CIPFA The Chartered Institute of Public Finance & Accountancy

PQ: Strategic Public Finance - Examiner's report

To	CIPFA Examination Panel
From	Rosanne Fleming – Lead Examiner
Date	30 June 2017

INFORMATION FOR THE EXAM PANEL

The pass rate for the paper is 70%; 154 candidates submitted exam papers for marking. This is the third sitting of this exam under the new syllabus for CIPFA's Professional Qualification. For comparison, the pass rate for the first sitting in June 2016 was 68% when it was attempted by 117 candidates, and for the second sitting in November 2016, the pass rate was 64% with 144 candidates.

Where candidates failed, this was generally because of failure to demonstrate their understanding of the issues. Many answers consisted of memorised text from the learning material, rather than the required application to scenarios, or demonstration of strategic thinking and wider knowledge around the issues. The requirement to apply knowledge has been made clear in course material, teaching, and in the examiner's guide published prior to the exam. A number of candidates failed to provide sufficient examples of a range of organisations in their answers, resulting in a lack of breadth in their answers. Time pressure may have been less of an issue this sitting than for the November sitting, as there were very few scripts where candidates had not attempted all six questions. Some candidates had not read the questions properly and had missed out on marks by not answering the question asked.

Candidates were required to answer all questions on the paper, with two 30 mark questions that included some background scenario (but no pre-seen material), and four 10 mark questions.

In general, both questions 1 and 2 had parts that most candidates found challenging. Question 1 part a (regarding tax havens) required some knowledge gained through reading around the subject and learning material. It was, however, encouraging to see some good answers in this area. Question 2 part b required knowledge of the characteristics of mutual organisations. Some candidates had very limited knowledge, and there were many incorrect definitions, mostly confused with other types of collaborations and partnerships and failing to state that mutuals are employee–owned organisations.

The short format questions were reasonably well answered in some cases; most candidates scored around half marks on these questions, when it was clear that they had greater capability, especially if they had read the question more carefully and stuck to task rather than drifting by writing all they knew about the subject, or repeating themselves. Some scripts tended to use short lists without explanation of points made - which will rarely be sufficient to score full marks. Handwriting remains a problem, and some candidates failed to assemble their script in a sensible order, or to identify the question number being answered.

I recommend adhering to the 50% pass mark.

The summary statistics are included for Exam Panel separately in the panel papers.

Strategic Public Finance June 2017

Question 1

Average mark: 15/30 Highest mark: 25/30

This question produced a range of quality of answers, with a small number of candidates producing good answers. There were, however, some very poor answers. The question was split into three parts, covering a number of topics – tax haven status; changes to local service delivery methods; and the role of local taxation, gearing, and other income sources.
Part a was answered quite well, with some candidates displaying good knowledge of the advantages and disadvantages of tax haven, and use of some relevant examples. This was particularly pleasing as the SPF learning material does not contain much detail on this topic, so it demonstrated that candidates were reading around the subject and keeping up with topical issues. Numerous candidates stated incorrect corporation tax rates for Ireland when using this as an example of a 'tax haven' state. Some candidates were confused between tax avoidance and tax evasion, wrongly referring to tax evasion as being legal but unethical.
Part b was answered quite well in parts, but not many candidates referred to central government political influences on service delivery by local government.
Part c was answered well by many candidates, with some good explanation of gearing, including examples of the effect of central government budget cuts, and details of how local government funding is changing in regard to business rate retention.

Question 2

Average 16/30 Highest mark: 28/30

This question was broken down into three parts and was based around a collaborations and mutuals.
Part a required candidates to explain what good governance should look like for collaborations. This was mostly well answered, with good coverage of the key areas of a good governance framework.
Part b required knowledge about mutual organisations and asked for discussion around the advantages and disadvantages associated with these organisations. Many candidates gave very vague answers regarding the characteristics of mutual, getting muddled with other types of shared services, and giving incorrect statements in their answers about ownership and public sector control or interest in the mutual organisations.
Part c required candidates to discuss the role and skills of a CFO in planning and executing the set up of a mutual organisation. There were some good clear answers for this part of the question, but some candidates who did not understand the structure of mutuals gave incorrect answers in this section too, as their comments referred to different types of organisation.

Question 3

Average mark: 6/10 Highest mark: 10/10

This question was fairly straightforward and required candidates to discuss the arguments around charging for public services, and the steps that should be considered when establishing fair and effective charging.
Most candidates provided good discussion, and were able to give relevant examples. Many candidates were able to clearly describe the steps that should be followed in establishing a charging structure, and provided examples of charges to support their statements.

Question 4

Average mark: 5/10 Highest mark: 10/10

This question requested discussion on the drawbacks of input measures as a means of determining performance. It also clearly asked for suggestions of alternative, more appropriate performance measures. A common error with this question was the confusion around leading and lagging indicators, with many candidates wrongly stating that input measures were lagging indicators. Some candidates did not fully answer the question as they did not include suggestions for alternative measures.
The question also asked for an evaluation of the trade-offs between good stewardship and meeting public expectation for service delivery. This part of the question was answered poorly by many, although some candidates did understand and explain the importance of stakeholder engagement, and refer to examples of ensuring stakeholders understand what they are paying for, and how to manage their expectations.

Question 5

Average mark 5/10 Highest mark: 10/10

This question required a straightforward description of the steps a CFO might take to manage the consequences of capital investments over the medium term. It also asked for a description of the potential sources of funding for such projects.
Some candidates answered this very well, but it was surprising to see that some candidates repeated the same sources of funding in different words, or only explained one source in great detail, particularly PPP / PFI, which was not really what was required by the question. Some credit was awarded for reference to Whole Life Costing, but limited marks were awarded if this was the sole focus of the answer given. Some candidates did give a really good range of sources of funding, demonstrating that there were plenty to choose from to score highly.

Question 6

Average mark: 5/10 Highest mark: 10/10

This question required candidates to discuss the advantages and disadvantages of using specific budgets for projects rather than business as usual budgets, and to identify the common risks to projects, and provide mitigations, with reference to examples. The advantages and disadvantage were well discussed in many cases. The requirement to identify a range of project risks was less well answered, with many candidates focusing on financial risks, rather than the range of risks that should be mitigated as part of the project management framework arrangements.

Summary

While there were a few very strong scripts, a number of candidates failed to show if they had read around the subject to enrich their answers, or showed a lack of understanding of the requirements of the question. At this level, reading the question and managing time should be basic exam techniques. Theory without application is insufficient to demonstrate an understanding of the Strategic Public Finance module at this level of the qualification. There is still a tendency by some candidates to pad out thin answers with repeating the question, or repeating points already made, which gains no further credit. While there was evidence in some scripts of candidates planning their answers, some candidates do not appear to have done plans, which led to rambling and confused scripts in some cases. In some cases, it was clear that candidates had not read the whole question before commencing answers, as some repetition for different parts of the answer was evident.