

This is the sixth in the series of booklets prepared for the Public Services Committee providing practical guidance on aspects of performance management. It has been prepared by CIMA's Local Government Group. The Group comprises:

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PREFACE

This guide is in three parts:

- the first outlines the principles of business planning;
- the second contains practical guidance on aspects of those principles;
- the third, which is contained in a separate A5 booklet, is an example of a business plan.

The guide has been prepared:

- to help finance managers explain the process of business planning to staff members;
- to be used as part of training programmes for staff at all levels;
- to build bridges between finance staff and their colleagues.

Using it should help all staff approach the business planning process with greater confidence, understanding and commitment.

PART 1

THE PRINCIPLES OF BUSINESS PLANNING

A CONTINUOUS PROCESS

Managing an organisation requires someone to decide where it is going and how it is going to get there. It also requires key performance milestones to be established and the time by which they need to be met in order that the subsequent direction and speed of travel can be judged.

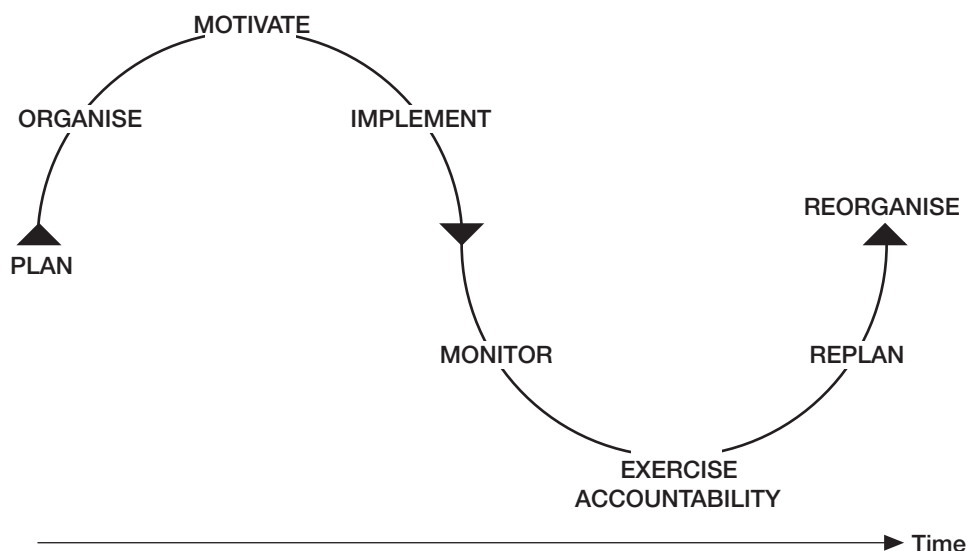
These tasks will be performed by different people within the organisation.

Senior management determines the strategic aim and future results needed by the organisation. Their deliberations may conclude with outline decisions on the contributions required from the different parts of the business to enable these to be reached.

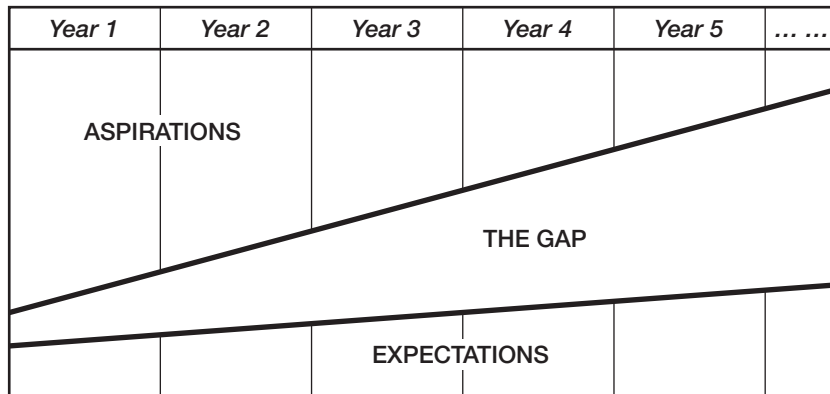
It will be for the managers of the individual business units, departments or divisions within the organisation to determine how they meet, within the general policy constraints of the organisation, the targets and deliver the tasks set before them.

The planning cycle will tend to be shorter as it cascades through an organisation. The detail will also be greater. In better run organisations, the setting and agreeing of objectives is very much a two way process but always covers a time frame long enough to allow major developments to be thoroughly engineered, implemented and operated.

The business planning process tends to follow a uniform, sequential pattern, as shown below.



THE PLANNING GAP



In the first stage of the process, the main board will identify what it wants to bring about over the planning period (often 3-5 years) and will frequently require estimates from business units and others who will be committed to their own individual plans over the same timeframe. This will enable an assessment to be made of the impact they are likely to have on their results.

In general this appraisal over the planning period will reveal a gap between what is needed and what is likely to be available.

The importance of this step in the process is that it can reveal the approximate size of the gap at a stage when the senior management of the organisation still has time to develop the ideas, schemes and projects to bridge it. Identification of the gap can act as a dynamic catalyst stimulating consideration of, in a commercial environment for example, the extent to which organic growth may need to be augmented by other steps such as partnership, mergers or acquisitions.

Although the content will change, the process will be followed both at the main board level and at operational level.

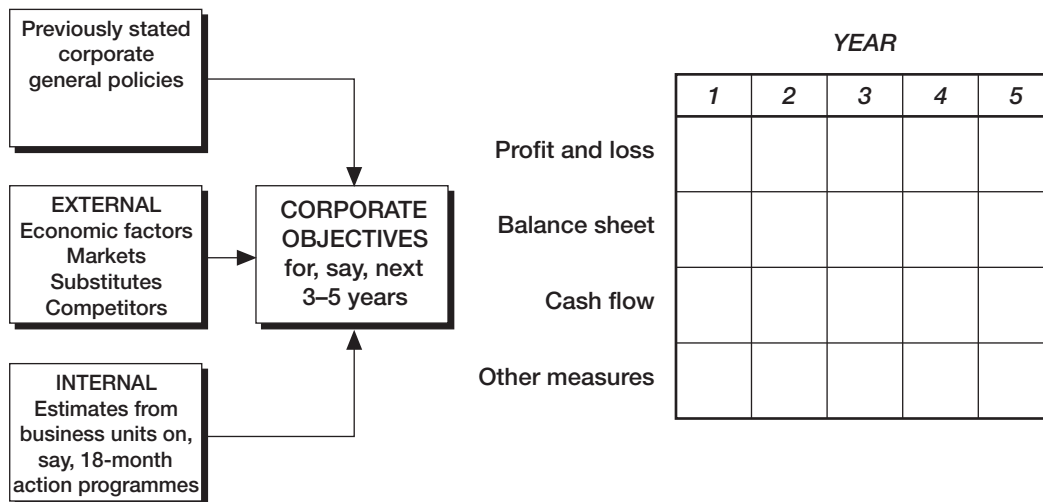
The process of planning is as valuable as the output from it. It provides opportunity for inter-departmental discussion and consultation which, if harnessed, can be used to continually improve the service provided to customers.

The process is continuous. Decisions are taken on what is to be achieved and by when, resources are organised and put in place, reward systems to motivate personnel are established and the actual work begins. Progress is monitored both in financial and other terms at realistic intervals and at appropriate levels of detail. Reports are produced and the responsible staff are held to account for their performance. The state of affairs at each review then starts off the next sequence of planning and so on.

SETTING THE PLAN

The next stage in the process is the setting of overall corporate plans, taking into account previously agreed policy constraints, a thorough review of the external factors likely to influence the organisation and an internal update on what the managers of the internal business units, departments and divisions expect to be delivering from their current plans.

A series of meetings and discussions will usually be held when the overall tasks measured in financial and non-financial terms are firmed up and the units agree their performance in similar terms and to similar timescales before the beginning of the first year of the planning period.



PATTERN OF PLANNING AND CONTROL

Business unit or departmental managers should continuously be looking for ways of improving their effectiveness and efficiency. They will bring forward, as soon as they are available, projects, their resource implications, clear start and finish times and undertakings of the impact of each on the unit or department. Commonly these projects will be assembled into an action programme which will be set against the calendar spanning perhaps 6 forward quarters. On the basis of these plans, Unit managers will, from time to time, prepare their estimates of what they are likely to deliver by way of performance. Because events change, these action programmes may often be subject to quarterly review and revision.

AT ANY TIME:	DURATION	REVISE
Corporate objectives	4-5 years	Annually
Business objectives	3-4 years	Annually
ACTION PROGRAMMES of projects to implement or to plan will exist within each business unit spanning various times	About 18 months	<i>Ad hoc</i> but quarterly
OPERATIONAL PLANS will exist for all current operations		<i>Ad hoc</i>
Based on the operational plans and action programmes, business units will have produced short-term estimates of likely outcomes in the form of rolling budgets	About 6 quarters	Quarterly
THE ANNUAL BUDGET will be the result of detailed discussions based on one particular set of rolling budgets	One full financial year	Annually

Managers are accountable both for preparing good plans and for delivering against them. All the objectives for the near term are heavily influenced by the current position but for periods of two years or so ahead, for example, they are much more demanding and require improvements to be made.

Forecasts can be produced during the year and will indicate whether or not expected outcomes are likely to be significantly different from budget. This enables the most effective use of the budget to be made as a guide to assessing the progress towards achieving business objectives.

In managing the business attention should be given to the business plan and the budget that has been derived from it. If done on a co-ordinated and integrated basis, the same source data can be used to meet day-to-day management needs, longer term planning requirements and statutory financial and other regulatory reporting requirements.

ACCOUNTABILITY AND OBJECTIVE SETTING

The accountability of business or departmental managers for making good plans is exercised when they put in their estimates for the future, part of which tends to be locked in as the annual budget and against which performance will be measured.

Thus planning seldom starts in a vacuum and proceeds at different cycles throughout an enterprise. These will be made to coincide at predetermined spots on the annual timetable. The diagram below shows the probable position at any moment in time and from which the next processes will start.

	Year 1	Year 2	Year 3	Year 4	Year 5
CORPORATE PLAN: OBJECTIVES Corporate Business unit					
BUSINESS UNIT ACTION PROGRAMMES					
OPERATIONAL PLANS					
ROLLING BUDGET Business unit Corporate			Accountability for planning		
FIRM BUDGET Business unit Corporate			Accountability for attaining		

PART 2

APPLYING THE PRINCIPLES

BEFORE STARTING TO PLAN

- The business planning process is often under-managed. Ensure that planning is seen as a priority. Senior management must give their support and commitment at the outset.
- Sufficient resources must be committed to the development of the plan.
- Staff must understand the need for a plan. Their commitment to the planning process must also be gained.
- A planning team should be appointed. There should be a team-leader to co-ordinate the plan and the responsibilities and limits of authority of individual team members established. Training in planning techniques should be provided if necessary.
- Team members should be freed from their routine responsibilities to enable them to commit the necessary time and effort to the development of the plan.

REVIEWING THE BUSINESS

Business plans need to be developed within the context of corporate objectives. These are frequently high level and focused on five or six key areas for the business. They take account of, for example:

- the mission or objective of the organisation, the corporate framework and, commonly in the public sector, ground rules;
- external factors;
- internal information from business units.
- Ask key questions about the organisation:
 - why does it exist?
 - what are the critical issue it faces?
 - what are its aspirations?
 - what important decisions does it face over the next 5 years?
 - what has been learnt from previous successes and failures?
- Appraise both the internal and external environment in which the organisation operates. Relate the possible effects of events on the organisation to the possibility of them happening.
- Analyse the culture of the organisation and how it will need to change.
- Establish the costs of the organisation.
- Appraise the total current and potential market for the organisation.
- Appraise the competition.
- Appraise the organisation capabilities.

To analyse the organisation in detail, conduct, for example, a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.

A business plan should cover, for example:

- **Future prospects and strategy**
- **Services to be provided**
- **Market analysis and competition**
- **Pricing and costing**
- **Staff**
 - management: structure, motivation
 - employees: motivation, recruitment, promotion/disciplinary procedures
 - training: in-house/external provision, future staff requirements
 - personnel policy: appraisal/review system, equal opportunities etc.
- **Resources**
 - capital/revenue: capital investment policy
- **Finance**
 - financial targets
 - management costs
 - profit and loss account
 - cashflow
 - balance sheet

Looking at these using the SWOT analysis focuses attention on:

- the **internal perspective**;
 - *strengths*: e.g. human skills, a good reputation, good equipment capacity etc.
 - *weaknesses*: e.g. poor information systems, lack of financial resource, etc. If weaknesses cannot be remedied then action may need to be taken to shield the business from their worst effects.
- the **external perspective**;
 - *opportunities*: for example, market expansion, demands for new products/services, opportunities for co-operative ventures.
 - *threats*: competitors, legislative change.

Making SWOT Analysis Work

- Conduct the SWOT through the eyes of your customers.
- Talk with customers to:
 - understand clearly their product/service needs;
 - understand the extent to which the product/services currently being provided meet their needs;
 - identify areas for improvement.
- Use the SWOT to generate strategic ideas.
- Match strengths to opportunities. If they don't match, resources are being wasted or opportunities are being seen but the organisation unable to realise them.

Remember: capabilities, opportunities and choices are simple but powerful concepts.

QUANTIFYING THE PLAN

The business plan consists of both the programme of action and that programme expressed in financial terms. The two are inseparable. If, when quantified, the action programme is not acceptable then it must be amended.

A Business Model

Using a business model enables:

- The business plan strategies and tactics to be tested. The model, which may be on computer, represents the organisation or business unit and its behaviour. It can be used to see what happens to profit/surpluses, loss/shortfall, assets, liabilities, etc, under various circumstances and enables a number of different scenarios to be reviewed.
- Determination of costs of each activity for financial viability.
- Forecast of potential revenue associated with differing cost levels.
- Sensitivity analyses (e.g. by producing sales/costs variance analyses) which will show the difference between planned and budgeted variables. Indices for competitive comparison and the planning of future strategies should then be devised.

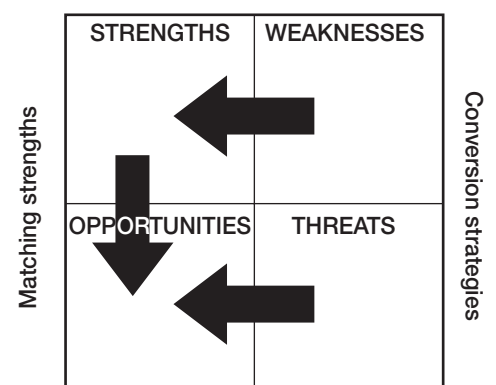
Business modelling will help staff understand how costs react and enable them to better understand the financial implications of their business decisions. It will also enable the organisation to better evaluate, for example, the impact of:

- the introduction of new products or services;
- raising or lowering charges; or
- a change in the organisation structure.

The Budget

The budget comes from the business plan and has several functions. It:

- provides the means of monitoring and controlling the business, particularly through analysis of variances between actual and budgeted outcome;
- provides information to support and enhance management decisions throughout the year. There should be no reason to change the budget but it is useful to carry out year-end forecasts at quarterly intervals;
- illustrates the costs and revenues associated with differing levels of activity.



SETTING OBJECTIVES

- Break the objectives of the organisation down further into performance measures and targets.
- Regularly appraise the performance of the organisation against the performance measures and targets which have been set. Measures and targets should :
 - help the monitoring of performance towards achievement of the objectives in the business plan. They should not simply be repeats of them;
 - be in a form that staff can understand and relate to; and
 - be communicated down through the organisation so that managers and teams know what they are expected to achieve and how their targets relate to the overall performance objectives of the organisation.
- Key performance measures should be both financial and non-financial (quality, customer satisfaction, volume, turnround time, error rates). The frequency with which they are needed should be determined and could be focused on, for example:
 - Which areas of the organisation set you apart from others or competitors?
 - Which areas go wrong most often?
 - Which areas, if they go wrong, cut off cash quickly; which cut off sales; and which cut off profit?

- Performance measures might assess performance:

- by customer;
- by item;
- by work type.

- To be effective and useful, information on performance against targets needs to be regularly disseminated to all staff.

Managers should also seek to encourage the flow of performance information up through the organisation. This can be overlooked and consequently the organisation deprived of a valuable source of information.

- Ensure adequate performance management systems are in place comprising, for example:
 - objective and performance standard setting;
 - performance comparisons (internal/ external);
 - target setting;
 - reward systems;
 - objective review;
 - identification of training and development needs and delivery of these. Organisations should be continuously helping develop employee skills and knowledge and thereby the development of the organisation. This requires a structured and well-managed approach focused on ensuring that staff; have the knowledge and skill to do the job; can develop their contribution to the organisation; can develop their full potential; can participate fully in the organisation and are motivated and morale is high.
 - a regular appraisal system.

Further guidance on objective setting is contained in the companion booklet, *From Corporate to Individual : The Objectives Cascade*.

IMPLEMENTING THE PLAN

Implementation of the business plan can often be the most difficult part of the process.

- Start thinking about implementation as early as possible in the planning process.
- Go through the plan at an early stage and identify any problems that might arise during its implementation.
- Evaluate the problems identified and the key players involved.
- Develop a strategy for dealing with them.
- When the business plan has been completed ensure that it is communicated to staff and gain their commitment to it. Communication can include formal presentations by senior management, team briefings, use of existing media such as employee newsletters or reports.

Remember, expectations must be matched with action. Demonstrate that the plan can be delivered.

REPLANNING AND REORGANISING

The business plan should be a living document:

- use it constantly;
- review it regularly;
- revise it when appropriate.

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EDUCATION FINANCIAL SERVICES BUSINESS PLAN

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1 AIMS AND OBJECTIVES

BACKGROUND

- 1.1 Education Financial Services (EFS), in common with certain other services within the Education Department, has been identified as one which can operate as a business unit providing services to schools and other customers.
- 1.2 The process of business planning is therefore an important mechanism in developing the required business skills and customer orientation. This is particularly important as financial services incorporated within departments will count against the authority's limits for compulsory competitive tendering of professional services.
- 1.3 The business plan:
 - identifies the principal aims and objectives of EFS
 - identifies the market for our services and potential obstacles to our success
 - reviews the method of service delivery
 - sets out the key financial and resource targets
 - suggests how the service can be developed to meet key business goals
 - incorporates an action plan to ensure the effective operation of the unit

PRINCIPAL OBJECTIVES

- 1.4 We aim:
 - to deliver an efficient and effective financial advice and consultancy service to schools, Corporate Services (CS), Pupil Services (PS) and other business units at a competitive price
 - to maintain our service base notwithstanding some factors outside our control (eg. grant maintained status)
- 1.5 Our aim will be to provide schools with a responsive service either by telephone or by personal visit to assist in the stewardship of their delegated funds. The nature of the work undertaken will be influenced by the needs of our clients.

2 FACING A CHANGING ENVIRONMENT

- 2.1 There are a number of factors which will have a significant impact on the income of Education Financial Services:

The move to grant-maintained status

If schools acquire grant maintained status, a share of their support costs is removed from the education budget with EFS taking a part share of the reduction. The opportunity to sell financial services to GM schools appears limited, and it will therefore be very difficult to win back this business.

Reduction in GEST funding

Some of the posts held within EFS have historically been funded from GEST and this funding is expected to be temporarily, albeit marginally, increased. The current funding from this source is about £25,000.

Local Government Review

The impact on EFS of Local Government Review is very unclear at this stage. It is, however, difficult to see how financial services to schools could be provided more economically than on the current county-wide basis and we would expect to operate effectively in any new business environment.

Age of Transfer

As our services are provided on a fixed sum per school basis any school closures effectively reduce the income of EFS unless provision can be made to increase charges to cover these losses.

3 SERVICES PROVIDED

3.1 The range of services provided by Education Financial Services is comprehensive and is made up of the following elements:

Mandatory services

A number of the services provided to schools are deemed to be of an essential nature where a benefit accrues to all users of the financial systems provided by the authority. Schools do not therefore have the freedom to opt out of these services.

These services include:

- systems reviews
- County Council system support
- initial systems training
- production of standard financial reports
- initial governor financial training
- financial monitoring
- certain administrative processes (eg. sickness scheme; losses from theft and vandalism)

Subscription services

These services are discretionary and are provided at varying levels dependent upon the level of support required. For primary schools there are two levels of 'basic' and 'full' subscription while secondaries have opted for three levels including an additional intermediate level of 'basic plus'.

The principal element of the service provided is financial advice in its fullest sense based very much on an 'as needed' basis. The main reasons for which financial advice is sought are:

- coding queries
- budgets and budgetary control
- proper accounting practice
- use of financial resources
- petty cash queries
- creditor payment queries
- use of financial systems
- closedown procedures
- public utility payments
- coding-payroll queries/correction
- VAT and the Construction Industry Tax Deduction Scheme
- investment scheme interpretation and monitoring
- operation of unofficial funds

In addition to financial advice, schools have the opportunity to attend financial workshops which provide information on new or relevant issues affecting the service. These would include:

- administrative officer groups
- relevant LMS phase workshops
- specialist ‘surgery type’ advice sessions

Schools taking full subscription receive a more comprehensive service which has greater provision for personal visits than the basic option. In addition full subscribers can specify the work which is required which could include:

- specialist training for new staff
- interpretation of financial reports
- assistance with development planning
- emergency support to school staff

The full subscription service broadly equates to:

- primary schools – three and a half days per annum
- secondary schools – seven days per annum

There is an element of flexibility in these arrangements which would allow an imbalance of provision between years by agreement.

The secondary school ‘basic plus’ option provides for support for schools with budget overspend difficulties This service is covered within full subscription for primary schools.

Services to C S, PS and other business units

Education Financial Services will continue to provide support at HQ and divisional offices to assist in the financial control of Corporate Services (CS), Pupil Services (PS) and other business units, namely Inspection and Support, IT and Governor Training Unit.

The work will include:

- specialist financial advice to senior officers
- assistance with budget preparation, forecasting and monitoring
- involvement in Age of Transfer financial issues
- work associated with Special Needs allocations
- financial assistance to EOTAS, School Phobics, Youth Service and certain other detached units
- provision of regular financial management information
- assistance in preparation and delivery of training (including Governor Training)

All such work will be subject to the terms of individual service level statements agreed with the relevant unit which specifies the level of provision.

Consultancy work

Education Financial Services will attempt to maximise its income by carrying out consultancy work – principally for internal customers.

The likely sources of income from this category of work will be:

- provision of a peripatetic bursar service to schools
- Training courses for Heads, Deputies and Admin staff via Training Agency
- Financial Workshop and whole body Governor Training
- *Ad hoc* work outside service level agreements/statements
- training assistance to County Treasurer's Training Support Services Section and other County Council departments.

It is not envisaged that much work will emanate from grant-maintained schools due to the wide variety of systems/financial procedures in place which would not be cost effective to support.

4 ORGANISATION AND STAFFING STRUCTURES

4.1 The staffing structure of Education Financial Services has been organised on a divisional basis to provide a local, responsive service to schools.

4.2 In summary, the staffing establishment consists of:

- 1 × Business Unit Manager (Head of Section) (HM grade 5)
- 10 × Divisional EFS Managers (HM grade 4)
- 48 × Financial Services Officers (flexible grade sc4-sc6)
- 9 × Finance/clerical assistants (flexible grade sc1-sc3)

The total establishment therefore consists of 63.14 FTE posts.

4.3 With the current level of GM and GEST funding, and a negligible decrease in subscription income forecast, no change to current staffing levels is proposed.

4.4 The duties carried out by the relevant levels of staff are shown in Appendix A.

4.5 Education Financial Services actively encourages staff to study for appropriate qualifications and to this end several staff have obtained or are currently studying for accounting technician (AAT) qualifications, while a further three are studying for full accountancy qualifications (CIMA).

4.6 There is a need to improve specific in-house training in order that staff can carry out their roles more effectively. A clearer understanding of such needs should emanate from the performance review process.

4.7 With these changes effected, it is considered that Education Financial Services will be well placed to meet the immediate challenges ahead although it will be necessary to keep staffing levels and costs under regular review.

5 REVENUE BUDGET (TRADING ACCOUNT) FOR 199X/9Y

- 5.1 The EFS revenue budget for 199X/9Y reflects the fact that only direct salary and related travel costs have been taken into account in assessing the charges made to schools for our services. Administrative support costs at Education HQ/divisional offices have recently been identified but these have not yet been delegated to schools. Accommodation costs and support costs of other depts are due to be disaggregated in due course.
- 5.2 The summary figures for 199X/9Y are shown below.

Revenue Budget (Trading Account): 199X/9Y

<i>Income</i>	£	£
Service-level agreements (subscription)		
Primary schools	601,400	
Secondary schools	126,600	
		728,000
Consultancy		
Schools/CASS	21,400	
Training courses (via TA)	2,400	
Training for county treasurers	2,200	
		26,000
Centrally funded		
Essential services/CASS/CAPS and other business units	659,600	
Non-delegated administrative support costs	101,700	
		761,300
GEST Funding		24,900
Total income		1,540,200
 <i>Expenditure</i>		
Direct costs		
Salaries (inc NI, superannuation)	1,318,100	
Staff travelling	2,400	
Car allowances/leasing costs	94,000	
Subsistence	5,000	
		1,419,500
Non-delegated costs (as above)		101,400
Total expenditure		1,520,900
 Net surplus/contribution		 19,300

- 5.3 The subscription figures in the accounts make no allowance for schools other than St Anne's Fulchester, obtaining GM status in 199X/9Y with the consequent effect on income.
- 5.4 Pay and prices in the above account are at 199X/9Y out-turn prices.
- 5.5 The staffing costs shown above reflect the proposed changes to be implemented during the year.
- 5.6 A projection of the trading position over the next three years is shown at Appendix B.

6 SOURCES OF INCOME

6.1 As shown above, Education Financial Services' income is generated by two main sources – subscription and centrally funded – supplemented by a small amount of consultancy income and GEST funding.

6.2 The projected subscription income for 1994/95 is based on actual SLA returns from schools which gives the following encouraging results:

Primary Schools	Full Subscription	97.1%
	Basic Subscription	2.9%
Secondary Schools	Full Subscription	55.3%
	Basic	31.5%
	Basic	13.2%

The net effect of this take up in monetary terms is that 94.0% of sums delegated to schools has been bought back. This reflects extremely well on EFS staff currently providing such services.

6.3 It is planned for Special schools to be subject to the same Management Partnership delegation process from April 199 . This will result in movement of income from centrally funded Mandatory Services to Subscription Services in 199X/9X. The sum involved is likely to be in the region of £x, depending on the level of take up.

6.4 The sum held centrally reflects services provided to schools of a mandatory nature mainly associated with financial systems of the authority. In addition, assistance is given to Corporate Services (CS), Pupil Services (PS) and other Business Units for financial services specified in bilateral service statements.

6.5 EFS plans to maximise income from consultancy while recognising that income from this source is limited. Schools have expressed interest in the operation of a peripatetic bursar service to cover periods of absence or illness and this is likely to be the principal source of consultancy income as realistically our services, unlike other business units, are not tailored to the requirements of grant maintained schools.

6.6 As a new venture EFS has arranged to run various courses advertised in the Training Agency Directory. The likely take up for these courses aimed at Headteachers, Deputies and administrators is untested but could fill a gap in the market.

6.7 The County Treasurer's Training Support Services Section has indicated that EFS could be used to supplement delivery of their financial training programme. A nominal sum has been included for 199X/9Y income projections.

7 SENSITIVITY ANALYSIS

- 7.1 In producing the financial summary of the business plan, the following factors should be noted which could impact on income/cost projections.

Special schools

Delegation is extended to special schools in April 1996 and the level of buy-back of services is expected to be high – £38,000 (approx. 90%).

Grant-maintained status

Allowance has been made for reductions in income of £9,500 and £14,300 in 199Y/9Z and 199Z/9A respectively to reflect schools opting out of County Council control. These reductions may be overstated, as recent evidence suggests a significant slowing down of this process, although this may change when Local Government Review proposals are confirmed.

Delegation of administrative support costs

To date, only £101,700 of support costs have been identified but not delegated. The financial summary assumes that this sum will be delegated in proportion to buy-back of services. Hence a reduction of £6,200 has been made in 199Y/9Z and 199Z/9A to reflect this. Further support (e.g. accommodation) costs liable to delegation will be identified in due course.

Centrally funded expenditure

A breakdown of centrally-funded costs has been provisionally apportioned on estimated initial time allocation. This may need to be reviewed in the light of experience of the first year of operation.

8 MARKETING

8.1 The key to maintaining our existing customer base and winning new business is affected by how well services are marketed.

8.2 This involves:

- being aware of any competitors in the market
- ensuring existing customers are fully aware of the extent of the services provided
- being able to demonstrate that the services provided by EFS are of quality

The four main elements of a marketing plan are:

- product
- price
- promotion
- market research

Product

8.4 The services provided by EFS are described in section 3. The bulk of income can be said to be in the 'safe income' category as the provision of financial advice by way of 'essential' or 'subscription' service is in an area where no obvious competitor exists although this should not result in complacency as circumstances can change. The maintenance of this position depends upon the customers continuing to be satisfied with the quality of service provided financial advice to CS, CP and other business units meets the same criteria.

8.5 With regard to consultancy services, this is an area of work which has not been fully explored and therefore the scope for growth is something of an unknown quantity. Internal customers who have not taken up full subscription are an obvious target for such work. The provision of training courses in the directory is also a new venture for 199X/9Y which should also generate additional income.

Price

8.6 Prices currently charged by Education Financial Services are considered competitive given the fact that only certain direct salary and other costs are charged. When full costs including accommodation and other administrative costs are delegated – probably in 199Y/9Z – the customer is likely to look at comparative costs more stringently. The notification of these additional costs will need to be treated sensitively.

Promotion

8.7 When promoting our services, the identity of EFS within the auspices of the County Education Department and the County Council as a whole must be maintained as demonstrated in the Services to Schools brochure.

8.8 A major strength of Education Financial Services is its detailed knowledge of core County Council Systems like FMS and of services closely integrated with those of Education IT (EdIT) and the County Treasurer in particular.

- 8.9 At establishment level the unit's image can be enhanced by:
- regular meetings with relevant headteacher working groups
 - running workshops on key topic areas for headteachers etc
 - production of information leaflets on services provided
 - encouraging customer responses to appraisal questionnaires

Market research

- 8.10 As mentioned previously EFS must ensure that it keeps in touch with the needs of all its customers by being aware of their perception of the service and reacting to requests for service improvement.
- 8.11 In the final analysis it will be the delivery of quality services at a competitive price which will determine the amount of business which is retained/won.

9 PERFORMANCE MEASUREMENT

- 9.1 It is vital that Education Financial Services, in common with other business units, delivers its services:
- to timescale
 - as specified in the service-level agreements/statements
 - to the customer's satisfaction
 - within budget

This and other business planning targets will only be achieved if there are sound procedures in place for:

- controlling the work being undertaken in respect of time/cost and quality
- monitoring actual performance against plan/specification

Time control

- 9.3 EFS makes use of the time-recording system developed within the County Education Department.
- 9.4 This mainframe system allows time to be controlled at a variety of levels determined by the user.
- 9.5 An annual resources plan has been prepared which will be split down to quarters for control purposes. This record shows total time for all staff split between chargeable (direct) and non-chargeable (indirect) time (Appendix E shows 1994/95 figures).
- 9.6 From the direct time a breakdown is shown of how time has been allocated to the various categories of work undertaken which are effectively grouped as contracts namely:
- mandatory services
 - subscription services
 - services to CASS and CAPS
 - services to other business units (i.e. I&S, IT, Governor Training)
 - consultancy/training income
- 9.7 Within these contracts, time can be allocated to individual units (e.g. schools) which allows for monitoring against SLAs.
- 9.8 All staff can input their actual time allocation via the mainframe on a daily basis. Reports can be produced on an ad hoc basis.
- 9.9 The system is currently being used on a test basis and further rationalisation of the use of detail codes (which specify the type of work being undertaken) may be necessary.

Cost control

- 9.10 As mentioned previously only direct salary and related costs are currently reflected in subscription charges to schools although certain non-staff costs have now been disaggregated and with certain other costs like accommodation, are likely to be fully delegated in 199X/9X when 90% of all potential schools budgets (PSB) are required to be delegated to schools.

9.11 However, for the future well being of the unit it is important that services are delivered at the lowest unit costs compatible with a satisfactory level of service.

9.12 This has highlighted variations in the cost of delivering services within divisions and salary costs and staff mix will need to be kept under regular review to ensure costs remain competitive.

Quality control

9.13 The nature of the work of EFS being largely financial advice, it is often difficult to quantify the level of satisfaction of the customer with the service received.

9.14 The factors likely to be taken into account by the customer are the length of time taken to respond (if reactive) and their perception as to whether their problems were resolved.

9.15 It is proposed to produce a questionnaire with the assistance of the Quality Unit to ascertain customers' response to our service. To avoid customers being inundated with such surveys, a global questionnaire may be produced covering a range of Education business units.

9.16 A points value could be assessed and target scores set for each division.

9.17 The Headteacher Review groups will assess the performance of EFS with the Service Quality Unit independently monitoring the position. Each business unit will formally report to Management Partnership Headteacher Review Groups on an annual basis.

Performance indicators

9.18 In order to monitor performance against our strategic objectives the following key indicators have been produced:

- maintaining our existing subscription client base (i.e. not to lose our existing customers other than to circumstances outside our control such as GM) – target 100%
- achieving the monetary target for consultancy/training and other income contained in the 'shadow' trading account – target 100%
- direct or chargeable staff time against planned direct days – target 95%
- direct staff time as % of net available days – target 70%
- trading account to achieve target surplus or at least break even (reviewed annually)
- delivery of man-days against respective contract totals for mandatory services, subscription services etc – target 90%
- positive customer responses to appraisal questionnaires – target 85% (reviewed annually)

Performance against these indicators will be monitored on a quarterly basis unless specified otherwise above.

Reporting

9.19 It is proposed that quarterly reports are prepared which give the necessary management information to assess the performance of the unit and to allow corrective action where necessary.

10 ACTION PLANS

- 10.1 The following action plans must be implemented to ensure the continued effective operation of the unit:
- obtain approval to business plan (and eventually full business unit status under financial regulation 20) (by 31/8/9X)
 - review workloads in individual divisions and make any necessary adjustments (e.g. use of peripatetic staff) (EFS Management Team by 31/8/9X)
 - visit all customers who express reservations about the service (Divisional Managers – reactive)
 - negotiate service level agreement for 1995/96 with representatives of special schools (AB by 30/9/9X)
 - prepare material for training agency courses (Divisional Managers – ongoing from 1/5/9X)
 - agree consultancy training course work with CT Professional Services (CD by 31/8/9X)
 - draw up staff training needs assessment following completion of Performance Review (EFS Management Team by 31/8/9X)
 - liaise regularly with Headteacher Review Group representatives to discuss service delivery (EF by 30/9/9X)
 - produce monthly monitoring reports showing performance against plan (Divisional Managers – monthly from 15/5/9X for April 199Y)
 - produce quarterly monitoring reports for Director of Resources/County Education Officer on financial and resource performance against plan (initially from 22/7/9X)
 - review interdependent arrangements with IT regarding boundaries of responsibility for delivery of services and EFS input into IT training courses (GH by 31/7/9X)
 - prepare revised budget for 199X/9Y and draft 199Y/9Z budget (IJ from 15/9/9X)
 - maximise consultancy/training course income to mitigate any change of funding as a result of GM and GEST (EFSMT – ongoing)
 - prepare marketing material to enhance the image/projection of the unit (EFSMT by 31/8/9X)

11 CONCLUSIONS AND CRITICAL SUCCESS FACTORS

- 11.1 Education Financial Services appears to be fortunate in that the bulk of its income should not be liable to dramatic variation. Subscription income is the subject of three year service level agreements which should be maintained if the service is of the required standard, and Central Government funding remains at current levels.
- 11.2 Similarly the centrally funded element in respect of Essential Services and support to CS, PS and other business units should remain fairly constant.
- 11.3 It would, therefore, require a significant increase in the movement towards grant maintained status – perhaps by some mandatory directive – to materially affect the income projections.
- 11.4 Work is currently underway to disaggregate accommodation and other administrative overhead costs of Headquarters and Divisional Offices which will significantly increase the delegated sums to schools. It will be necessary to handle sensitively the notification of the increased costs associated with allocation of overheads as schools will then be able to make more meaningful comparisons with costs of external service providers.
- 11.5 The key factors to success will be to ensure that:
- EFS builds on its unique specialist knowledge of schools and their financial systems which no competitor has
 - all staff are fully aware of the new business environment in which EFS now operates
 - staff productivity is high and chargeable days are maximised
 - quality staff are retained in order to deliver an effective service to customers
 - appropriate management reporting arrangements are implemented to measure performance against plan
 - consultancy income is maximised to supplement GM/GEST funding
- 11.6 Education Financial Services is confident that it can deliver an efficient and effective service at a competitive price to the satisfaction of all its customers.

APPENDIX A

STAFF ROLES AND RESPONSIBILITIES

Following the proposed restructuring, Education Financial Services will consist of 68 staff (63 FTE). The Head of Section is based at Education Headquarters at Borchester while the remaining staff are based in four Divisional offices at Arnbridge (SW), Fulchester (SE), Effingham (NE) and Borchester (Central).

The roles and responsibilities of the various posts in the structure are:

- *Business Unit Manager* (Head of Section). Responsible overall for the strategic management of the Section including business planning. Chairs the EFS Management Team
- *Divisional EFS Managers*. Responsible for managing the resources, workload and service delivery within their own divisions. Also carry out higher level duties such as Governor Training and budget monitoring. Members of the EFS Management Team
- *Financial Services Officers*. Principally responsible for the delivery of the financial advice and support service to schools on a patch basis and to CS, PS and other business units. A mixture of qualified and experienced staff is employed.
- *Finance and Clerical Assistants*. Provide office bound support to Divisional Manager and Financial Services Officers and also carry out routine processing functions in respect of Essential Services, CS, PS and other business units.

APPENDIX B FINANCIAL SUMMARY

	<i>199X/9Y</i>	<i>199Y/9Z</i>	<i>199Z/9A</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Income			
Subscription services	728.0	756.0	741.7
Consultancy/training	<u>26.0</u>	<u>27.0</u>	<u>36.0</u>
	754.0	783.0	777.7
Centrally funded			
Essential services to schools	405.4	421.0	421.0
CS/PS support	208.1	216.1	216.1
Other business units	<u>46.1</u>	<u>47.9</u>	<u>47.9</u>
	659.6	685.0	685.0
Non-delegated administrative support costs	101.7	95.5	95.5
GEST Funding	<u>24.9</u>	<u>26.0</u>	<u>26.2</u>
Total income	<u>1540.2</u>	<u>1589.5</u>	<u>1584.4</u>
Expenditure – direct costs			
Salaries (inc oncosts)	1318.1	1294.4	1294.4
Travelling, subsistence etc	<u>101.4</u>	<u>99.7</u>	<u>99.7</u>
	1419.5	1394.1	1394.41
Non-delegated administrative support costs	<u>101.4</u>	<u>101.4</u>	<u>101.4</u>
Total expenditure	<u>1520.9</u>	<u>1495.5</u>	<u>1495.5</u>
Contribution	19.3	94.0	88.9
Overheads (not yet allocated) e.g. accommodation	<u>–</u>	<u>–</u>	<u>–</u>
Operating surplus	19.3	76.4	88.9
Restructuring costs	<u>15.4</u>	<u>7.1</u>	<u>–</u>
Net surplus	<u>3.9</u>	<u>69.3</u>	<u>88.9</u>
Cumulative surplus	<u>3.9</u>	<u>73.2</u>	<u>162.1</u>

Notes 1. The above subscription figures make no allowance for loss of income associated with schools obtaining GM status during the 199X/9X year (other than St Anne's, Fulchester).

2. Pay and prices are shown at 199X/9Y out-turn prices.