

## Unleash the power of the balance sheet and change your default

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These days my greatest challenge as a chief financial officer is unleashing the power of the balance sheet. In a world where reducing cost is not going to fill our forecast financial gaps, my job has to be about generating value; it's always been important, but never more so than today.

Long gone are the finance chiefs with grand offices full of imposing oak furniture, statutory instruments and financial reporting standards filed in glass cabinets, and tea for visitors served in bone china tea cups. During my relatively short time doing the job, we've been business partners, team players, enablers of change and supporters of all. Traditionally the focus has been on budget setting, financial reporting and ensuring directorates delivered their targets. While understanding and controlling cost is still part of our core role, new demands throw up new challenges.

Firstly, I believe we must be more innovative in a continuing low interest world so that we deliver real income from our investments.

We can't forget either our dedication to first *security*, then *liquidity* and only then *yield*, as well as delivering our commitment to pensions through the \$200bn of LGPS pension funds. We need to keep remembering the difficult lessons we've learned in the past, like investing in Iceland or dipping our toes into the derivative ponds. Driving a hard commercial bargain to ensure best value is delivered is crucial, so we must ensure we have robust relationships with those we commission to deliver services. Internally we need to play the role of honest brokers to connect our organisations. Successful change is about different parts of our organisations working together, rather than using sector experts in any particular area of service.

And the big one. If we use the power of the balance sheet well it can drive economic development, improve outcomes and job prospects for local people and ensure people who have depended traditionally on the state to support them can live independently and support themselves and their communities. If we harness the strength of the balance sheet and convert it to annual revenue streams, we are better able to support the delivery of valuable services for some of the most vulnerable people in our society.

If that doesn't get you out of bed in the morning and punch the air, thankful for the opportunity to make a difference, I don't know what will (apart from Southend United getting back to their rightful place in the Football League championship, of course!)

The world we operate in is less certain today than ever before. That's exciting, but also daunting and dealing with risk is challenging; holding that financial risk can feel like a lonely place.

So, sharing ideas through networks of colleagues has become critical in balancing innovation and folly. I have also spent a lot of time on developing the capacity and expertise in our teams, focusing on getting the 'why' and the 'what' clear, before I work out how we will make something work. I'm comfortable saying "I don't know, but I know how I can find out".

One of the changes we've introduced that works well is the process for agreeing our medium term financial plan (MTFP). We no longer have a big budget reveal in November – I put out a one page summary of the MTFP in March and ask my colleagues to tell me what's right and wrong about it. Departments then discuss and prove their needs alongside their peers, learning from each other. We've developed an adult approach, a collective responsibility for the budget. My role is as a facilitator, not an arbiter. Some people haven't been comfortable with that level of responsibility (and exposure) and

we've had to work through that, but the overall result is that we are getting better levels of trust across a wide range of managers in the organisation.

In our new world I've had to change my default leadership style. In the past I'd have been – like many accountants – a somewhat introverted type, valuing control, making my own mind up and working through the detail to achieve my goals. Now I hope that I have developed a more creative, flexible and co-operative approach – and I'm mindful about not slipping back into my old ways. If I disagree with colleagues, you're likely to hear me say "let's unpack that a bit". I'm more open to hearing different opinions and learning from them.

I think it would be useful to get help from CIPFA to support the development of a new skill set that equips us for the future. I want to ensure that public finance leaders are there to take the profession onto the next level long after we've gone.