

Public Sector Leadership Teams: Keeping An Eye On The Financial Football

Whilst England's campaign for world cup qualification in South Africa has been impressive, doubts still remain over some of the key positions. Left side midfield remains a long term problem and the goalkeeper's spot also now has question marks over it. These remain specialist positions where the limited number of convincing contenders reflects a dearth of talent coming through.

A group of specialists coming together to form an effective team is not only essential for an international football team but is also a requirement for most management structures within organisations. The effective CEO acknowledges and harnesses these skills to manage the leadership team to its full potential. Leadership teams require a broad range of skills and talents but there is real danger that sometimes the very breadth of the skills required means these teams 'play people out of position' or appoint individuals who lack the necessary level of skill.

Over the last decade there has been a move across the public sector to reduce leadership teams to a small cohort supporting a chief executive. The corporate services director has become a key member of the team responsible for an array of functions including personnel, finance, ICT, procurement, legal services and administration. Inevitably, the individual tasked with such a role, although frequently professionally trained in one area, has to be a generalist in all others.

The trend for small management teams has not only been born from the need partly to focus decision making away from larger, unwieldy groups but also from the need to find efficiencies in senior positions. The days when public sector organisations can operate with extensive management tiers have gone. There is, however, a danger that the focus on decision making is at the expense of ensuring the core skills exist to effectively and properly manage the organisation.

The Chartered Institute of Public Finance (CIPFA) has recently picked up the cudgels on behalf of finance professionals. In its publication '*The role of the chief financial officer in public service organisations*' it rightly makes the point that financial issues are central to the success of an organisation.

Public sector organisations need a chief financial officer who is professionally qualified (in finance) and is a member of the leadership team. If this view is accepted it cannot, therefore, be acceptable for an organisation's finance function to be represented at the top table by an individual with a legal or HR background no matter how able they are when it comes to finance.

There is wide-scale acceptance that significant cuts will be required in public spending over the next decade. Increased pressure to protect front-line services will mean challenging support services to make efficiencies. The impact on these services will be severe whether through more shared service initiatives, business process improvements or asking more of employees. Inevitably the size of the public sector will reduce and organisational restructuring and mergers will be required. The public sector may also have to withdraw from certain discretionary service provision. In such a difficult environment the skills and professional standards of the chief financial officer of an organisation are even more important.

Financial stewardship and ensuring robust controls exist to safeguard public money inevitably come more to the fore when budgets are tight. But when budget-holders are also being asked to do and take on more, or when there is major organisational change or restructuring, there is a real danger that some of the more routine controls can slip. The chief financial officer must have a level of professional, independent skill to ensure good financial management remains in place. Rigorous financial appraisal and evaluation of efficiency initiatives and all new investment opportunities is also critical. This level of robust questioning cannot be properly undertaken by someone who is not part of the leadership of an organisation.

This view has been recognised by HM Treasury who require all UK government departments to have a finance professional on the board or equivalent and recommend "it is good practice for all other public sector organisations to do the same and to operate to the same standards".

Yet despite CIPFA and HM Treasury's view, many public sector organisations persist with management structures that relegate the importance of finance. These organisations need to

appreciate the environment has now changed. There is still a role for generalists but just like the left side conundrum facing Capello, for an organisation to not only fulfil its real potential but to also safeguard its future, you need specialists in the right position.

Nick Bennett

Former chair of CIPFA/LASAAC and senior public sector partner at Scott-Moncrieff.