two active wholly-owned, subsidiary companies: Institute of Public Finance Limited (IPF), (Companies House registration number 2376684) and FSF Limited (FSF), (Companies House registration number 2426246). Both have separately constituted boards of directors. IPF is the management support services company of CIPFA which specialises in providing financial advice and governance, property and asset management solutions, the supply of information and expertise and people with appropriate skills to help at the most senior level. FSF houses other trading activities closely associated with the delivery of CIPFA's charitable objects, including the provision of the weekly news magazine *Public Finance*.

PRINCIPAL OFFICE

The principal office of CIPFA is: 3 Robert Street, London WC2N 6RL.

Principal advisers

Bankers

Lloyds TSB Bank Plc
22-24 Southampton Street
London WC2E 7JB

Auditors

Chantrey Vellacott DFK
Russell Square House
10-12 Russell Square
London WC1B 5LF

Solicitors (excluding disciplinary)

Denton Wilde Sapte
5 Chancery Lane
Clifford's Inn
London EC4A 1BU

Solicitors (disciplinary)

Beachcroft Wansbrough
100 Fetter Lane
London EC4A 1BN

Insurers

Zurich Municipal
Community Insurance Centre
Mountbatten house
Grosvenor Square
Southampton SO15 2RP

Office holders of the Council in 2004 were:

President	Mike Barnes	(from June 2004)
	Hilary Daniels	(to June 2004)
Vice-President	Diane Colley	(from June 2004)
	Mike Barnes	(to June 2004)
Honorary Treasurer	Chris Hurford	(from June 2004)
	Brian Smith	(to June 2004)
Past President	Hilary Daniels	(from June 2004)
	Roger Tabor	(to June 2004)

Other Council Members serving in 2004:

Mike Baish (to July 2004) ■	Caroline Gardner ●	Caroline Mawhood ●
Ken Barnes (to June 2004)	Kirsten Gillingham *	Declan Mcdonagh ■
Chris Bilisland	Clive Grace ◆●	Jaki Meekings *
Anne Britton	Richard Harbord ●	Ian Perkin (from June 2004)
John Butler ●	Chris Harris	Jeff Pipe ●
Phil Butlin ■	Chris Hurford (to June 2004)	David Poynton
Dermot Byrne *◆	Lyn James ◆●	Tony Redmond ●
David Clark *■	Trevor Jones ◆●	Brian Roberts ■●
Diane Colley (to June 2004)	Curtis Juman (from June 2004) *◆	Jaki Salisbury ●
Jane Cuthbertson	Anna Klonowski	Trevor Salmon ◆●
Valerie Davidson	Roger Latham *	Roger Tabor
Tim Day	Martina Lee (from June 2004) ◆	Liz Vince *
Mike Evans (from July 2004) ■	David Loweth (to April 2004)	Gerald Vinten (to June 2004)
Ken Finch ■	John Matheson ■	Rob Whiteman (from June 2004) *◆

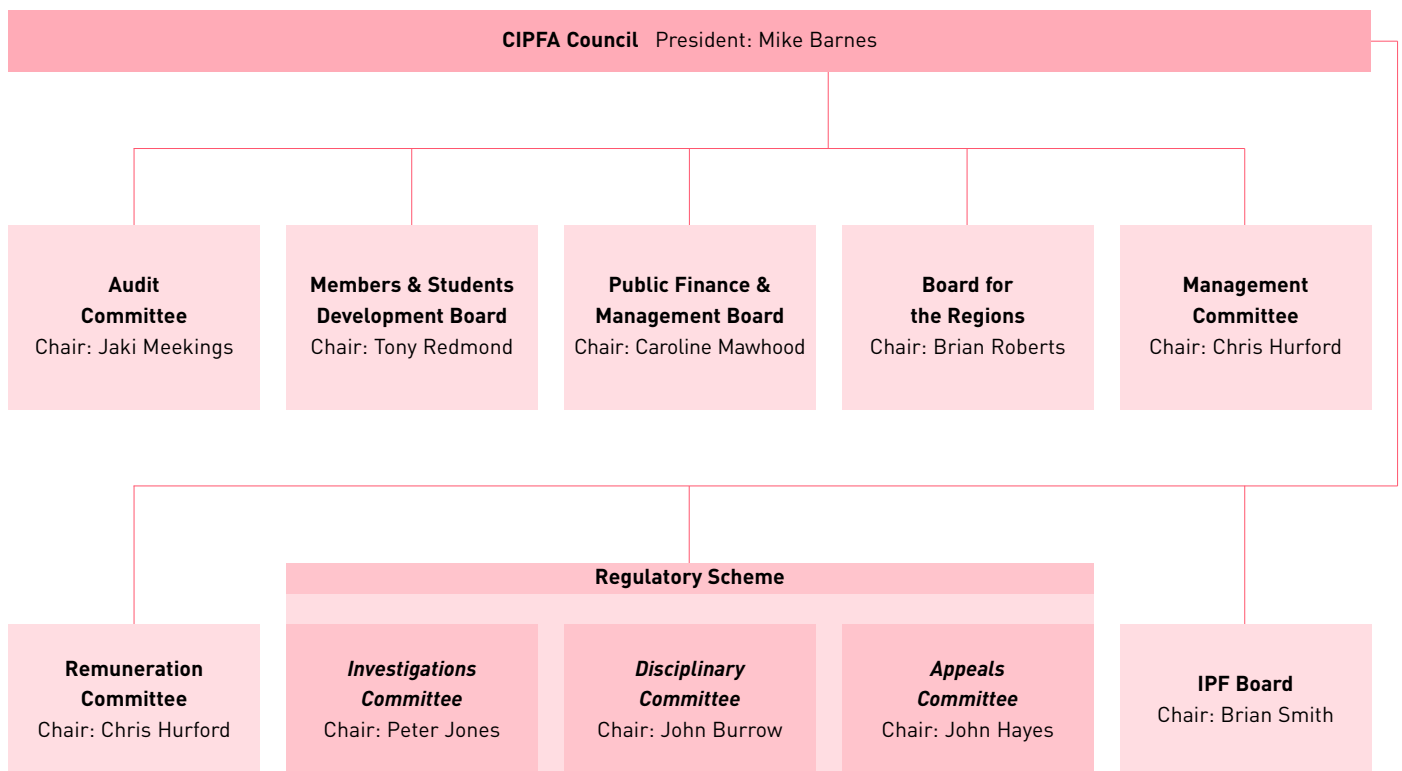
* member of the 2004/2005 Audit Committee ● member of the 2004/2005 Management Committee

■ regional representative ◆ co-opted

Executive Management Team:

Chief Executive	Steve Freer
Resources Director	Julie Coates
Education and Training Director	Ken Gill
Policy and Technical Director	Vernon Soare
Acting Managing Director IPF	Phillip Ramsdale (from March 2004)
Acting Director of Marketing and Brands	Sheila Fenton (from December 2004)

OUR GOVERNANCE ARRANGEMENTS *continued*



THE INSTITUTE COUNCIL (BOARD OF TRUSTEES)

The President chairs the Institute Council. In addition to the 4 honorary officers, Council is made up of 21 members elected by the members of CIPFA, 7 representatives of CIPFA regions selected through a combination of regional elections and nominations and 8 co-opted members. All are appointed on an annual basis. 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 are non-executive. A programme of induction is provided for new Council members and mentors arranged from the cohort of more experienced Council members.

THE ROLE OF THE INSTITUTE COUNCIL

Council is responsible for taking decisions on the ongoing strategic direction of CIPFA and approving major developments. It also approves the terms of reference and delegated powers of its Committees and Boards and is responsible through them for the day to day operations of CIPFA and its subsidiary companies. The Council meets five times a year. The most significant matter that the Council has considered during 2004 is the proposal for the consolidation of the accountancy profession.

STATEMENT OF COUNCIL RESPONSIBILITIES

United Kingdom law requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of CIPFA and of the group and the results for the period. In preparing the financial statements, the Council has: selected suitable accounting policies and then applied them consistently; made judgements and estimates that are reasonable and prudent; followed

applicable accounting standards and statements of recommended practice without any material departures; and prepared the financial statements on a going concern basis.

The Council is also responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of CIPFA and the group, and which enables it to ensure that the financial statements comply with the Charities Act 1993 and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000). It is also responsible for safeguarding the assets of CIPFA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE EXECUTIVE MANAGEMENT TEAM

The Executive Management Team is made up of the directors of CIPFA and the managing director of our largest trading subsidiary company, IPF, and is chaired by the chief executive.

THE GOVERNANCE STRUCTURE

Having set the strategy for the organisation, Council delegates the management of the various aspects of CIPFA's business to a small number of boards and committees.

All boards and committees are formally constituted with terms of reference. The Management Committee and Audit Committee comprise solely members of Council. 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. A summary of the key responsibilities and activities of the boards and committees at the core of the Institute is given below.

Audit Committee

Chair: Jaki Meekings,

Vice-chair: Kirsten Gillingham,

Executive Management Team: Julie Coates

The Audit Committee is appointed by the Council and consists of 8 members. None of the members of the Audit Committee hold the positions of chair or vice-chair of any of the other main boards and committees of Council and none of them are members of the Management Committee. The Audit Committee is responsible for the appointment of the external auditors. It approves the programmes of work of the internal auditors. It meets with both sets of auditors to discuss their findings. Through this the Audit Committee assures itself that CIPFA's systems of internal control are sound. In addition to these stated responsibilities the committee reviewed Institute policies and monitored the risk register throughout 2004.

Management Committee:

Chair: Chris Hurford,

Vice-chair: Jeff Pipe,

Executive Management Team: Julie Coates

The Management Committee reviews and approves the annual business plan, revenue and capital budgets, monitors performance in relation to approved budgets, considers and approves business cases for income-generating opportunities and monitors the activities of the Institute's boards and subsidiary companies. In addition to these stated responsibilities, the committee recommended changes in governance arrangements, approved the internal restructuring of the Institute secretariat and regularly considered matters pertaining to CIPFA's pension scheme during 2004.

Members and Students'

Development Board

Chair: Tony Redmond,

Vice-chair: Caroline Gardner,

Executive Management Team: Ken Gill

Key activities for the board in 2004 have been leading a review of course provision, approving the preparations for mandatory CPD (commencing 2005), reviewing member and student trends, approving CIPFA's response to IFAC and CCAB consultations and rulings, ▶

OUR GOVERNANCE ARRANGEMENTS *continued*

◀ guiding on issues pertaining to the development of open learning materials and developing new qualifications and international partnerships.

Public Finance and Management Board
Chair: Caroline Mawhood,
Vice Chair: Lyn James,
Executive Management Team: Vernon Soare

Key outputs and outcomes from the board in 2004 have included assisting the IFAC to reconstitute its Public Sector Committee as the International Public Sector Accounting Standards Board; supporting a joint European Federation of Accountants and European Commission conference on implementing accruals accounting; publishing the CIPFA Financial Management Model; guidance on group accounts in local authorities; the Role of the Finance Professional in Central Government; a discussion paper on sustainability reporting in the public services, and (with OPM Ltd) the Good Governance Standard for Public Services; providing technical support to the UK members on IFAC committees covering accounting standards and developing nations; and taking forward CIPFA's work with the Department for International Development through a baseline awareness survey of international development issues among CIPFA members.

Board for the Regions
Chair: Brian Roberts,
Vice chair: Trevor Salmon,
Executive Management Team: Steve Freer

Key achievements for the Board in 2004 were reviewing local engagement with student members, monitoring the development plans of the regions and promulgating best practice advice.

RISK MANAGEMENT AND INTERNAL CONTROL

CIPFA's Council, committees, boards and executive have identified the major strategic, business and operational risks that affect the Institute's work and have ranked these by likelihood and impact.

We have adopted a system of reviewing the risks and reporting on them on a quarterly basis at all levels of the Institute. A senior member of staff and the most appropriate committee or board has been identified as being responsible for managing each risk. Through this system the Council is satisfied that all reasonable steps are being taken to mitigate exposure to these risks. In addition, all risks are reviewed annually as an integral part of the business planning process.

As an organisation which is heavily reliant on income generated from trading activities, a number of our key risks relate to the delivery of high-quality, timely and relevant products and services and, from the external perspective, the impact of financial constraints on our key customer base, namely the UK public services. CIPFA's reputation is also of paramount importance and mitigation strategies include quality assurance mechanisms, ethical and professional guidance and the disciplinary scheme. Council also recognises the need for sensitive and active management of staff during the climate of uncertainty created by the current consolidation discussions to avoid the risk of increased staff turnover and loss of key staff.

We operate a comprehensive business planning process with a three-year rolling business plan and budget approved by the Management Committee on behalf of Council. The chief executive and his Management Team, monthly, and the Management Committee, quarterly, review actual results against budget and revised forecasts are prepared as appropriate. Any significant changes to these plans require the specific approval of the relevant Board and the Management committee.

CIPFA maintains a comprehensive set of delegations of authority and financial regulations, policies and procedures. All material breaches are reported to the Audit Committee. The committee requires full assurance from the executive and the board/committee

concerned that matters pertaining to any breach are rectified. The financial controls and procedures are reviewed regularly and compliance with them verified by the work of the internal and external auditors.

The Audit Committee reviews, on behalf of the Council, CIPFA's accounting and financial reporting practices, its internal financial controls, the work of the internal and external auditors and compliance with all relevant legislation. The internal audit reviews are prioritised using a risk-based approach and each audit expresses a view on the controls in place and their operation in practice. All recommendations are systematically followed up.

We maintain a comprehensive set of policies and procedures including: whistle-blowing, health and safety, complaints handling, code of conduct and register of interest for Council members, and data protection. The Audit Committee monitors that policies are relevant and up to date.

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 gender, marital status, sexual orientation, ethnic origin, religion, age (within the constraints of the retirement policy), disability, or any other grounds that are unjustifiable in terms of equality of opportunities for all. CIPFA is an Investor in People and has received the "Positive about Disability" award.

FINANCIAL REVIEW AND RELATED POLICIES

The CIPFA Group recorded a surplus of £670,000 before revaluations for the year ended 31 December 2004 (2003: £470,000 before revaluations). The result exceeds the target surplus of £250,000.

The income for the CIPFA Group was £37,170,000 (2003: £36,058,000). The profit before tax for our trading subsidiaries Institute of Public Finance Limited (IPF) and FSF Limited was £1,660,000 (2003: £1,423,000) and £704,000 (2003: £601,000) respectively. The after-tax profits of both trading subsidiaries are transferred to CIPFA by a combination of covenant and gift aid.

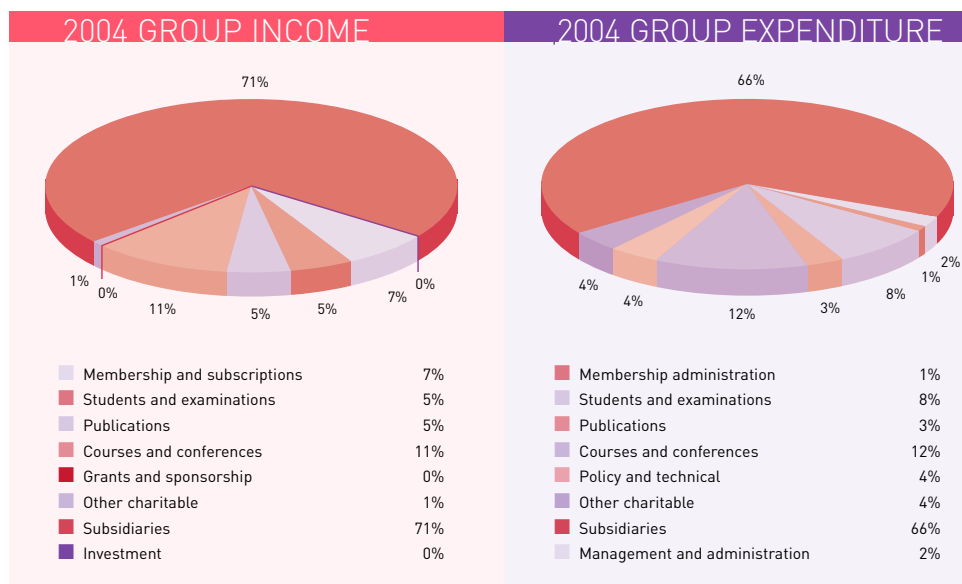
There were no changes to the major sources of income and expenditure in 2004 and we continue to rely heavily on income generated by commercial activities.

The addition of £988,000 to group reserves has given a significant boost to our long-term financial goal of achieving a solid financial base. The need for this is brought into sharp focus by the current scale of the pension fund deficit.

Two new accounting policies have been added in 2004 covering intangible fixed assets and deferred taxation (*see notes to financial statements, note 1*). The intangible fixed asset policy relates to the specific costs of developing the new CIPFA professional accountancy qualification and property asset management software and the deferred taxation to the deferred tax asset recognised for the first time this year in accordance with Financial Reporting Standard no.19 within IPF.

PENSIONS DEFICIT

CIPFA operates a funded defined benefit pension scheme. At the last triennial valuation as at 31 March 2004 the scheme deficit was £7.083m, and the subsequent 2004 year end valuation in accordance with FRS17 showed a deficit of £14.332m. Note 6 to the financial statements gives further details.



The Management Committee monitors and reviews the pension scheme regularly and has accepted the scheme's actuaries recommendation of increased employers contribution from April 2005 to recover the deficit. The Management Committee will continue to review the scheme on an ongoing basis.

RESERVES POLICY

The Council recognises the need to hold reserves to protect core activities in the event of income shortfall arising from economic downturns and to promote balanced long-term strategic planning. In line with the Charity Commission guidelines, the Council has defined reserves for this purpose as income which is available to the Institute and which is to be expended at the Council's discretion in furtherance of any of the Institute's objects but which has not yet been spent, committed or designated.

Following its annual review of this policy, the Council has concluded that a level of general funds equivalent to three months CIPFA Group expenditure remains appropriate. At the end of 2004 general funds represented just under half of this target. Business plans for the medium term produce surpluses, which will enable the general fund reserves to move towards the target level, while

ensuring that there is continued investment in the core activities of the Institute.

The Council has reviewed this policy in the light of the pension fund deficit. It has decided at this stage not to make any adjustment to the reserves policy to reflect the pension deficit because the strategy for the recovery of the deficit is clearly defined and the annual cost of this is fully provided for in the business plans.

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.

Approved by the Council on 14 April and signed in its behalf by the President.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL ACTIVITIES FOR CIPFA

Year ended 31 December 2004

		Unrestricted Funds 2004 £000	Restricted Funds 2004 £000	Total 2004 £000	Total 2003 £000
	Note				
Incoming Resources					
<i>Activities in furtherance of objects:</i>					
Membership subscriptions		2,664	–	2,664	2,621
Students and examinations		1,915	–	1,915	1,720
Publications		1,817	–	1,817	1,555
Courses and conferences		4,016	–	4,016	3,775
Grants and sponsorships		96	81	177	210
Other charitable activities		430	2	432	303
		10,938	83	11,021	10,184
<i>Activities for generating funds:</i>					
Profits from trading subsidiaries	2	2,416	–	2,416	2,035
Investment income		76	–	76	47
Total Incoming Resources		13,430	83	13,513	12,266
Resources Expended					
<i>Charitable expenditure:</i>					
Membership administration		609	–	609	601
Students and examinations		3,215	–	3,215	2,916
Publications		1,240	–	1,240	1,127
Courses and conferences		4,312	–	4,312	4,027
Policy and technical		1,598	–	1,598	1,445
Other charitable activities		1,310	–	1,310	1,138
Management and administration		478	81	559	542
Total Resources Expended	4A	(12,762)	(81)	(12,843)	(11,796)
Net Incoming Resources		668	2	670	470
Gains/(Losses) on revaluations of fixed assets:					
Revaluation/(impairment) of tangible fixed assets		318	–	318	(365)
Net Movement in Funds		986	2	988	105
Fund balances brought forward at 1 January		7,771	43	7,814	7,709
Fund Balances carried forward at 31 December		8,757	45	8,802	7,814

The results set out above all relate to continuing operations.

Designated funds are not shown separately as these are not material and the only movement in the year is the revaluation of tangible fixed assets (see note 16).

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.

The notes on pages 26 to 39 form part of these financial statements.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL ACTIVITIES FOR THE GROUP

Year ended 31 December 2004

	Note	Unrestricted Funds 2004 £000	Restricted 2004 £000	Total 2004 £000	Total 2003 £000
Incoming Resources					
<i>Activities in furtherance of objects:</i>					
Membership subscriptions		2,655	–	2,655	2,615
Students and examinations		1,896	–	1,896	1,706
Publications		1,817	–	1,817	1,548
Courses and conferences		3,993	–	3,993	3,748
Grants and sponsorships		94	81	175	199
Other charitable activities		324	2	326	224
		10,779	83	10,862	10,040
<i>Activities for generating funds:</i>					
Subsidiaries trading income	3	26,139	–	26,139	25,913
Investment income		169	–	169	105
Total Incoming Resources		37,087	83	37,170	36,058
Resources Expended					
<i>Charitable expenditure:</i>					
Membership administration		538	–	538	541
Students and examinations		3,058	–	3,058	2,810
Publications		1,178	–	1,178	1,126
Courses and conferences		4,350	–	4,350	3,987
Policy and technical		1,504	–	1,504	1,403
Other charitable activities		1,201	81	1,282	1,050
Management and administration		559	–	559	542
	4B	(12,388)	(81)	(12,469)	(11,459)
<i>Costs of generating funds:</i>					
Trading subsidiaries expenses	3	(24,031)	–	(24,031)	(24,129)
Total Resources Expended		(36,419)	(81)	(36,500)	(35,588)
Net Incoming Resources		668	2	670	470
<i>Gains/(Losses) on investment assets:</i>					
Revaluation/impairment of tangible fixed assets		318	–	318	(365)
Net Movement in Funds		986	2	988	105
Fund balances brought forward at 1 January		7,771	43	7,814	7,709
Fund Balances carried forward at 31 December	16 & 17	8,757	45	8,802	7,814

The results set out above all relate to continuing operations.

Designated funds are not shown separately as these are not material and the only movement in the year is the revaluation of tangible fixed assets (see note 16).

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.

The notes on pages 26 to 39 form part of these financial statements.

FINANCIAL STATEMENTS

BALANCE SHEETS

As at 31 December 2004

	Note	CIPFA		Group	
		2004 £000	2003 £000	2004 £000	2003 £000
Fixed Assets					
Intangible assets	7	314	–	428	–
Tangible assets	8	7,069	6,724	7,320	7,087
Investments	9,10	408	408	8	8
		7,791	7,132	7,756	7,095
Current Assets					
Deferred tax	11	–	–	52	–
Stocks and work in progress	12	346	318	448	617
Debtors	13	2,935	2,838	6,114	7,591
Cash at bank and in hand		2,419	1,756	3,315	1,976
		5,700	4,912	9,929	10,184
Creditors: amounts falling due within one year	14	(2,776)	(2,272)	(6,970)	(7,507)
Net Current Assets		2,924	2,640	2,959	2,677
Total Assets Less Current Liabilities		10,715	9,772	10,715	9,772
Long Term Liabilities					
Creditors: amounts falling due after more than one year:					
Mortgage loans	15	(1,913)	(1,958)	(1,913)	(1,958)
Net Assets		8,802	7,814	8,802	7,814
Funds	16				
Restricted funds		45	43	45	43
Unrestricted funds:					
Designated funds		4,535	4,172	4,535	4,172
General funds		4,222	3,599	4,222	3,599
		8,802	7,814	8,802	7,814

Approved by the Council on 14 April 2005
and signed on its behalf by

President

Honorary Treasurer

Chief Executive

The notes on pages 26 to 39 form part of these financial statements.

FINANCIAL STATEMENTS

GROUP CASH FLOW STATEMENT

Year ended 31 December 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Net cash inflow/(outflow) from operating activities	A		1,993		(163)
Returns on Investment and Servicing of Finance					
Investment income		168		104	
Interest paid		(119)		(121)	
Repayment of bank loan		(45)		(42)	
			4		(59)
Taxation			(1)		(38)
Capital Expenditure and Financial Investments					
Purchase of intangible fixed assets		(262)			
Purchase of tangible fixed assets		(395)		(729)	
			(657)		(729)
Net cash inflow/(outflow)			1,339		(989)
Notes to the Cash Flow Statement					
A Net cash inflow/(outflow) from operating activities				2004 £000	2003 £000
Net incoming resources				670	470
Investment income				(169)	(105)
Interest payable				119	121
Taxation paid/(recovered)				(51)	(11)
Depreciation				496	375
Decrease/(Increase) in stocks and work in progress				169	(228)
Decrease/(Increase) in debtors				1,374	(1,902)
(Decrease)/Increase in creditors				(615)	1,117
				1,993	(163)
B Reconciliation of net cash flow to movement in net debt				2004 £000	2003 £000
Increase/(Decrease) in cash in the period				1,339	(989)
Decrease in net debt				45	42
Net funds at 1 January				18	965
Net funds at 31 December				1,402	18
C Analysis of changes in net debt			At 1 Jan 2004 £000	Cash flows £000	At 31 Dec 2004 £000
Cash in hand			1,976	1,339	3,315
Debt falling due after 1 year			(1,958)	45	(1,913)
Total			18	1,384	1,402

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

ACCOUNTING CONVENTIONS

The financial statements are prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) in accordance with the applicable accounting standards in the United Kingdom, the Charities Act 1993 and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000). These financial statements consolidate all material subsidiary undertakings on a line by line basis. The results for the subsidiaries are shown separately and have been adjusted to eliminate any transactions between the CIPFA Group. The profit from the trading subsidiaries is included in the CIPFA Statement of Financial Activities as one figure. Further details of the subsidiary undertakings are provided in note 2. The financial statements of CIPFA's branches, regions, and students' societies are incorporated within the financial statements for CIPFA.

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 becoming entitled to it or where the donor has specified that the income is to be expended in the future period.

INVESTMENTS

Listed investments are stated at market value. 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.

EXPENDITURE RECOGNITION

Expenditure, including irrecoverable value added tax, is accounted for in the Statement of Financial Activities on an accruals basis.

BASIS OF ALLOCATION OF CHARITABLE EXPENDITURE

Charitable expenditure includes direct and indirect costs that are allocated in relation to underlying activity levels established by the use of a number of

indicators, for example accommodation costs by floor space occupied and human resources costs by average staff numbers throughout the financial year.

PENSIONS

Pension contributions are paid to a local government defined benefit pension scheme in accordance with the recommendations of the actuaries. Pension costs are charged to the revenue account so as to spread the cost of pensionable benefits over employees' service lives with CIPFA.

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 ongoing projects and work performed on contracts not yet billed to clients. Costs include direct labour, contractual costs and attributable overheads.

LEASED ASSETS

Operating lease costs are charged on a straight line basis over the terms of the lease.

RESEARCH AND DEVELOPMENT

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

INTANGIBLE FIXED ASSETS – DEVELOPMENT EXPENDITURE

Intangible fixed assets represent development costs capitalised in accordance with SSAP 13 "Research and Development". These are stated at historical cost and amortised on a straight line basis over the period which revenue is expected to be generated.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Freehold property and land are included at valuation.

Assets are depreciated except for long life property assets, where a full valuation is undertaken every three years and interim valuations in intermediate years to consider impairment to the assets. The Council

considers that the residual value together with the asset's long life is such that depreciation of these assets is immaterial.

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 asset is first used on a straight line basis over their estimated economic lives as follows:

	Years
Computer equipment	3
Fixtures, fittings and other equipment	5

Assets under construction are not depreciated.

DEFERRED TAXATION

Deferred tax is provided in full in respect of taxation deferred by material timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. A deferred tax asset is only recognised where the conditions for recognition in Financial Reporting Standard No 19 (Deferred Tax) are satisfied and such balances may fall due after more than one year.

FUND ACCOUNTING

Funds held by the charity are:

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

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

Restricted funds – these are restricted 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.

NOTES TO THE FINANCIAL STATEMENTS

2 PROFITS FROM TRADING ACTIVITIES OF SUBSIDIARIES

CIPFA has two wholly-owned trading subsidiaries which are incorporated in the UK. The principal activity of FSF Limited (FSF) is the provision of services and information to the public services. The principal activities of Institute of Public Finance Limited (IPF) and its wholly-owned subsidiary are consultancy and research. A summary of their trading results is shown below. Audited accounts are filed with the Registrar of Companies.

Profit and Loss Account	Note	FSF 2004 £000	IPF 2004 £000	Total 2004 £000	Total 2003 £000
Turnover		3,161	23,612	26,773	26,324
External charges		(1,255)	(10,844)	(12,099)	(11,861)
Staff costs		(790)	(7,729)	(8,519)	(8,370)
Depreciation		-	(255)	(255)	(107)
Other operating charges		(433)	(3,196)	(3,629)	(4,020)
Operating profit		683	1,588	2,271	1,966
Interest receivable		21	72	93	58
Profit on ordinary activities before taxation		704	1,660	2,364	2,024
Tax on profit on ordinary activities	11 & 18	-	52	52	11
Profit after taxation		704	1,712	2,416	2,035
Covenant/gift aid to CIPFA		(704)	(1,712)	(2,416)	(2,035)
Retained in subsidiary		-	-	-	-
Covenant and gift aid		704	1,712	2,416	2,035
Net income from trading activities		704	1,712	2,416	2,035

3 INCOME AND EXPENDITURE OF TRADING SUBSIDIARIES

	FSF 2004 £000	IPF 2004 £000	Total 2004 £000	Total 2003 £000
Income	3,182	23,684	26,866	26,382
Investment income	(21)	(72)	(93)	(58)
Intra-Group transactions	(306)	(328)	(634)	(411)
	2,855	23,284	26,139	25,913
Expenditure	2,478	21,972	24,450	24,346
Intra-Group transactions	(139)	(280)	(419)	(217)
	2,339	21,692	24,031	24,129

NOTES TO THE FINANCIAL STATEMENTS

4 ANALYSIS OF CHARITABLE EXPENDITURE

	Staff costs £000	Other £000	Depreciation £000	2004 Total £000	2003 Total £000
A CIPFA					
Charitable expenditure:					
Membership administration	362	239	8	609	601
Students and examinations	1,353	1,772	90	3,215	2,916
Publications	429	801	10	1,240	1,127
Courses and conferences	2,146	2,105	61	4,312	4,027
Policy and technical	843	729	26	1,598	1,445
Other charitable activities	922	347	41	1,310	1,138
Management and administration	338	217	4	559	542
	6,393	6,210	240	12,843	11,796
B Group					
Charitable expenditure:					
Membership administration	362	168	8	538	541
Students and examinations	1,298	1,670	90	3,058	2,810
Publications	429	739	10	1,178	1,126
Courses and conferences	2,146	2,143	61	4,350	3,987
Policy and technical	783	695	26	1,504	1,403
Other charitable activities	922	319	41	1,282	1,050
Management and administration	338	217	4	559	542
	6,278	5,951	240	12,469	11,459

5 EMPLOYEES

	CIPFA 2004 £000	FSF/IPF 2004 £000	Total 2004 £000	Total 2003 £000
Salaries and wages (including temporary staff)	5,228	6,567	11,795	11,416
National insurance	457	621	1,078	980
Pension	571	736	1,307	1,265
Other staff costs	137	595	732	614
	6,393	8,519	14,912	14,275

The CIPFA other staff costs includes £115,000 intra-group transactions relating to recruitment advertising in FSF and agency staff from the IPF placements service (2003: £41,000).

The average number of employees in 2004 was 321 (2003: 335)

NOTES TO THE FINANCIAL STATEMENTS

5 EMPLOYEES *continued*

Senior employees received remuneration falling within the following ranges:

	CIPFA 2004	FSF/IPF 2004	CIPFA 2003	FSF/IPF 2003
£170,000 – £179,999	1	–	1	–
£120,000 – £129,999	–	1	–	–
£110,000 – £119,999	–	2	–	1
£100,000 – £109,999	2	–	–	–
£90,000 – £99,999	2	1	1	1
£80,000 – £89,999	1	–	2	2
£70,000 – £79,999	1	2	–	2
£60,000 – £69,999	4	11	3	6
£50,000 – £59,999	5	13	7	12

Of the senior employees 16 CIPFA (2003:14) and 26 FSF/IPF (2003:22) are members of the Group pension scheme. Disclosures for FSF and IPF above are in respect of staff seconded from CIPFA. The average number of secondees in 2004 was 20 and 165 respectively (2003:18 and 180).

6 PENSIONS

The following note provides full disclosure of the CIPFA pension under SSAP24 and FRS17.

The Institute operates a funded defined benefit pension scheme for its staff under the Superannuation Act 1972, and is subject to the Local Government Pension Scheme Regulations 1997. The scheme is managed, on the Institute's behalf, by Wiltshire County Council as part of its superannuation fund.

The scheme provides pensions and other retirement benefits for employees based upon final salaries. The annual funding cost of these pensions is based on triennial actuarial valuations. The cost is financed by contributions from both the Institute and its staff.

The latest full actuarial valuation of the scheme was carried out as at 31 March 2004. The Institute's "employer's" contributions rate is currently 250% of "employees" contribution and the rate will increase to 313.33% from 1 April 2005 until the next triennial valuation.

The contributions made a total pension cost to the Group for the financial year in respect of the pension scheme of £1,307,000 (2003: £1,265,000) and to CIPFA of £571,000 (2003: £513,000).

NOTES TO THE FINANCIAL STATEMENTS

6 PENSIONS *continued*

The assumptions made on the actuarial valuation as at 31 March 2004 using the projected unit method and in accordance with the Local Government Pension Scheme Regulations 1997, together with the market value of assets and funding level were:

Rate of return on investments	6.3%
Rate of increase in salaries	4.4%
Retail price inflation	2.9%
Market value of assets for CIPFA (whole fund)	£24.68m (£711m)
Funding level for CIPFA staff (all staff)	77.7% (75%)
Deficit for CIPFA staff (whole fund)	£7.083m (£950m)

FRS17 Disclosure

The accounts have been prepared in accordance with current transitional arrangements included within FRS17. The following has therefore been prepared for disclosure purposes only.

The actuary has valued the pension scheme in accordance with FRS17, which is different to the requirements of the Local Government Pension Scheme Regulation 1997, and disclosures are as follows:

The major assumptions used by the actuary were:	2004 % p.a.	2003 % p.a.
Price increases	2.9%	2.7
Rate of increase in salaries	4.4%	4.2
Rate of discount	5.3%	5.4
Pension increases	2.9%	2.7

The assets of the fund and the expected return were:	31 December 2004 £000	Expected Annual Return £000	Long-term Return %
Equities	19,347	1,451	7.5
Bonds	5,282	259	4.9
Property	2,279	125	5.5
Cash	763	34	4.5
	27,671	1,869	6.8

The assets of the fund and the expected return were:	31 December 2003 £000	Expected Annual Return £000	Long-term Return %
Equities	16,828	1,312	7.8
Bonds	4,136	215	5.2
Property	1,858	121	6.5
Cash	898	36	4.0
	23,720	1,684	7.1

NOTES TO THE FINANCIAL STATEMENTS

6 PENSIONS *continued*

	31 December 2004 £000	31 December 2003 £000
The Net Pension Liability based on the share in respect of CIPFA is:		
Estimated employer assets	27,671	23,720
Present value of scheme liabilities	42,003	(34,450)
Net pension liability	(14,332)	(10,730)

Illustrative charge to the Statement of Financial Activities over the financial year

	31 December 2004 £000	31 December 2003 £000
Current service cost	1,363	1,160
Curtailment and settlements	60	-
Past service cost	-	-
Total operating charge	1,423	1,160
Expected return on employer pension scheme assets	1,694	1,320
Interest on pension scheme liabilities	(1,820)	(1,560)
Net return	(126)	(240)
Total charge to the statement of financial activities	1,549	1,400

Movement in deficit during the year

	Year to 31 December 2004 £000	Year to 31 December 2003 £000
(Deficit) at beginning of the year	(10,730)	(7,181)
Adjustment by the actuaries to the brought forward	-	(2,557)
Current service costs	(1,363)	(1,160)
Employer contributions	1,266	1,270
Impact of settlements and curtailments	(60)	-
Net return on assets	(126)	(240)
Actuarial (losses)	(3,319)	(862)
(Deficit) at end of year	(14,332)	(10,730)

NOTES TO THE FINANCIAL STATEMENTS

6 PENSIONS *continued*

Illustrative gains and losses which would be included within the Statement of Financial Activities over the financial year

	Year to 31 December 2004 £000	Year to 31 December 2003 £000
Difference between the expected and actual return on scheme assets:		
Amount	767	2,120
Percentage of scheme assets	2.8%	8.9%
Experience gains and losses of scheme liabilities:		
Amount	(1,538)	558
Percentage of the present value of scheme liabilities	(3.7%)	1.6%
Actuarial (losses) recognised in statement of total recognised gains and losses	(3,319)	(862)
Percentage of the present value of scheme liabilities	(7.9%)	(2.5%)

7 INTANGIBLE ASSETS

	CIPFA 2004 £000	Group 2004 £000
Cost		
At 1 January 2004	-	-
Additions	365	647
At 31 December 2004	365	647
Amortisation		
At 1 January 2004	-	-
Charge for the year	51	219
At 31 December 2004	51	219
Net Book Value at 31 December 2004	314	428
Net Book Value at 31 December 2003	-	-

The Group amortisation charge in the year includes the write off of £110,377 of costs for which the recovery of benefits was regarded as uncertain, following a review of the project balances at the year end.

NOTES TO THE FINANCIAL STATEMENTS

8 TANGIBLE FIXED ASSETS

A CIPFA	Freehold land & buildings £000	Furniture & fittings £000	Computers £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 January 2004	6,130	1,316	1,032	51	8,529
Revaluations	318	-	-	-	318
Additions	-	152	46	18	216
Transfers	-	51	-	(51)	-
Disposals	-	(250)	(319)	-	(569)
At 31 December 2004	6,448	1,269	759	18	8,494
Depreciation					
At 1 January 2004	-	826	979	-	1,805
Charge for year	-	119	70	-	189
Eliminated on disposal	-	(250)	(319)	-	(569)
At 31 December 2004	-	695	730	-	1,425
Net book value 31 December 2004	6,448	574	29	18	7,069
Net book value 31 December 2003	6,130	490	53	51	6,724

The tangible fixed assets are held for charitable use

B Group	Freehold land & buildings £000	Furniture & fittings £000	Computers £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 January 2004	6,130	1,532	1,502	51	9,215
Revaluations	318	-	-	-	318
Additions	-	179	105	18	302
Transfers	-	51	-	(51)	-
Disposals	-	(250)	(319)	-	(569)
At 31 December 2004	6,448	1,512	1,288	18	9,266
Depreciation					
At 1 January 2004	-	912	1,216	-	2,128
Charge for year	-	176	211	-	387
Eliminated on disposal	-	(250)	(319)	-	(569)
At 31 December 2004	-	838	1,108	-	1,946
Net book value 31 December 2004	6,448	674	180	18	7,320
Net book value 31 December 2003	6,130	620	286	51	7,087

DTZ Debenham Tie Leung, International Property Advisors, completed interim valuations on the Robert Street property (last full valuation 31 December 2002) and the Borough High Street property (last full valuation at 31 December 2003) as at 31 December 2004, to confirm no impairment of the value of the assets. The basis used for both valuations was open market value.

NOTES TO THE FINANCIAL STATEMENTS

9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2004 £000	2003 £000
400,000 £1 ordinary shares in IPF	400	400
102 £1 ordinary shares in FSF	-	-
	400	400

10 OTHER INVESTMENTS

CIPFA and Group	2004 £000	2003 £000
Other investments	8	8

As one of six major accountancy bodies CIPFA holds 60 £1 shares in CCAB Limited at a cost of £60 (6% 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.

11 DEFERRED TAX

A potential deferred asset of £51,952 (2003: £50,121) exists at 31 December 2004, in IPF, in respect of timing differences. This has been recognised in the accounts for the first time as there is sufficient evidence that the asset will be recoverable within the meaning of the Financial Reporting Standard No.19. A standard rate of corporation tax of 19% (2003:19%) has been used to value the potential deferred tax asset.

Provision for Deferred Tax	Group 2004 £000	Group 2003 £000
Accelerated capital allowances	52	-
Short term timing differences	-	-
Tax losses carried forward	-	-
Undiscounted provision for deferred tax	52	-
Discount	-	-
Discounted provision for deferred tax	52	-
Movement in provision:		
Provision at 1 January	-	-
Deferred tax charged in the Profit and Loss Account for the period	52	-
Provision as at 31 December	52	-

NOTES TO THE FINANCIAL STATEMENTS

12 STOCKS AND WORK IN PROGRESS

	CIPFA		Group	
	2004 £000	2003 £000	2004 £000	2003 £000
Finished goods	346	176	346	184
Work in progress	-	142	102	433
	346	318	448	617

13 DEBTORS

	CIPFA		Group	
	2004 £000	2003 £000	2004 £000	2003 £000
Trade debtors	1,737	1,759	4,644	6,295
Amounts due from subsidiary undertakings	713	768	-	-
Other debtors	74	60	782	258
Prepayments	106	136	383	706
Accrued income	305	115	305	332
	2,935	2,838	6,114	7,591

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CIPFA		Group	
	2004 £000	2003 £000	2004 £000	2003 £000
Trade creditors	1,404	945	3,014	2,739
Amounts due to subsidiary undertakings	268	385	-	-
Corporation tax	-	-	1	1
Other tax and social security	369	395	1,042	1,429
Other creditors	5	21	5	21
Receipts in advance	730	526	2,908	3,317
	2,776	2,272	6,970	7,507

NOTES TO THE FINANCIAL STATEMENTS

15 MORTGAGE LOANS

CIPFA and Group	2004 £000	2003 £000
Balance at 1 January	1,958	2,000
Loan repayments	(45)	(42)
Balance at 31 December	1,913	1,958

Mortgage loans comprise two loans of £1,000,000 each which are secured on the Robert Street, London property. One loan of £1,000,000 has an interest rate of 6.13376% with no principal repayment that matures in December 2017, and one loan of £1,000,000 has an interest rate of 6.04061% with principal repayment over the 15 years of the loan that matures in December 2017.

16 FUNDS

	Balance at 1 Jan £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	Balance at 31 Dec £000
Unrestricted Funds						
Designated (Property Fund)	4,172	-	-	318	45	4,535
General	3,599	37,087	(36,419)	-	(45)	4,222
	7,771	37,087	(36,419)	318	-	8,757
Restricted Funds						
DfID	-	81	(81)	-	-	-
Trust	43	2	-	-	-	45
	43	83	(81)	-	-	45
Total Funds	7,814	37,170	(36,500)	318	-	8,802

Designated Fund (Property) – The Council has classified as designated funds the element of its reserves in respect of the difference between the book value of the freehold properties and loans outstanding.

DfID (Department for International Development) – sum received under a Strategic Grant Agreement towards the cost of international development.

Trust – A number of prize 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 made by the Institute is used for prizes in each year's examinations, either for the best subject or the best student in a particular field.

NOTES TO THE FINANCIAL STATEMENTS

17 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Restricted Funds £000	Designated Funds £000	General Funds £000	Total £000
Funds balances at 31 December 2004 are represented by:				
Intangible assets	-	-	428	428
Tangible fixed assets	-	6,448	872	7,320
Investments	8	-	-	8
Current assets	37	-	9,892	9,929
Current liabilities	-	-	(6,970)	(6,970)
Long-term liabilities	-	(1,913)	-	(1,913)
Total net assets	45	4,535	4,222	8,802

18 TAXATION

	2004 £000	2003 £000
Corporation tax	-	(11)

Corporation tax is payable by subsidiary companies on any taxable profits that are not paid by covenant and gift aid to CIPFA (see note 2)

19 CAPITAL COMMITMENTS

	CIPFA		Group	
	2004 £000	2003 £000	2004 £000	2003 £000
Authorised and contracted	-	-	-	-
Authorised but not contracted	454	595	535	595

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL COMMITMENTS

At 31 December 2004 the annual commitments under operating leases were as follows:

A CIPFA	Land & buildings	Other	Land & buildings	Other
	2004	2004	2003	2003
	£000	£000	£000	£000
Leases which expire: within one year	-	9	-	14
within 2 to 5 years	-	59	-	69
in over 5 years	130	-	130	-
	130	68	130	83
B Group	Land & buildings	Other	Land & buildings	Other
	2004	2004	2003	2003
	£000	£000	£000	£000
Leases which expire: within one year	-	45	-	64
within 2 to 5 years	384	238	-	388
in over 5 years	130	-	475	-
	514	283	475	452

21 CONTINGENT LIABILITY

The Institute of Public Finance Limited may have a contingent liability from one of its overseas operations. The amounts involved, if any, cannot be quantified at this stage nor can any forecast be made of the possible timing when such a liability might arise.

22 INDEMNITY INSURANCE

CIPFA has arranged insurance to protect itself from loss from neglect, or defaults of its employees and to indemnify employees against the consequences of any neglect or default on their part while on CIPFA business. An extension to the insurance has been arranged to protect CIPFA from losses arising from the consequences of any neglect, or defaults of its Council members and volunteers while on CIPFA business.

	2004	2003
	£000	£000
Premium covering employees, Council members and volunteers	5	5

NOTES TO THE FINANCIAL STATEMENTS

23 AUDITORS' REMUNERATION

	CIPFA		Group	
	2004 £000	2003 £000	2004 £000	2003 £000
Audit fees	18	17	35	35
Taxation advice	4	-	12	10

24 TRANSACTIONS WITH TRUSTEES AND RELATED PERSONS

The trustees received no remuneration in relation to fulfilling their role as trustees (2003 Nil).

32 trustees were reimbursed £52,443 for actual costs necessarily incurred on CIPFA business (2003: 41 trustees were reimbursed £57,561).

The following additional payments were made to trustees:

- Anne Britton, a Council member, continuing her participation in writing and marking examinations £945
- Tim Day, a Council member, for chairing local authority accounting and best value courses, and updating an accounting publication £14,100

NOTES TO THE FINANCIAL STATEMENTS

INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF CIPFA

We have audited the financial statements of the Chartered Institute of Public Finance and Accountancy and its subsidiaries for the year ended 31 December 2004 which comprise the Statements of Financial Activities, the Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with section 43(2) of the Charities Act 1993. 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.

RESPECTIVE RESPONSIBILITIES OF COUNCIL AND AUDITORS

The Council's responsibilities for preparing the Council's Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Council Responsibilities. We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Council's Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement,

whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the charity and the Group at 31 December 2004 and of their net incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.

CHANTREY VELLACOTT DFK
Chartered Accountants and
Registered Auditors
London
April 2005

EXAM RESULTS

	June 2004 (%)	December 2004 (%)
Certificate		
Financial Accounting	80	77
Management Accounting	70	67
Financial Management Systems & Techniques	64	57
Financial Reporting	60	46
Diploma		
Audit & Assurance	NA	84
Leadership & Management	NA	67
Financial Performance & Reporting	NA	63
Professional 2 (old syllabus)		
Financial Reporting & Accountability	66	44
Accounting for Decision Making	57	57
Business Strategy & Management	71	59
Public Policy & Taxation	77	63
Professional 3		
Finance and Management Case Study	58	62
Project	48	65

PRIZEWINNERS 2004

First place and prize Arthur Collins Memorial Medal	Ian Joynson Atos KPMG (November sitting) CETC South East
Second place and prize	Rachel McKechnie Audit Commission (November sitting) CETC West of England
Third place and prize	Simon Perks KPMG (November sitting) CETC West of England
Fourth place and prize	Jonathan Treadway Atos KPMG (November sitting) CETC South East
Fifth place and prize	Amana Humayun PricewaterhouseCoopers (November sitting) CETC South East
Richard Emmott Memorial prize for the best performance in the Case Study	Catherine Kendall Leicester City Council (June sitting) Nottingham Trent University
Eric Gilliland Memorial prize for the best Project	Amana Humayun PricewaterhouseCoopers (November sitting) CETC South East
Audit Commission prize	Rachel McKechnie Audit Commission (November sitting) CETC West of England
Health Service prize	Chris Varney St Georges Healthcare NHS Trust (June sitting) CETC South East
Jack Woodham prize for the best Project in the Advanced Diploma	Kim Graves London Borough of Islington CETC South East

The Chartered Institute of
Public Finance and Accountancy
Registered with the Charity
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