

The role of the chief financial officer in combined authorities

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Foreword

In one way, the advent of combined authorities represents one of the biggest innovations in local government for decades.

But in another, it brings us back to a situation very similar to that following the reform of local government in 1974, when the large urban areas surrounding England's major cities were governed by metropolitan county councils.

This is not to say, though, that we have simply come full circle. The devolution of power from Westminster has radically changed the landscape of local governance. The formation of combined authorities alongside existing local councils has established an entirely new approach to collaborative leadership. Directly elected mayors are re-shaping politics at the local level and creating a strong voice for their communities.

This approach is not without its challenges. The devolution of power to mayors and combined authorities has not been accompanied by a devolution of funding. The differing powers available to individual combined authorities have created an uneven playing field that frustrates the expectations of mayors, government and local communities alike. And the management of complex 'one in a generation' projects places considerable pressure on authorities' limited staff capacity and financial resources.

I am delighted that this publication, the first in a series of sector-specific guides that draw on our new framework for understanding the role of the chief financial officer, focuses on combined authorities. They operate a uniquely challenging – and rewarding – environment for the CFO, yet one that to many remains very much a mystery.

It is my hope that, with this publication, we can shed light on the role that combined authorities play in driving positive change for their local communities, as well as on the nature of the CFO role within combined authorities and the competencies, relationships and organisational culture that are required for the CFO to fulfil this role effectively.

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1 Introduction

1.1 The chief financial officer in combined authorities

Combined authorities play a leading role in transport, economic development and regeneration across many of England's larger urban areas. They are responsible for billions of pounds of investment into their communities, and they lie at the heart of the government's devolution agenda.

They are also growing – in size, in number and in the types of community in which they can be established. Consequently, the number of finance and other public sector professionals coming into contact with, collaborating with and working within combined authorities is likewise set to increase.

Combined authorities are, however, different from their more traditional local government counterparts. They have different governance arrangements, they are funded differently and they face different challenges at both a strategic and operational level.

Furthermore, combined authorities differ also from each other. They have differing powers, responsibilities and funding arrangements, and they are influenced heavily by the specific histories and needs of their localities.

Nevertheless, the combined authority must manage its resources efficiently and effectively if it is to create value for the communities that it serves.

The chief financial officer plays a vital role in making sure that this happens.

1.2 Aim of the publication

The aim of this publication is to provide a definitive statement on the role of the chief financial officer (CFO) in combined authorities.

The publication explores the nature of the finance function and of the work of the CFO in combined authorities. It also considers the competencies CFOs need if they are to fulfil their role effectively, the relationships they need to develop and the organisational culture they need to create.

It highlights key themes for CFOs and their authorities, such as the opportunities and challenges that they face, the nuances of operating within a political environment and the importance of accountability, stewardship and sound ethical values.



The publication seeks also to celebrate the role of the CFO in combined authorities – and, indeed, across the public services more broadly – and to promote it as an attractive and rewarding career choice for high-calibre finance professionals.

1.3 Who the publication is for

This publication is targeted at established and aspiring CFOs within combined authorities, their authorities and those with whom they work.

In particular, it:

- allows new and established CFOs to gain insight into their role and improve their practice
- helps aspiring CFOs to better understand the skills, competencies and attributes required
- assists combined authorities in understanding what they should expect from their CFO and how they can create an environment in which the CFO can create maximum value
- provides regulators, funders, auditors, taxpayers and other stakeholders with assurance as to the professional standing and integrity of CFOs in combined authorities.

The publication is based on the CIPFA framework for the [role of the chief financial officer in public service organisations](#).

1.4 How this publication is structured

This publication is structured as follows:

- **Section 2:** The **combined authority** and its role in local government.
- **Section 3:** How the **combined authority works**, including governance arrangements, funding mechanisms and key operational and financial challenges.
- **Section 4:** Understanding the **role of the CFO** as a skilled professional, the leader of the finance function and a senior leader within the authority.
- **Section 5:** The **competencies required of an effective CFO** in the combined authority, including the skills, behaviours and knowledge that allow them to fulfil their role.
- **Section 6:** The **relationships that CFOs need to nurture**, both within and external to the authority and across the CFO's personal network.
- **Section 7:** The **organisational environment and culture** that need to be created and nurtured if a CFO is to be able to fulfil their role effectively.

A glossary of relevant terms and suggestions for further reading are set out in the annexes.

2 Understanding the combined authority

2.1 Introducing the combined authority

A combined authority is a legal entity that allows two or more local authorities to work together on strategic issues and take collective action on matters that cross local authority boundaries, such as transport, economic development and regeneration.

Combined authorities do not replace existing local authorities, but rather sit alongside them at a regional level. They are initiated voluntarily by the participating authorities themselves – known as the ‘constituent’ authorities – and are created by statutory instrument following approval by the secretary of state for levelling up, housing and communities.

A combined authority can be formed by two or more local authorities anywhere in England outside Greater London. There are no restrictions on the number of local authorities that can participate in a combined authority, though between three and ten is the current norm. Each local authority only be a member of one combined authority.

The West of England Combined Authority and the North of Tyne Combined Authority are currently the smallest combined authorities in terms of membership, with each having three constituent authorities. At the other end of the scale, the Greater Manchester Combined Authority has ten constituent authorities. Other combined authorities fall somewhere within this range. For example, the Liverpool City Region Combined Authority has six constituent authorities and the Cambridgeshire and Peterborough Combined Authority has seven.

While it is expected that combined authorities will normally be established by local authorities that together form a cohesive geographical region, combined authorities may currently include local authorities that are not immediately adjacent to each other.

Combined authorities offer opportunities for their constituent local authorities to work collaboratively with other local authorities and public service organisations to further the combined authority’s policy aims and to better meet local needs.

At the time of writing, fewer than a dozen combined authorities have been established. However, more are expected. And while the creation of combined authorities has until recently been focused on the greater urban areas around large English cities, there is now provision in the [Levelling-up and Regeneration Act 2023](#) for combined county authorities to be formed in non-metropolitan areas.

2.2 The evolution of regional governance

Following reform of local government in England in 1974, the large urban areas surrounding England's major cities – such as Greater Manchester and the West Midlands – were governed by metropolitan county councils. These councils were responsible for the delivery of strategic regional services, such as roads, public transport and urban planning.

The metropolitan county councils, together with the Greater London Council, were abolished in 1986 and their powers were passed to their constituent metropolitan borough councils or to other local bodies with specific responsibility for fire, police or public transport. Consequently, England's large urban areas were left with no local government bodies with strategic authority over regional issues.

In 1998, a series of regional development agencies were established across England, with the aim of promoting economic development, employment and regeneration. 1999 saw the establishment of the Greater London Authority, and in the early 2000s, the idea of regional assemblies for English regions outside London was mooted, although limited support meant that this idea was not taken further.

In 2010, the government announced that regional development agencies would be abolished from 2012 and replaced in some areas with local enterprise partnerships, which are voluntary arrangements that bring together local authorities and local businesses to encourage economic growth and job creation.

At the time of writing, government funding for local enterprise partnerships is set to be withdrawn, with the expectation that their functions will be integrated into the relevant local authorities.

At the same time, the government accepted a proposal from the Association of Greater Manchester Authorities to create the Greater Manchester Combined Authority as a strategic top-tier authority for Greater Manchester, using powers introduced in the [Local Democracy, Economic Development and Construction Act 2009](#).

Following the creation of the Greater Manchester Combined Authority, combined authorities have since been created in South Yorkshire, West Yorkshire, the Liverpool City Region, the West Midlands, the West of England, Cambridgeshire and Peterborough, Tees Valley and the North East.

Consequently, and perhaps as evidence of the enduring value of strategic co-ordination of infrastructure and service delivery across England's larger conurbations, all of the former metropolitan county council areas now form part of a combined authority.

2.3 Combined authorities, devolution deals and directly elected mayors

The establishment of combined authorities is interwoven closely with the rise of 'devolution deals' between central government and local authorities and the advent of directly elected mayors.

The primary aim of the government's devolution agenda is to promote local economic growth. It also seeks to better integrate the delivery of public services so that they are able to operate efficiently, to achieve enhanced outcomes and better meet local need. It hopes to do this in a way that strengthens local democracy and improves public engagement and accountability.

Devolution deals between central government and local areas are negotiated on an individual basis within a wider legislative framework. The Local Democracy, Economic Development and Construction Act 2009 allows for certain transport functions to be devolved from central government. The [Localism Act 2011](#) permits a broader transfer of powers from the secretary of state to local authorities and gives local authorities a general power of competence.

The Local Democracy, Economic Development and Construction Act 2009 first allowed for the creation of combined authorities. Combined authorities were introduced initially as a mechanism for facilitating 'city deals', which devolved certain powers and funding relating to infrastructure and economic growth from central government to individual cities.

There is no formal legislative link between a devolution deal and the establishment of a combined authority, but the two are becoming ever-more-closely intertwined. It is possible in theory for local authorities to form a combined authority without the benefit of devolution of additional powers and funding from central government, provided the secretary of state gives approval for the arrangement.

There is also a growing relationship between devolution deals and directly elected mayors. Indeed, if integrated city regions with devolved powers and funding are the government's preferred way of driving economic growth, then the combined authority with a directly elected mayor is its preferred mechanism for implementing this in practice.

The [Local Government Act 2000](#) provided all local authorities with the option to establish a directly elected mayorality. This approach took a while to gain traction, but over time mayoral arrangements were established in a number of cities across England, including Doncaster, Leicester, Liverpool and Bristol.

The [Cities and Local Government Devolution Act 2016](#) progressed the mayoral agenda further, allowing for the introduction of directly elected mayors to combined authorities in England, thus bringing about the advent of mayoral combined authorities.



Under the 2016 Act, these 'metro mayors' would gain powers over strategic policy areas, such as housing, transport, planning and policing. Such mayoral roles were soon established across most of the combined authorities that existed at that time, including Greater Manchester, the West Midlands and the West of England.

2.4 Combined authority powers and responsibilities

The establishment of a combined authority allows its constituent local authorities to pool powers and responsibilities in strategic policy areas that benefit from a joined-up approach across a larger geographical area.

In addition to existing powers held by their constituent authorities, combined authorities can benefit from powers devolved to them from central government. The nature and scope of these devolved powers depend on the specific agreement reached between the constituent authorities and central government, as enshrined in the statutory instrument that establishes the combined authority.

Consequently, while all combined authorities take the lead in a number of core policy areas – such as transport, skills and economic development – other powers and responsibilities vary from one combined authority to another.

The Greater Manchester Combined Authority has probably the broadest range of responsibilities of any combined authority, with its remit covering transport, economic development, regeneration, housing, work and skills, environment, digital, police and crime, fire and rescue, waste disposal, public service reform, and culture and place.

This means that there has, to date, been no 'standard' set of powers for combined authorities, but rather a process that allows for the specific powers granted to combined authorities to be flexed in response to a variety of considerations, such as local need.

Other powers commonly vested in combined authorities include:

- strategic planning and the power to influence the disposal of public assets
- the creation of a long-term capital investment fund to promote economic growth
- control over the adult skills budget, post-16 further education and the apprenticeship grant
- pooled transport funding and the ability to undertake various transport-related projects, such as bus franchising and integrated ticketing arrangements for local public transport.

In addition, some combined authorities have taken responsibility for a more diverse range of policy areas, such as health and social care integration, children's services and housing construction.



Most metro mayors are also permitted to establish a mayoral development corporation to invest in land and infrastructure as a means of promoting regional economic growth. Subject to the existence of coterminous geographical boundaries, they can also take on responsibility for crime and policing.

2.5 The directly elected mayor as the driver of devolution

Perhaps in response to the piecemeal way in which combined authorities have been established and their respective powers have been negotiated, the government in power proposed a more consistent framework for the creation of combined authorities in the future.

The determining factor is likely to be whether or not a proposed combined authority will be led by a directly elected mayor. Where it will not, the newly established combined authority will be granted authority over a modest range of policy areas, but it will have no control over transport spending and will not benefit from longer-term investment funds.

Where the combined authority will be led by a directly elected mayor, it will gain authority over a substantial range of policy areas. It will absorb the powers and the funding of the local enterprise partnership and the police and crime commissioner, where coterminous geography permits.

A combined authority led by a directly elected mayor will also benefit from long-term investment funding. And, crucially, it will have the power to set a precept on council tax and a supplement on national non-domestic rates.

2.6 The future for combined authorities

The Levelling-up and Regeneration Act 2023 establishes the concept of the combined county authority, which is designed for non-urban areas with two tiers of local government. A combined county authority can encompass all local authorities within the geographical area that it covers, but it can also be established by county and unitary councils working alone.

In future, it is anticipated that devolution deals will be offered to single local authorities, mayoral combined authorities and combined county authorities. These would normally be expected to cover a functional economic area or an entire county.

There is a strong pipeline of local authorities interested in pursuing devolution deals, so while the number of combined authorities is currently small, it is likely to grow.

3 How the combined authority works

3.1 Governance of the combined authority

Where a combined authority has secured a devolution deal with central government, the establishment of a directly elected mayor is likely to be a condition of this deal. The combined authority is led by the directly elected mayor and by councillors representing each of the constituent local authorities.

In exceptional cases, a combined authority may not have a directly elected mayor. Under such circumstances, the combined authority is led by a leadership board of councillors representing each of the constituent local authorities.

The councillors representing the constituent authorities are usually the leaders of the relevant authority. However, this does not necessarily have to be the case; authorities are often free to nominate any member as their representative on the combined authority.

The governance of a combined authority is determined by the statutory instrument – usually an ‘order’ – that established it and by the constitution that was agreed upon its inception.

The South Yorkshire Mayoral Combined Authority was established through the [Barnsley, Doncaster, Rotherham and Sheffield Combined Authority Order 2014](#). The combined authority has also agreed a formal constitution governing its operation and activities. In March 2024, legislation was passed to transfer police and crime commissioner (PCC) functions for South Yorkshire to the mayor of South Yorkshire.

The mayor and the representatives of the constituent local authorities form the cabinet of the combined authority and fulfil an executive function. Each member of the authority will typically be allocated a specific policy portfolio. Unlike in a traditional local authority, however, there is no wider council of elected members.

The mayor normally chairs the cabinet – and, indeed, the authority as a whole – and may appoint a deputy mayor from among the other members of the combined authority.

Each constituent authority normally appoints one representative to the combined authority. Members of the authority generally each have one vote when decisions are to be made. Some powers, however, are reserved exclusively for the mayor and decisions taken under these powers are the responsibility of the mayor alone.



Decisions are usually taken by simple majority, with no member of the combined authority having a casting vote. However, individual combined authorities may agree alternative approaches to decision making for specific types of decision or in specific policy areas. This might include, for example, decisions that can be made by the mayor alone, that require a two-thirds majority of members or that require unanimity. Provision may also be made for members of the authority to overrule or to veto certain decisions made by the mayor.

In addition to their legal and constitutional powers, mayors have considerable 'soft' power as a result of their electoral mandate and the resulting high public profile. They typically also have their own mayoral priorities and spending plans.

Subject to the terms of their constitution, combined authorities can also include members from outside their constituent authorities. This might include representatives of district councils from across the combined authority's area, the police and crime commissioner (where the mayor does not fill this role) or representatives of other partner organisations, such as the local enterprise partnership or clinical commissioning group. Depending on the combined authority's constitution, these members may or may not have voting rights.

3.2 How combined authorities are funded

There is no single funding model for combined authorities. The nature and balance of their capital and revenue funding depend to a considerable degree on the nature of the authority, the powers that it has taken on and the agreements that were reached in the design of the associated devolution deal and of the authority's establishing order and constitution.

There is similarly no single source of funding for combined authorities and little in the way of a core funding base. Instead, authorities generate capital and revenue funding from a range of sources and must manage multiple income streams from a range of funders to meet their short- and long-term financial needs.

The magnitude of financial resources available to combined authorities is substantial. Most have capital and revenue budgets in the hundreds of millions of pounds each year. Those with a particularly broad range of powers and covering a large population can have even more money at their disposal. Even the smallest of combined authorities has capital and revenue budgets in the tens of millions of pounds each year.

Combined authorities are able to charge an annual levy to their constituent authorities to fund the delivery of functions – usually transport-related – that the combined authority undertakes on their behalf. This levy is agreed on an annual basis by the members of the combined authority and by the constituent authorities.

Combined authorities may also, if their establishing order permits it, generate income through a precept on the council tax paid by local residents. This precept is agreed by the combined



authority and is collected by the relevant billing authorities. However, not all combined authorities with the ability to charge such a precept choose to do so. There are various reasons for this, including the desire to minimise the cost to local taxpayers of mayoral and combined authority arrangements.

Where the mayor is also the police and crime commissioner, they may levy a dedicated police and crime precept on council tax bills. This funding must, however, be ringfenced for police and crime activities.

The Greater Manchester Combined Authority, the Liverpool City Region Combined Authority and the Cambridgeshire and Peterborough Combined Authority each levy a mayoral council tax precept. The West Yorkshire Combined Authority levies a precept only for the police and crime aspect of its role. Other combined authorities, such as the West Midlands Combined Authority, have so far chosen not to set a mayoral council tax precept. The West of England Combined Authority, uniquely to date, does not have the power to set a mayoral precept.

Due to differences in their establishing orders, there is a degree of variation between combined authorities not only in their ability to charge a precept, but also in the nature of the precept that may be charged. For example, the South Yorkshire Mayoral Combined Authority is able to charge a precept only for specific mayoral functions, rather than to support the functions of the combined authority as a whole.

Some mayoral combined authorities receive a modest annual mayoral capacity funding allocation from central government as part of their devolution deal. This is designed to fund the mayor's salary, office costs, and policy and administrative support.

Most devolution deals also include provision for the establishment of a multi-year capital and revenue investment fund to support the delivery of transformation through long-term investment in infrastructure, productivity and growth. This is paid in annual tranches and is subject to periodic assessment to ensure that the activities funded are generating the desired outcomes.

Some combined authorities, alongside other local authorities in their geographical area, participate in a pilot scheme that allows authorities to retain 100% of national non-domestic rates (business rates) paid by local businesses. The proportion of retained business rates that is allocated to the combined authority varies, depending on agreement reached locally.

However, not all combined authorities have been permitted to take part in this pilot scheme. There is no compensatory funding mechanism for those combined authorities to which this source of funding has not been made available.



Combined authorities may also engage in prudential borrowing. Their establishing orders may specify the purposes for which funds may be borrowed. Like other local authorities, combined authorities engaged in borrowing must comply with CIPFA's [Prudential Code for Capital Finance](#). However, unlike other local authorities, combined authorities must also agree an annual debt cap with HM Treasury, which restricts the amount of money they can borrow or credit arrangements into which they can enter.

This additional requirement can, in the experience of some combined authorities, restrain their ability to exercise their devolved powers. It also creates a further element of complexity, whereby combined authorities must essentially seek HM Treasury approval for their medium-term investment plans and financing arrangements.

Combined authorities may also use their treasury management activities to generate a financial return on funding that they have received but not yet spent.

However, much of a combined authority's income comes from discrete grants awarded by central government departments. Some of these grants are provided as a matter of course in return for the delivery of specific services, while others are awarded competitively or on a discretionary basis to fund specific capital or revenue projects or target the achievement of specific outcomes.

In the future, it has been suggested that the funding model for combined authorities – starting with a small number of 'trailblazers' – might be transitioned to one akin to that of a government department, with each authority receiving a multi-year single settlement that would allow combined authorities to plan ahead with more confidence.

3.3 Financial management within the combined authority

The statutory requirements to which combined authorities are subject in respect of financial management are similar to those of other local authorities.

Combined authorities are required under Section 73 of the [Local Government Act 1985](#) (as amended) to put in place arrangements for the proper administration of their financial affairs and to appoint an officer who has responsibility for the administration of those affairs.

Consequently, the chief financial officer in a combined authority is referred to as the section 73 officer. This is akin to the role of the section 151 officer in other local authorities, who is appointed under Section 151 of the [Local Government Act 1972](#).

Like other local authorities, combined authorities are required to set a balanced annual budget and to agree any levies and/or precepts that they may wish to charge. These are agreed by the authority's members, following discussion with the constituent authorities.



Combined authority CFOs report that the budget-setting process within combined authorities is usually undertaken earlier than in other local authorities, to allow constituent authorities to take account of any associated levies in their own budget-setting.

Combined authorities also operate medium-term financial plans, which typically cover a five-year period and provide a framework for the allocation of the authority's financial resources. Combined authorities generally have a significant forward-looking capital programme, which must be incorporated into their medium-term financial planning.

As with other local authorities, the chief financial officer is bound by Section 114 of the [Local Government Finance Act 1988](#) to issue a report to members of the authority and to its auditors if it appears that:

- the authority has made or is about to make a decision that involves or would involve the authority incurring expenditure that is unlawful
- the authority has taken or is about to take a course of action that, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the authority
- the authority is about to enter an item of account the entry of which is unlawful
- the expenditure of the authority incurred in a financial year is likely to exceed the resources available to it to meet that expenditure.

In common with other local authorities, combined authorities must have in place suitable arrangements for the day-to-day management of their financial affairs. This includes things like management accounting, budget control, support to budget holders, project and capital accounting, transaction processing, accounts payable and receivable, payroll, accounts preparation, liaison with internal and external audit, and support to members and committees.

3.4 Scrutiny within the combined authority

Given the degree of devolution accorded to combined authorities, together with the relative autonomy of directly elected mayors, authorities are also required to implement and maintain robust scrutiny arrangements as a way of ensuring accountability for the decisions made by the mayor and the authority.

Under the Cities and Local Government Devolution Act 2016, combined authorities must establish at least one overview and scrutiny committee and an audit committee.

The role of the overview and scrutiny committee is to hold the authority – including the mayor, members of the authority, its officers and its partners – to account for their performance.



The overview and scrutiny committee is typically made up of elected members of the constituent authorities. If other individuals are invited to become members, then members of the constituent authorities must form a majority.

The chair of the committee is normally a member of an opposition party within one of the constituent authorities and the membership of the committee usually has a political balance that is reflective of the constituent authorities.

With ‘metro mayors’ having a personal electoral mandate and considerable local platform, combined authority CFOs emphasise the importance of robust scrutiny arrangements in ensuring that the authority’s activities remain focused on local needs and that public funds are disbursed in an accountable manner.

The role of the audit committee is to ensure that the combined authority has in place robust and effective arrangements in respect of governance, risk management and internal control and that it is accountable to local stakeholders.

The audit committee is typically chaired by an elected member from one of the constituent authorities and is made up of a mixture of elected members from constituent authorities and independent members from the local community.

Under the [Combined Authorities \(Overview and Scrutiny Committees, Access to Information and Audit Committees\) Order 2017](#), combined authorities must designate a statutory scrutiny officer. The purpose of this role is to:

- promote the role of the oversight and scrutiny committee
- provide support to the oversight and scrutiny committee and its members
- provide support and guidance to members and officers in respect of the functions of the overview and scrutiny committee.

It has been suggested that, as central government moves towards a single funding settlement for combined authorities, it might also expect local members of parliament to play a greater role in the scrutiny of combined authorities operating in their constituencies. Specific arrangements for this have yet to be established.

3.5 Key challenges for combined authorities

Combined authorities face a range of challenges in fulfilling their roles. They operate in a complex and dynamic environment, with a range of powerful stakeholders, with varying levels of resources, under intense national and local scrutiny, with high expectations placed upon them.



Furthermore, combined authorities exist in a contested space between central government and their constituent authorities. There is considerable potential for conflict to arise between combined authorities and their constituent authorities, especially when policy areas overlap or when funding must be allocated to specific local authority areas, rather than across all of the constituent authorities.

The role of the mayor is likewise not without difficulty. The purpose of the mayoralty is to provide strong local leadership, but such leadership cannot be exercised in isolation; in reality, the power of a mayoral combined authority is shared among the mayor and the leaders of the constituent authorities. Indeed, the ability of the mayor and of the leaders of the constituent authorities to work together in a constructive manner is critical to the success of the combined authority.

Combined authorities must also, in agreeing and enacting their regional priorities, balance mayoral commitments and the priorities of their constituent authorities with the funding that is available to them and the purposes to which such funding may be applied.

Expectations of combined authorities across government are high. There is also an expectation from local electorates about what their combined authority should be doing, often based on what combined authorities and mayors have done elsewhere. However, the differing powers, responsibilities and funding arrangements across local authorities mean that this is not always feasible in practice.

At an operational level, combined authorities face considerable challenges in managing a significant array of complex 'once-in-a-generation' projects with limited capacity in terms of people, time and financial resources. In many cases, they are reliant on their constituent authorities for project delivery, but these authorities face their own resource challenges.

From a financial perspective, combined authorities may experience challenges in agreeing levies and council tax precepts with their constituent authorities, especially where it is the constituent authorities who will need to pay these levies or to administer the council tax precepts. While many mayors wish to increase the funding available to them, constituent authorities are inevitably keen to limit demands on their own resources and to keep council tax rises to a minimum.

Furthermore, the reliance on discretionary grant funding streams from government departments, many of which are time-limited and awarded for specific projects and activities, can mean that combined authorities have limited funding for core activities, capacity building or the long-term planning that is essential to achieving their regional objectives.

It is not uncommon, for example, for combined authorities to manage several dozen grant funding arrangements from a range of government departments, which can collectively account for two-thirds or more of the authority's available funding. The management of these grants consumes time and resources, making it difficult for combined authorities to focus on their own priorities, rather than those of their funders.

4 The role of the chief financial officer

4.1 Understanding the role of the chief financial officer

The role of the CFO in a combined authority is complex and is evolving rapidly as authorities establish themselves and as they adapt to the dynamic policy environment.

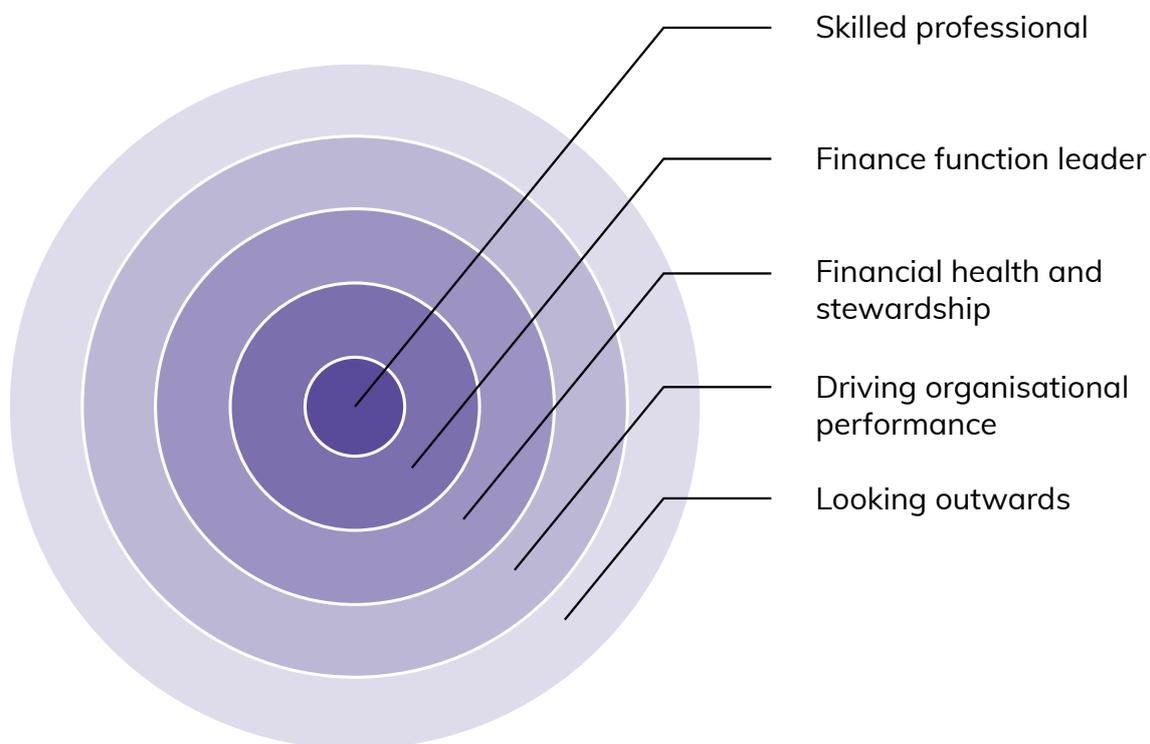
As with all public service organisations, however, there are five fundamental elements that define the CFO role in a combined authority.

The five elements of the CFO's role are:

Skilled professional	Being a skilled, experienced, trusted and respected finance professional
Finance function leader	Leading an efficient and effective finance function that supports the organisation and helps people to grow as individuals and as professionals
Financial health and stewardship	Ensuring the financial health of the organisation and maintaining stewardship of public resources
Driving organisational performance	Creating an enabling culture, driving organisational performance and helping to bring about positive change
Looking outwards	Looking beyond the organisation to explore the wider context, to respond proactively to change and to build strong relationships with others

Each of these elements builds on the ones preceding it. They can be portrayed visually as a series of concentric circles, as shown in Figure 1 below.

Figure 1: The five elements of the CFO role



Depending on the financial maturity of the combined authority, some elements of the CFO's role may take on greater prominence than others. For example, there is little point in growing the CFO's role in driving organisational performance if their ability to sustain the organisation's financial health and stewardship is lacking.

Consequently, CFOs and their authorities should first embed the elements portrayed by the inner circles in the diagram, before seeking to address those portrayed by the outer circles. This will help CFOs and their authorities to build the strong foundation that is required for long-term success.

4.2 Skilled professional

The CFO role in a combined authority is that of a skilled professional. The CFO possesses and exhibits the skills, behaviours and knowledge expected of any professional operating at a senior level in a complex organisational environment.



This means that the CFO acts with the utmost professionalism at all times. They demonstrate the technical, management and leadership skills that are appropriate to their role. They are confident in their abilities and know when to seek support. They possess strong interpersonal skills. They act with integrity and to the highest of ethical standards.

The specific skills, behaviours and knowledge expected of a CFO in a combined authority are discussed in more detail later in this publication.

It is expected that the CFO possesses a professional finance and accountancy qualification. This is normally achieved through accreditation by and membership of a recognised accountancy body. Furthermore, it is a statutory requirement that the CFO is a member of a recognised accountancy body in order to hold the section 73 role.

The CFO's experience and expertise are, however, equally important. The CFO understands how the combined authority works and the role that the finance function plays in enabling organisational success. The CFO also has a thorough appreciation of the authority itself and of the environment in which it operates.

In particular, the CFO recognises that the combined authority has a very different nature to that of its more traditional local authority counterparts. A combined authority is about driving change, rather than necessarily about delivering services. It is, in most cases, predominantly project-focused. And it requires a more entrepreneurial and risk-tolerant approach than may be expected elsewhere in the public services.

Consequently, the CFO has a proactive and intellectually curious nature and is comfortable working in a dynamic and at times volatile policy and funding environment. The CFO also has a high degree of commercial acumen, together with a sensitivity to the political environment in which combined authorities operate.

Perhaps most importantly, however, the CFO of a combined authority has a high level of personal credibility. They are responsible for making or influencing decisions that will have a significant impact on their authority and on the people and communities that the authority serves. The CFO and their judgement are, therefore, highly trusted and respected by the CFO's colleagues and peers.

4.3 Finance function leader

The CFO leads the combined authority's finance function. The CFO ensures that the finance function operates effectively and is fit for purpose in meeting the authority's needs.

The CFO sets the tone for the behaviour, activities and performance of those working within the finance function. It is the responsibility of the CFO to create a compelling vision for the function and to motivate the finance team to achieve this vision. The CFO also sets robust standards and acts as a role model for the finance team.



The CFO is responsible for ensuring that the finance function is structured and resourced appropriately and that it has in place the people, systems and processes that it requires to fulfil its role within the authority. This takes into account the specific policy portfolios of the combined authority and the project-focused nature of its activities and funding.

The CFO is also charged with ensuring that the members of the finance team have the necessary skills to undertake their roles and that the team collectively possesses the expertise that it requires to operate effectively and fulfil its obligations to the authority. This includes a high degree of commercial acumen, as well as specific expertise in areas such as financial analysis, project accounting and programme management.

Combined authority CFOs report that members of the finance team who have come from the commercial sector bring valuable skills, but do not always have the political acumen required to operate effectively within the combined authority environment. Consequently, fostering an early appreciation of the political aspect of decision-making among members of the finance team is vital.

In order to ensure that the finance team has access to the skills and expertise that it requires, the CFO also seeks appropriate support from specialist advisors and consultants as required. The CFO is skilled at gaining maximum value from the expertise of these external professionals and integrating their contribution into the work of the wider finance team.

To ensure the ability of the finance function to fulfil its role in a sustainable manner, the CFO takes into account the need to recruit and retain suitably qualified and experienced members of staff and ensure that appropriate succession plans are in place for key roles.

Furthermore, in leading the finance function, the CFO has regard to the need to ensure that the finance function operates in an inclusive manner and that through its actions it promotes diversity, equity and inclusion within the function, across the wider authority and among the communities that the authority serves.

The CFO creates a working environment in which all members of the team are respected and supported in achieving their professional goals while maintaining their personal health and wellbeing. This includes responding proactively to the expectations of colleagues from different generational groups, who may have differing – but no less valid – aspirations for their role, their personal development and their longer-term career.

4.4 Financial health and stewardship

The CFO is responsible for safeguarding the financial health of the combined authority. This involves not only ensuring that the authority is able to meet its financial obligations, but critically also maintaining effective stewardship of public funds.



This requires a high standard of financial governance and a strong focus on probity, regularity and accountability in the way in which public funds – and those from other sources – are managed and spent. It also requires the maintenance of similarly high standards in the commissioning and funding of projects, services and activities on the authority's behalf.

The CFO ensures that the authority has in place a robust framework for financial governance, management and control. The CFO also establishes and maintains suitable arrangements and mechanisms to provide assurance that the authority's financial governance and control frameworks are operating effectively.

Some combined authority CFOs try to keep their financial management arrangements, reporting frameworks and timescales as similar as possible to those of local authorities. This, they say, helps to facilitate communication and engagement with their constituent authorities and other local government partners.

This need for strong financial governance is especially relevant given the nature of combined authorities' funding arrangements, with a significant proportion of their income being received via project grants from a range of funders. The CFO ensures that the authority balances the need to spend such funding in a timely manner with the need to ensure that it is spent wisely.

The nature of combined authorities' funding arrangements can make forward financial planning extremely challenging. The CFO navigates these challenges to lead on the development of the annual budget and the authority's medium-term financial plan, together with the determination of appropriate levels of levy and/or council tax precept, as appropriate. The CFO also secures approval for these from the mayor and from the authority's cabinet.

Agreeing the level of any levy or council tax precept can be challenging for combined authority CFOs. While combined authorities and their mayors generally seek to increase income to allow them to invest in new projects and activities, the constituent authorities – mindful of their own budgets – typically prefer to keep funding levels stable. Some combined authorities and their constituent authorities have negotiated multi-year funding deals, which helps all involved to plan ahead with confidence.

Where the authority has statutory financial responsibilities – such as the requirement to operate a balanced budget – or must comply with regulatory financial requirements, the CFO puts in place suitable mechanisms to ensure that these responsibilities and requirements are met. While this requires the CFO to work closely with colleagues across the authority, it is ultimately the CFO who retains accountability for such statutory and regulatory compliance.

The CFO also has responsibility for the preparation of robust and insightful financial information. This information is used internally for budget monitoring, decision making and performance reporting, and externally for statutory and other reporting and for the purposes of public accountability.



The CFO works to foster an awareness across the authority of risk and of the impact of different levels of risk appetite. This includes explaining risk – both in general and in respect of specific decisions and courses of action – to a broad range of internal and external stakeholders. The CFO also develops and maintains suitable mechanisms to ensure that risk is given appropriate consideration in all substantive organisational decisions and actions.

The CFO oversees the financing of the organisation's activities, usually with the benefit of specialist advice. This is likely to focus on the authority's current and future grant funding portfolio, but it might also include arranging and managing external borrowing – where this is permitted under the authority's establishing order and constitution – and monitoring compliance with relevant financial covenants.

It is critical that the CFO maintains the financial health of the organisation and ensures robust stewardship of public funds. This is key to building and retaining the credibility of the CFO, the finance function and the authority itself.

Ensuring effective stewardship of public funds in the face of complex projects, urgent deadlines and the need to make rapid decisions is a common challenge for combined authority CFOs. They emphasise the importance of thoroughly understanding the nature of the projects in which the combined authority is engaged, drawing on specialist technical support when required and always taking care to understand the detail of agreements and contracts before they are signed.

4.5 Driving organisational performance

Beyond the authority's financial health and stewardship, the CFO plays a significant and vital role in driving organisational performance.

Combined authorities operate in a politically charged environment in which complex decisions must often be made rapidly and under conditions of uncertainty. Such decisions may also be open to varying interpretations and may have major and long-lasting consequences for the authority and for the communities that it serves.

The CFO works with the wider senior leadership team to create an enabling culture, in which the finance function engages proactively with individuals and teams across the authority to navigate such complex decisions, provide expert financial support and drive positive change for the authority, its partners and the wider community.

In this enabling environment, the CFO helps the authority to better understand the challenges that it faces and to balance its aspirations with the available financial resources, so that these resources are deployed for maximum impact. The CFO also provides vital support to the mayor and the authority's cabinet and works with funders to secure their ongoing commitment to the authority's activities.



As a full and active member of the senior leadership team, the CFO – working alongside the chief executive, the monitoring officer and colleagues – advises on and has influence on all substantive decisions taken by the authority. This helps to ensure that such decisions take into account issues such as affordability, financial sustainability and risk. The CFO is regarded as an objective voice of reason and their contribution to the decision-making process is sought out and valued across the organisation.

The CFO also drives organisational performance by building and nurturing a culture of financial literacy across the authority. This includes ensuring that everyone across the authority has an awareness, appreciation and understanding of the principles of financial and risk management. It also includes embedding essential financial and risk management approaches and tools, such as scenario planning, sensitivity analysis, project appraisal and the use of business cases.

The CFO similarly creates a culture of constructive scrutiny of and challenge to the decisions that the authority makes and the way in which it makes them. The CFO also ensures that the organisation has the capacity, skills and resources to exercise this scrutiny and challenge in practice. This includes supporting the work of the authority's audit committee and overview and scrutiny committee.

As with all public service organisations, the CFO plays a vital role in ensuring and promoting the environmental sustainability of the authority and its activities. This may include leading the authority's response to sustainability reporting as well as environmental impact assessment and carbon measurement, management and reporting.

4.6 Looking outwards

The CFO looks outwards beyond the boundaries of the authority itself to explore the wider sectoral, national and international context in which the organisation operates.

This allows the CFO, the finance function and the authority as a whole to anticipate and influence change – such as the potential transition to a single-settlement funding framework – and respond proactively to opportunities and challenges that the authority faces now and in the future.

The CFO builds and nurtures strong relationships with people both within their own authority, among its constituent authorities and across its wider operating environment. This includes advisors, suppliers, delivery partners, specialist service providers, funders, other public service organisations and community organisations.



The CFO is able to look beyond their financial role to consider the impact of the authority's decisions and actions on its constituent authorities, partners and other stakeholders. The CFO also takes into account the environmental and social impact of the authority's activities.

When working with partners, the CFO espouses a collaborative approach to leadership. They also take a system- or place-based approach when working or leading across organisational boundaries, so as to ensure that the focus remains on what is best for the communities that the organisations collectively serve, rather than for the organisations themselves.

The CFO maintains high professional standing among their peers in other organisations and across the wider local government sector. The CFO freely shares their own expertise and experience and provides peer support to others, whether informally or as part of formal mentorship arrangements or peer networks.

The CFO is a vocal and visible champion of the public value created by their authority and seeks out opportunities to share and promote the authority's achievements and successes.

5 The competencies of an effective chief financial officer

5.1 The nature of the competencies required

The chief financial officer in a combined authority demonstrates a suite of competencies that allow them to fulfil their role and create value for their authority and the communities that it serves.

These competencies encompass a broad range of skills, behaviours and knowledge. Some of these are an extension of the competencies that are demonstrated by any effective financial professional, while others – particularly those of a softer, less technical nature – are more specific to organisational leadership roles.

Regardless of a CFO's professional background, moving into the CFO role represents a substantial step and requires the development and demonstration of skills, behaviours and knowledge that the CFO may not have required in their career so far.

Consequently, a high level of self-awareness and the ability of the CFO to candidly assess their own strengths and development needs are vital.

5.2 Skills

The CFO has strong technical finance and accounting skills. This allows the CFO to effectively oversee the work of the wider finance team and to provide the mayor, the cabinet and the wider authority with high-quality advice and guidance on financial and related matters.

This is not to say, of course, that the CFO is an expert in all aspects of technical finance and accounting. Indeed, the CFO is willing and able to rely on the skills and expertise of the wider finance team and knows when to seek out specialist support.

The CFO within a combined authority has strong commercial skills and an entrepreneurial mindset, together with the ability to operate in a dynamic policy and funding environment. They also have a high degree of political acumen, allowing them to remain objective while being sensitive to the political nature of the environment in which combined authorities operate.



Much of a combined authority's activity focuses on commissioning, rather than service delivery. This means that combined authority CFOs spend more time focusing on contractual arrangements, funding models and performance monitoring than they may have done in previous roles. They must adjust their mind- and skill-set accordingly.

As the leader of the finance function and a senior leader within the organisation, the CFO has strong leadership skills and is able to create and communicate a compelling organisational vision for the future. The CFO is comfortable with innovation and change, and they are willing and able to transform the organisation to achieve the vision that they have crafted.

The CFO has strong interpersonal and diplomatic skills and is able to build strong relationships with a broad range of internal and external stakeholders. The CFO also has well-developed influencing and negotiation skills. These allow the CFO to build consensus in decision-making and to align the needs of the mayor, cabinet members and project partners with those of the authority as a whole, even in areas where the authority itself has little formal power.

The CFO is able to think strategically, which allows them to consider how the authority can achieve its objectives and how this will be affected by factors such as resource availability, funding mechanisms, policy changes, legislative constraints, the climate breakdown and biodiversity crisis, and other developments in the external environment.

In adopting a strategic focus, the CFO is able to look beyond the immediate term to consider the medium- and longer-term future of the authority and of the communities that it serves. They are also able to look beyond purely financial matters to consider all aspects of the combined authority and its activities.

The CFO has the ability to make decisions in a clear, objective and structured way. They consider all relevant facts and perspectives and use appropriate decision-support tools, both financial and non-financial. The CFO is also confident making significant decisions quickly and under conditions of often considerable uncertainty.

Much of the CFO's role is about communicating ideas, advice and decisions to a wider audience. This may be an internal audience of team members, other members of the senior leadership team or the authority's mayor and cabinet. It might also be an external audience of partner organisations, funders, local community organisations, the press or members of the public.

Engaging with local stakeholders and 'building coalitions' for projects, activities and courses of action is a significant part of the role of the CFO in combined authorities. The ability of the CFO to do so is critical to the success of the combined authority as a whole.

Consequently, the CFO has strong communication and presentation skills and is comfortable communicating verbally and in writing with a broad range of audiences, including those with little or no financial expertise. Crucially, the CFO is adept at drawing together strategic and



financial concepts to form a compelling vision or 'story' that will resonate with the authority's stakeholders and other audiences.

5.3 Behaviours

The CFO operates in an open and transparent manner and demonstrates objectivity and impartiality in all aspects of their role. In making decisions and in providing advice to the authority, the CFO is visibly free from conflicts of interest, actual or perceived.

Combined authority CFOs describe the internal political environment as 'turbocharged' and emphasise the importance of the CFO having strong political acumen, while remaining objective, being – and, just as importantly, being seen to be – impartial at all times, and maintaining appropriate distance from 'political' arguments.

In particular, the CFO is open in their interactions with the mayor and cabinet about the authority's financial position and operates a 'no surprises' approach that reinforces the confidence of the mayor, cabinet members and senior leadership colleagues in the CFO's competence and financial expertise.

The CFO displays a high degree of curiosity and an eagerness to engage with teams and activities across the authority. They venture regularly out 'into the field' to observe the authority's activities and to further their understanding of how these activities work in practice.

The CFO has the courage to provide challenge to others across the authority and its partners, including other members of the senior leadership team, the mayor and cabinet members. The CFO is able to provide such challenge constructively and in a way that allows effective working relationships to be maintained.

The CFO does not hesitate to stand up against illegal, unethical or inappropriate activity or behaviour. They are aware of where such activity or behaviour might arise and their own and the authority's obligations to address and report it.

The CFO welcomes a challenge, embraces new ideas and seizes opportunities to drive positive change for the authority and the communities that it serves. They are confident dealing with complex and financially significant projects. They are also flexible in their approach to their work and are able to switch their attention rapidly from one topic to another.

The CFO demonstrates high levels of emotional intelligence in their interactions with people across and external to the authority. This allows the CFO to embrace and manage their own emotions, recognise and empathise with the emotions of others, and use these abilities to build strong and productive relationships.



When working with other senior leaders, the mayor and cabinet members, and other individuals and teams within and outside the authority, the CFO demonstrates a high degree of political and cultural awareness. This awareness is reflected in the CFO's behaviour, the decisions they make and the way in which they engage with the communities that the authority serves.

Combined authority CFOs highlight the importance of acknowledging – and being seen to acknowledge – that the combined authority sits alongside its constituent authorities, not above them. Furthermore, the combined authority is about drawing down powers and funding from central government, not drawing them away from the constituent authorities.

The CFO builds and nurtures trusting relationships with individuals and teams across the authority, as well as with the authority's partners, funders, suppliers, advisors and other stakeholders. The CFO works openly and collaboratively with others and espouses the ethos of partnership working to create shared value.

As an individual, the CFO displays a high level of personal integrity, which is underpinned by a strong personal moral and ethical code. The CFO demonstrates social and ethical behaviours in their personal and professional activities that are beyond reproach. As regards professional conduct, they are a role model for others across the authority and beyond.

The CFO also champions the embedding of an ethical culture across the authority and among its stakeholders. They play a leading role in setting, communicating and enforcing standards of acceptable behaviour within the authority and in its dealings with other organisations and individuals. They also ensure that any breaches of these standards are dealt with promptly, proactively and effectively.

The CFO displays a high degree of personal resilience. They are able to recover quickly from setbacks and to use these as opportunities to learn and to grow.

5.4 Knowledge

The CFO possesses deep insight into the authority and into the way in which it works. This includes an appreciation of the devolved nature of the combined authority structure, the authority's policy priorities and its relationship with the mayor, the cabinet and its constituent authorities.

The CFO has both breadth and depth of knowledge in respect of the policy context in which the authority operates and is able to rapidly gain familiarity with the technical aspects of the transport, regeneration and other projects with which it engages. The CFO is also able to draw effectively upon specialist expertise to supplement their own knowledge when required.



They are familiar with the management and oversight of large capital programmes and of the management of grant funding arrangements.

The CFO has a keen awareness of the authority's strengths and weaknesses, as well as of the opportunities and challenges that the authority faces. The CFO also has in-depth knowledge of the authority's funders and partners, as well as of the nature and needs of the communities that the authority serves.

Beyond the authority itself, the CFO has a comprehensive understanding of the combined authority sector and, indeed, of local government more generally. The CFO is well-connected across the sector and has a high degree of awareness of who is doing what and how different authorities are addressing the opportunities and challenges that the sector faces.

The CFO has a good understanding of different business models used across the public services. They likewise possess a high degree of insight into the environment in which combined authorities operate and are able to assess the impact of political, economic, regulatory and societal changes on combined authorities and on the business models that they have adopted.

It is not uncommon for combined authorities to recruit senior leaders from other parts of the public sector or from the commercial sector. The insight and expertise that these individuals bring helps combined authorities to explore different ways of doing things and tailor their activities to the specific demands of the environment in which they operate.

At a technical level, the CFO is familiar with relevant professional and technical standards, including statutory obligations, financial reporting standards and other compliance requirements. The CFO has a comprehensive understanding of how the authority can best meet these standards. They are able to assess the impact on the authority of any new standards or changes to existing ones.

The CFO is aware of the value of data to the authority and is well-versed in the principles of data governance, including the collection, processing, management, maintenance, storage and use of large-scale datasets. The CFO also possesses the knowledge required to lead the authority's efforts to leverage the value of such data to generate insight and to inform decision making.

In the fast-paced world of public service delivery, the CFO is committed to keeping up with current developments and maintaining the 'state of the art'. The CFO is focused especially on taking advantage of the power of technology – such as automation and artificial intelligence – to improve project delivery and to create greater value for the communities that the authority serves.

The CFO continues to enhance their own professional knowledge and to apply this knowledge in practice. The CFO also creates a culture where the growth and sharing of knowledge is valued and is used to the benefit of the authority as a whole.

6 Critical relationships for the chief financial officer

6.1 The importance of relationships

In order to fulfil their role effectively, it is important that the CFO is trusted by their colleagues across the authority, individuals working within partner organisations and those in the communities that the authority serves.

The CFO's personal credibility, together with the confidence and trust that this inspires, is generated through strong relationships. It is vital, therefore, that the CFO builds such relationships, nurtures them and allows them to flourish.

6.2 Relationships within the organisation

The CFO's primary relationship within the authority is with the chief executive officer (CEO) or their equivalent. The CEO and the CFO share a common vision for the authority and work effectively as a team to turn this vision into reality. A strong and supportive relationship based on trust and mutual respect allows the CFO to act as an advisor to the CEO and to challenge them when required.

The CFO also works closely with the authority's monitoring officer, a statutory officer with responsibility for the authority's legal governance, to ensure that the authority meets its legal responsibilities and operates within its statutory remit.

Indeed, the relationship between the CFO, CEO and monitoring officer is often referred to as the 'golden triangle'. The strength of this relationship is critical to the effective running of the authority.

The CFO has a sound relationship with the mayor, the mayor's office and their policy advisors and other staff. Unlike other local authority leaders, mayors may come into their role without previous political experience of local government – or even without political experience at all. This may mean that the mayor is unfamiliar with the demands of operating within a political infrastructure or the associated complex bureaucracy.

Consequently, the CFO – alongside the CEO and monitoring officer – plays a critical role in supporting the mayor in furtherance of their and the authority's policy objectives and helping them to navigate the environment in which the combined authority operates. This may include, for example, promoting financial literacy and good governance, helping the mayor to better



appreciate the respective roles of elected leaders and employed officers, and managing expectations as to what can be achieved within the constraints of the authority's capacity, resources and political license to operate.

The CFO also has a strong and credible relationship with the authority's cabinet. The CFO provides sound advice to cabinet members, seeks to provide ample notice of impending decisions and recognises that the leaders of the constituent authorities may wish to consult with the chief financial officers of their own authorities before making decisions on behalf of the combined authority.

It can be challenging for CFOs of combined authorities to develop relationships with cabinet members who are also leaders of the constituent authorities, as these individuals may not see the combined authority CFO as 'their' CFO. Instead, cabinet members' primary relationship may well be with their constituent authority's CFO. It is important, therefore, that the combined authority CFO works closely with the constituent authorities' CFOs, as well as with these authorities' leaders.

The CFO has a solid working relationship with other senior leaders across the authority, including those with responsibility for support functions, and trusts them to make sound decisions. The enabling nature of the finance function creates a culture of collaboration, which the CFO reinforces through their relationships with their senior leadership colleagues.

The CFO creates and nurtures a strong working relationship with the members of the finance team, both through established organisational reporting lines and directly with individual members of the team at all levels. This allows the CFO not just to lead the team effectively, but also to listen to members of the team and to enhance the team's ability to serve the authority.

CFOs within newly established combined authorities caution that it takes time and conscious effort to develop and embed effective and trusting relationships with their colleagues and teams. Some suggest that Bruce Tuckman's forming-storming-norming-performing model of team development provides a helpful way of gaining insight into the process that combined authorities go through following their establishment.

The CFO works closely with the authority's human resources lead to ensure that there is close alignment of the authority's human resources and financial strategies and facilitate early consideration of the financial implications of developments in the authority's structure, staffing and ways of working.

Both directly and through the finance team, the CFO nurtures a productive working relationship with departmental managers and budget holders across the authority. The CFO recognises that the work of the finance function must be informed by the needs of the authority. Consequently, the CFO strives to be visible and accessible to all individuals and teams across the authority.



The CFO nurtures a close relationship with the authority's audit committee and overview and scrutiny committee, and in particular with the chairs of these committees.

The CFO works closely with the authority's internal audit team and recognises the team's role in providing assurance in respect of the authority's governance, risk management and internal control frameworks. The CFO supports the head of internal audit in the fulfilment of their role, but does not seek to direct or to control the work of the internal audit team.

The CFO nurtures their relationship with the authority's external auditors. The CFO recognises that, while the role of external audit is primarily to provide an independent external examination of the authority's financial records and reporting, the skill of the external audit team, their knowledge of the authority and their understanding of the environment in which it operates mean that the relationship can be a valuable one if approached in an open and constructive way.

The CFO also plays a vital role in ensuring that the authority listens to the advice given by its internal and external auditors and takes appropriate action in response to any issues, concerns or opportunities for improvement that they might raise.

6.3 Relationships with other people and organisations

The CFO works closely with their counterparts in the constituent authorities so that they are able to understand the needs of these authorities and provide clear and consistent advice to the leaders of the constituent authorities and the combined authority's mayor and cabinet.

Combined authority CFOs emphasise the importance of developing and nurturing a relationship of trust with the constituent authorities, their CFOs and leaders. This requires exemplary standards of behaviour, communication, accountability, financial management and reporting. CFOs also highlight the value of early warning of significant decisions and a 'no surprises' approach.

The CFO nurtures a strong relationship with relevant government departments and other funders, to maintain their confidence in the authority's ability to manage funding effectively and deliver on the objectives that have been agreed.

Where these are not part of the combined authority, the CFO works closely with the local transport authority, the office of the police and crime commissioner and other local stakeholders. This includes also other local authorities in the combined authority area that are not a formal part of the combined authority itself.

Looking beyond the authority itself, the CFO builds close and collaborative working relationships with their counterparts within delivery partner organisations, whether these are public sector bodies, commercial organisations, charities, community groups or other types of organisation.



The CFO recognises that alignment of strategic, operational and financial objectives across delivery partners is vital, especially where the delivery arrangements involve shared budgets or collective accountability for outcomes. The CFO also recognises that strong relationships based on trust make it easier for such organisations to communicate and work together openly and proactively.

The CFO liaises closely with the authority's professional advisors and acknowledges the value that such advisors bring as a source of insight into the wider environment in which the authority operates.

6.4 The CFO's personal network

The CFO develops and nurtures their own personal network among their peers. This network provides the CFO with the opportunity and means to share ideas and seek insight from like-minded individuals who understand the issues and challenges that the CFO might face.

The CFO also participates in and engages with the combined authority section 73 officers' group.

The CFO actively seeks out coaches and mentors, whether these are formal coaching or mentoring relationships or ad hoc contact with peers in other organisations who have specific experience or expertise, for example in the agreement of council tax precepts or the issuing of Section 114 notices.

In addition to sharing advice and experiences, this network of peers can also offer valuable moral support in respect of ethical challenges that the CFO might have to deal with, whether that is to help the CFO to reflect on their own ethical stance, to discuss the implications of different courses of action, or perhaps even just to listen.

The CFO's personal network helps to reinforce the CFO's personal and professional resilience. The CFO role can be a lonely one at times, so having a network of peers to whom they can turn for help, advice and guidance is invaluable. And knowing that there are colleagues who will provide assistance can help the CFO to get through even the most challenging times.

The CFO plays an active role in relevant professional bodies, including those with a financial and a sector-specific focus. Such relationships provide the CFO with the opportunity to learn new skills, enhance their knowledge and broaden their personal network. They also allow the CFO to contribute their own expertise and help others to grow.

7 Organisational environment and culture

7.1 The need for a supportive organisational culture

The ability of the CFO to fulfil their role can only be realised within a supportive organisational environment and culture. The CFO helps to create and embed this culture, but such a culture ultimately draws upon the active engagement and support of individuals and teams across the authority. It must be nurtured constantly if the authority is to thrive.

7.2 Involvement of finance in decision-making

Through their strong working relationships with the mayor, the authority's cabinet, the CEO and the monitoring officer, the CFO is involved in and able to influence all material organisational decisions.

This allows the CFO to provide the authority with appropriate advice and ensure that issues such as affordability, financial viability, risk appetite and strategic 'fit' are given appropriate consideration in the decision-making process.

To ensure that the CFO is able to advise the authority effectively, has an appropriate degree of involvement in the design and delivery of the authority's strategic objectives and ensures accountability for and stewardship of public funds, the CFO is a full member of the senior leadership team and is engaged in all discussions at the highest executive level.

The CFO also attends meetings of the authority's cabinet.

The CFO recognises that, in an enabling organisation, the finance team cannot operate in isolation. Consequently, the CFO and their senior leadership colleagues work to integrate the finance function into the wider authority and facilitate communication between the finance team and other individuals and teams across the authority.

The CFO also ensures that the authority recognises the value of an effective finance function and that the finance function has the capacity and resources required to fulfil its obligations.

7.3 Clear priorities and boundaries

The CFO works with their colleagues at mayoral, cabinet and senior leadership levels to set clear priorities for the authority, which guide strategic and operational planning and can be used to inform resource allocation decisions.

The CFO also works with colleagues to establish clear boundaries for the authority and embed a culture of strategic, operational and financial discipline in the authority's decisions and actions.

This is especially important given the relative youth and dynamic nature of the combined authority sector and of the authorities operating within it. There is little in the way of organisational precedent in many respects, a situation that presents the authority with both opportunities and challenges.

7.4 A proactive and accountable approach to making decisions

In order to operate effectively and meet the needs of funders, partners and local stakeholders in a rapidly changing external environment, the authority actively seeks to identify relevant political, economic, societal, technological and other changes and assess their impact on the authority's activities and its ability to fulfil its obligations.

The authority also displays a willingness to respond to changes in the environment in which it operates and its own changing priorities. The authority is open to change and, indeed, demonstrates a visible eagerness to seize opportunities and address challenges so as to create greater value for the communities that it serves.

The authority makes decisions transparently and on the basis of the available evidence. It demonstrates accountability for the decisions that it makes. But it also espouses a learning culture in which blame is discouraged and in which individuals, teams and the authority as a whole are encouraged to learn from those situations where things have not gone entirely as planned.

7.5 A culture of financial literacy

The CFO creates and sustains a culture of financial literacy across the authority. This allows the principles of sound financial management to be embedded into the way the authority works and into the decisions that it makes at a strategic and an operational level.

A culture of financial literacy helps to ensure that the financial implications of proposed courses of action are given timely and appropriate consideration. It also helps to promote and embed the use of appropriate decision-support tools and techniques, such as option appraisal, business cases, sensitivity analysis and risk assessments.



By creating a culture of financial literacy, the authority acknowledges that its operational activity and financial performance are inextricably linked. Every operational decision has a financial impact, and every financial decision has an operational one.

Financial literacy provides the authority with a solid foundation for its future success. But a culture of financial literacy does not just happen; it needs to be created. It is the CFO who has the skills and the opportunity to create, promote and nurture it.



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Annex A: Glossary

Accountability Being answerable for actions taken, able to explain why these actions have been taken and accepting of the consequences for the actions taken.

Affordability The extent to which current or future expenditure can be funded through current or future income.

Audit committee The governance group charged with independent assurance of the adequacy of the risk management framework, internal control environment and integrity of financial reporting.

Cabinet The executive body within a local authority.

Chief executive officer (CEO) The most senior executive role in an organisation.

Chief financial officer (CFO) The executive senior leadership role with overall responsibility for the organisation's financial affairs, activities and operations.

Civil society Individuals and organisations operating within a society to advance the interests of its citizens, which are neither government bodies nor commercial entities.

Combined authority A type of local government entity that allows local authorities to take collective decisions on issues that have an impact across authority boundaries.

Commercial organisation An organisation that supplies goods or services with the primary intention of generating a financial return.

Commercialisation The act of structuring the delivery of public services so as to create new revenue streams or to generate a financial return.

Constituent authority A local authority that pools its powers, responsibilities and decision making with other authorities within the structure of a combined authority.

Council tax A local tax on domestic property in England that funds the activities of local government organisations in a given geographical area.

Data governance The management of data to ensure that it is and remains accurate, available and secure.



Devolution The process of transferring powers from a 'higher' level of government to a 'lower' one.

Devolution deal An agreement by which certain powers are devolved from central government to local government for a defined geographical area, usually in connection with the establishment of a directly elected mayor and a combined authority.

Emotional intelligence The ability to perceive, interpret, understand, use and control emotions so as to communicate effectively with and relate to others.

Enabling organisation An organisation that creates and embeds a culture in which the organisation's constituent functions are focused on fostering growth, improving performance and driving positive change.

External audit An assurance function, undertaken by a qualified and independent third party, that provides an examination and verification of an organisation's financial statements and/or other financial reporting.

Finance function The staff within an organisation with a prime responsibility for financial matters. Some aspects of the finance function may be outsourced.

Financial literacy The ability to recognise, understand and apply the principles of effective financial management.

Financial management The system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of the organisation's goals.

Front-line service Activities undertaken within an organisation that attend directly to the needs of external customers and service users.

Governance The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, efficient, effective and ethical manner.

Integrity The quality of being honest in one's dealings with others or of adhering to a specific moral or ethical code.

Internal audit An assurance function that provides independent and objective assurance to the organisation in respect of its governance and risk management processes and its internal control environment.



Leader (of a local authority) A member of a local authority who is chosen by their fellow members to lead the authority. The leader also usually chairs the authority's cabinet, where such an arrangement exists.

Local authority A principal body of local government in England, operating across a defined geographical area, such as a city, town or county.

Local government The primary sub-national tier of government in England (and elsewhere).

Mayor A high-ranking position in local government, which may have an executive or a ceremonial role, depending on local circumstances.

Mayoral combined authority A combined authority led by a directly elected mayor.

Metro mayor The executive mayor associated with the agreement of a devolution deal for a metropolitan area in England, who may also be the leader of an associated combined authority.

Member (of a local authority) An elected representative to a local authority, usually representing a specific sub-territory within the area covered by the local authority.

Monitoring officer The officer responsible for the legal governance of a local authority; a statutory position established primarily under Section 5 of the Local Government and Housing Act 1989.

National non-domestic rates A tax on commercial property in England that is administered by a designated local authority for a given geographical area. Also known as 'business rates'.

Organisational culture The unwritten rules, behaviours, assumptions and attitudes that determine how things are done within an organisation and how the organisation responds to opportunities and challenges.

Overview and scrutiny committee A committee of members of a local authority that is responsible for scrutinising the actions of decision-makers within the authority and holding them to account.

Personal resilience The ability of an individual to deal with change, recover from setbacks and use these as opportunities to learn and to grow.

Police and crime commissioner An elected official within England and Wales with responsibility for overseeing the police force operating across a given geographical area. In England, some areas have a police, fire and crime commissioner, who also has oversight of



the relevant fire service. This role may be held by a metro mayor, subject to the contiguous geography of the mayoral and police/fire areas.

Precept A charge added to a local authority's council tax charge to fund a specific local public service, such as a police force or combined authority.

Prudential borrowing Debt entered into by local authorities in England, which is subject to the requirements of the Prudential Code.

Prudential Code The Prudential Code for Capital Finance, which sets out a framework for local authorities in the United Kingdom to enter into and to manage borrowing in a prudent and sustainable way.

Public sector The part of the economy comprising those organisations that are owned, operated, funded or controlled by the government.

Public service A service provided by a public sector organisation or otherwise performed for the benefit of the public.

Public service organisation One or more bodies managed as a coherent entity with the primary objective of providing services of public or social benefit, rather than generating a financial return to equity shareholders.

Public value The value that an organisation or activity contributes to society.

Resilience The ability to recover quickly from external shocks or setbacks.

Section 73 officer The officer of a combined authority with responsibility for the proper administration of the authority's financial affairs, as required by Section 73 of the Local Government Act 1985.

Section 151 officer The officer of a local authority with responsibility for the proper administration of the authority's financial affairs, as required by Section 151 of the Local Government Act 1972.

Stakeholder Someone who has an interest in an organisation or in the outcome of the organisation's activities.

Statutory instrument The main form in which secondary – or delegated – legislation is made by the executive branch of central government in Great Britain, in accordance with specific authority delegated under primary legislation.

Stewardship The careful and responsible management of something that has been placed into one's care.



Support function An activity undertaken within an organisation that attends to the needs of other functions within that organisation, rather than of external customers and service users.

Sustainability The configuration of an organisation's activities and resources so that it is able to operate effectively both now and in the future.

Transparency Being clear, open and honest in one's dealings with others and disclosing all relevant information so that others can make informed decisions.

Value for money The optimal combination of cost, quality and environmental impact in the achievement of intended outcomes.



Annex B: Further reading

For readers who wish to explore in more detail the topics covered in this publication, here is a range of resources that may prove informative:

- [Standard of Professional Practice on Ethics](#) (CIPFA, 2018)
- [Financial Management Code](#) (CIPFA, 2019)
- [Key competencies for public sector finance professionals](#) (CIPFA, 2020)
- [Scrutiny Protocol: Guidance](#) (Department for Levelling Up, Housing and Communities (DLUHC), 2023)
- [Handbook of the International Code of Ethics for Professional Accountants](#) (International Ethics Standards Board for Accountants, 2023)
- [A vision for the CFO and finance function: From accounting for the balance sheet to accounting for the business and value creation](#) (International Federation of Accountants (IFAC), 2019)
- [Evaluating the finance function: An assessment tool to guide finance function transformation](#) (IFAC, 2019)
- [Future-fit accountants: CFO and finance function roles for the next decade](#) (IFAC, 2019)
- [Good financial management for combined authorities](#) (Local Government Association (LGA), 2024)
- [Good governance for combined authorities](#) (LGA, 2024)

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