

# Welcome to:

We will start in a few minutes



# A Commercial Finance Mindset

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# Questions

- Does your organisation have a standard definition of what it is to be commercial or what commercialism means?
  - Yes/No
- How prepared do you believe the organisation as a whole is for a more commercial approach?
  - 1 – 5 where 5 is well prepared and 1 is not at all prepared
- How prepared do you believe the finance function is for a more commercial approach?
  - 1 – 5 where 5 is well prepared and 1 is not at all prepared

## A discussion about...

- defining commercialisation and the implications for public sector organisations
- governance and the implications for CFOs, directors and board members of commercial vehicles
- strategy making, especially how risk strategy will have to change
- the main issues relating to business cases and due diligence.

# Defining commercialisation

- Is there one definition?
- How useful is it to define?
- What is the definition for?

# Context and impetus

- “sweating all assets”
- “leveraging the balance sheet”, .....
- Crucial contribution to financial balance
- Place Shaping/ Social Entrepreneurs
- Uneven skills gradient
- ***The more commercial the more ‘savvy’ the due diligence needs to be***

## Being more commercial is about:

- “Risk savviness” - of Members, of officers
- Knowledge and skills - technical (and where to get this)
- Thinking and behaviours
- Governance arrangements and Operating Models – to ensure clarity of roles and responsibilities for delivery
- Right team effort and right team capacity

## Top tips

- The more commercial the venture, the more savvy the due diligence needed
- Fill the skills and knowledge in place
- Know your risk boundary
- Beware of 'Optimism Bias'
- Form follows functions!
- The 'Prudential Code'

# Tactics

- Early engagement in the business case
- Thoroughly test assumptions: use common sense and probe
- Work with colleagues
- Establish sound governance
- Don't forget return on investment!
- 'Quantify' risk of failure not just joy of success
- Seek external successful examples
- Calm professional regular communication to decision makers
- Creating investment 'headroom'



# 'Typical' Examples – Balance Sheet

- Invest to grow business rates
- Buying commercial property yield
- Housing Companies – 'win/win'
- Lending to third parties
- Internal Borrowing to fund capital

## Conclusions how can CIPFA help?

- Think about those top tips!
- Widen your net when thinking about risk
- Need to know what you want commercialism to deliver and need to relentlessly communicate it
- CIPFA support to CFOs and finance practitioners

## Next steps

Please contact us with any questions or how to take this forward:

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