



AUDIT AND PENSIONS COMMITTEE

22nd September 2010

CONTRIBUTORS

CIPFA KNOWLEDGE AND SKILLS FRAMEWORK

**WARDS
All**

DF&CS

This report sets out the Knowledge and Skills Framework developed by CIPFA.

RECOMMENDATION:

1. To note the report.
2. To agree to complete the knowledge and skills assessment.

**LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS**

| No. | Description of Background Papers | Name/Ext. of Holder of File/Copy | Department/ Location |
|-----|---|----------------------------------|-------------------------|
| 1. | CIPFA Knowledge & Skills Framework File | P.Gough Extn 2542 | FCS, Room 42, Town Hall |

1. INTRODUCTION

- 1.1 The Chartered Institute of Public Finance & Accounting (CIPFA) has introduced a new Knowledge and Skills Framework to promote improvements in the governance arrangements of the Local Government Pension Scheme (LGPS). Under the current economic climate, pension schemes generally have come under increasing scrutiny in recent years and public sector pension schemes in particular are increasingly a focus of public sector finance debate.
- 1.2 In addition, there has been a trend over the last decade for the funds which make up the LGPS to extend their investment strategies into a more diverse range of investment assets and asset managers. Consequently local government finance officers and elected members are being asked to advise, manage and make decisions on a more complex range of investments than in the past.
- 1.3 Investment knowledge can not sit in isolation from an understanding of the overall framework within which public sector pension scheme finance operates. This wider context requires knowledge of the regulatory position, accounting and auditing developments, fund liabilities, cash flow management, actuarial valuations, outsourcing and supplier relationship management and many other issues.
- 1.4 The knowledge and skills framework is intended to promote good governance in public sector pension scheme decision-making bodies by providing a framework for the training and development of their members. Local authorities are required to publish statements of compliance against a set of best practice principles for scheme governance and stewardship. The first of these principles (Myners Principles) concerns knowledge and skills:
- Administering authorities should ensure that:
 - Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation; and
 - Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.
- 1.5 Against the background of the six Myners Principles and CIPFA/SOLACE Delivering Good Governance in Local Government, the CIPFA pensions panel is concerned that in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role on decision-making bodies, it is difficult to ascertain whether training is truly effective. Hence in an attempt to determine the correct skill set for public

sector pension scheme, CIPFA has developed a technical Knowledge and Skills Framework.

- 1.6 This framework has two primary functions:
- A tool for organisations to assess whether they have the right skill mix to meet their scheme financial management needs; and
 - A tool for individuals to measure their progress and plan their development
- 1.7 CIPFA acknowledges that not all schemes will demand that their financial managers possess the full range of technical skills and knowledge outlined in the framework and schemes are strongly encouraged to adapt the framework to meet their own requirements.

2 KNOWLEDGE AND SKILLS FRAMEWORK

- 2.1 CIPFA has identified six areas of knowledge and skills as the core technical requirements for both officers and members. They are:
- Pensions legislative and governance context;
 - Pensions accounting and auditing standards;
 - Financial services procurement and relationship management;
 - Investment performance and risk management;
 - Financial markets and products knowledge;
 - Actuarial methods, standards and practices.
- 2.2 Due to the complexity of pensions finance, these skill sets extend beyond the strict boundaries of accountancy into areas of investment and actuarial finance, as well as knowledge of the legislative environment. Detailed knowledge and skills related to pension scheme benefits administration are also largely excluded from the framework, as there are other professional bodies active in this area. However, a general knowledge of scheme benefits and taxation arrangements is included in the skill sets.

3 STATUS OF FRAMEWORK

- 3.1 At this stage, the knowledge and skills framework is not mandatory, but is designed to have persuasive force. However, in future it may be elevated to a formal CIPFA Code of Practice, which the Council would be expected to adhere to. CLG is considering whether to make it a requirement for funds to include in their annual reports a statement on the extent to which they have adopted the framework or made alternative arrangements. In the interim, CIPFA recommends that users of the framework make a voluntary disclosure in their annual reports on how the framework has been applied, what assessment of training needs has been undertaken and what training has been delivered against the identified training needs.

4 FRAMEWORK FOR MEMBERS

- 4.1 For members, the key knowledge and skills developed by CIPFA are detailed in Annex A. Additional guidance is available for the Chairman and Vice-Chairman of a pensions committee.

5 FRAMEWORK FOR OFFICERS

- 5.1 The framework for officers recognises that different individuals/groups have varying roles. For officers, four main roles have been illustrated – Chief Finance Officer, Chief Investment Officer /Head of Investment, Pension Fund Accountant and Assistant Pension Fund Accountant. For information, the framework for the Chief Finance Officer is attached as Annex B.

6 PROPOSALS FOR LBHF

- 6.1 In order to comply with the framework, the Council needs to carry out a training needs assessment and assess the training needs of both members and officers. It then needs to consider the most appropriate and effective means of delivering training and agree a training plan.
- 6.2 CIPFA has developed a product with Hymans Robertson LLP, (a firm providing actuarial services and investment advice to many local authorities), which includes training needs assessments for both members and officers and also provides an on-line library for reference. At £1900, this is considered a cost effective means of assessing the training needs of members and officers and also providing a useful resource for easy reference and the Council has recently purchased it. Sample questions from the assessment are included in Annex C.
- 6.3 Once the Council has access to the training needs assessment tool, officers will consider whether it needs to be modified for LBHF. The assessment will then be sent to all members of the committee and relevant officers for completion.
- 6.4 A summary of the results, together with a proposed training plan will be brought back to a later meeting of this committee.

7 RECOMMENDATIONS

- 7.1 To note the report
- 7.2 To agree to complete the knowledge and skills framework