

CHARTERED MANAGEMENT INSTITUTE

DIPLOMA IN MANAGEMENT

Unit C42

Managing Financial and Non-Financial
Resources



Name: Kevin Leaning
Company: Swindon Youth Offending Team
Membership No: 4091218
Date: 8th March 2007
Tutor: Gary Dennis

Contents

Introduction to Swindon Youth Offending Team	3
Terms of Reference	4
Part A – The Nature of Resources	5
Introduction.....	5
Planning.....	5-7
Implementing Plans	7/8
Identifying Resource Requirements.....	8
Part B – Sourcing Suppliers	9
Introduction	9
Why Buy in Goods and Services?.....	9
Identifying Suppliers.....	9
Internal Suppliers.....	10
Negotiating with Suppliers	11
Solving Supplier Problems	11/12
Tendering and Contracts	12
Part C – Financial Planning:.....	13
Introduction.....	13
Benefits of Budgeting.....	13/14
Possible Weaknesses in Budgeting	14
Types of Budget	14
The Budgeting Process.....	14/15
Styles of Budgets	15
Keeping Financial Control	16
Part D – Financial Forecasting.....	16
Forecasting Techniques.....	16-18
Non-financial Considerations.....	18
Bibliography	19

Youth Offending Team

In 1996 an Audit Commission Report 'Misspent Youth' identified shortcomings in the Youth Justice System and made recommendations for radical change. In 1998 major new legislation contained in the Crime and Disorder Act required that Local Authorities form new multi-agency Youth Offending Teams.

Swindon Youth Offending Team (Yot) began in June 1999, starting with five main contributory partners, Social Services, Police, Probation, Health and Education. I was one of the 'founders' of our team when I was seconded from the Police to the team at its inception. The aim of the team is to 'prevent offending and re-offending by children and young people'.

Over time the team has grown to 40 staff and 60 volunteers. My role now is 'Head of Service', my main responsibilities are: -

- Line manage 4 operational managers
- Foresee and respond to strategic developments
- Prepare strategic plans and develop new services
- Negotiate budget and resources and deliver services on budget
- Analyse and evaluate performance and data management
- Collaborate with partners at a senior level for joint working
- Promote the service through effective public relations
- Motivate staff to fulfil their potential and improve services

Terms of Reference

This management report will demonstrate my knowledge, skills and abilities and my understanding of my role in managing financial and non-financial resources.

On completion of this report I will have demonstrated my understanding of: -

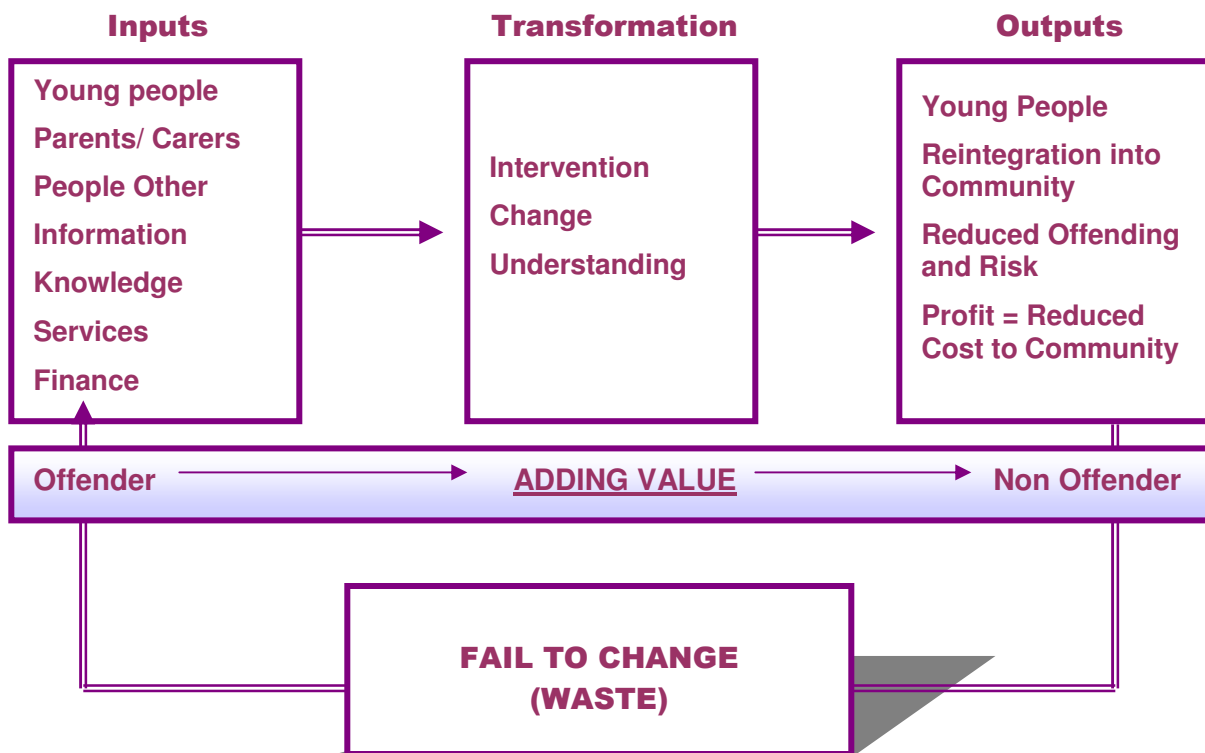
- The effectiveness of the Yot in identifying the resources it needs.
- Different ways of improving the supply of goods and services to the Yot.
- Putting together a budget for areas of work in the Yot and presenting it to senior management.
- Putting together a case for capital investment using a number of financial forecasting methods.

Part A – The Nature of Resources

Introduction

There are a number of definitions to describe an organization. I relate my organization to Wikipedia, Internet encyclopaedia's definition; 'A planned, coordinated and purposeful action of human beings to construct or compile a common tangible or intangible product or service'.

Our planned and purposeful actions could not happen without the resources we need. These include people, technology, buildings, transport and services. Although the Yot does not 'manufacture' or make anything, its business is very much a 'transformation process' where we work with young people and their parents to change offending and anti-social behaviour into non-offending and social behaviour.



Organisational Planning

As manager, I constantly need to consider planning at three levels, these are:

- Strategic – Focus on whole organisation
- Business – Focus on my department / directorate
- Operational – Focus on service delivery

Strategic Planning

From reading and the study guide there is a process for strategic planning:

- **Define the mission and objectives**

The Yot has very clear objectives, these are to prevent young people from offending and re-offending. Wider than this, there is a mission statement which in short, offers to give all young people the opportunity they need to change and become valued citizens. This sits under the mission statement for the Directorate the Yot sits in and under the mission statement for the Council and is well publicized.

- **Environmental scanning**

The Yot is well aware of its strengths and weaknesses internal and external, as we recently experienced an HMI Inspection. My work is constantly influenced by the micro and macro environments, reacting to new government initiatives and legislation and the need to achieve key performance indicators and National Standards.

- **Strategy formulation**

In my role I need to be aware of joining strategy at all strategic levels, government, regional, Local Authority, Directorate, my service and partner agencies. If I do this well, I am able to seize opportunities for improving service delivery as well as avoiding external threats and business risks.

- **Strategy Implementation**

As manager, I work with my management team, staff and partner organisations to put together programmes and procedures that make the best use of budgets and resources available to us to achieve the Yot aims.

- **Evaluation and Control**

The Yot is governed by a partnership Board that meets quarterly. They monitor the effectiveness of all projects, key performance indicators, national standards, budget and future plans. The Yot produces data and information that allows the Board to evaluate performance and make changes as necessary. The Board is of a high enough level to link Yot plans with partners, directorates and Council objectives.

- **Business Planning**

Each year I produce a Yot Business Plan. It informs on performance for the past year, shows plans for services and budgets for the next year and goes on to show how this will be delivered operationally. This plan must be approved by the Board, Council and Youth Justice Board.

- **Operational and Functional Planning**

Underpinning the business plan, there are numerous operational plans that are owned by my managers and the staff they work with. These plans show how they are actually going to achieve a specific goal. I have found that there are so many demands and projects on the go at the same time that there are many short and long term operational or functional plans. There does not seem to be enough time to write the plans with care, making sure that they are SMART and also to review and evaluate their progress. To try and manage this problem I have produced a spreadsheet of all the ongoing plans and RAG'd them (Traffic light system, red, amber and green). This way I can take exceptional reporting without having to digest unnecessary information. I use this system for some Board meetings.

Reviewing these plans can lead to:

- **Cost savings** – If it is not working - stop doing it.
- **Add value** - Finding a better way of doing something – lets all do it!
- **Review procedures** – Procedures gradually get 'too fat' and can be simplified and shortened.
- **Seek superior innovation** – Try out new ways of service delivery – This can lead to savings.
- **Attain superior responsiveness** – The Yot is acknowledged for being quick to deal with challenges, this can have advantages for service users, but can lead to conflict with partners who work in their own way and may feel threatened by our methods.

Implementing Plans

Having lots of plans is all very well, but I understand the importance of seeing them through. The self-study guide suggests doing 4 things to make them happen.

IMPLEMENTING PLANS	EVALUATION OF YOT PLANS
Set SMART objectives	The majority of plans are written following the SMART numonic, specific, measurable, achievable, realistic and time bound. However, the Business Plan excepted, some plans had elements of SMART missing. This is down to writing them without being sure of the desired outcome, or lack of experience in writing plans and being tough on yourself to think SMART.

Detailing the Plan	Plans written together with partners and some providers tend to be SMART and detailed. This means that managing the activities and allocating resources at weekly management meetings is usually a straightforward process.
Implementing the Plan	This can go surprisingly well. I have found that it very much depends on the style of the person with responsibility for the plan. Some people need pushing or reminding and will procrastinate. This is manageable in our team to a certain extent, but very difficult if I am reliant on a partner organisation who I have little influence over and cannot afford to 'upset' by seeming pushy.
Review and Evaluate	This has been a major problem and will continue to be a challenge. Due to daily operational pressures it is easy to be distracted and difficult to find the time to review the progress of plans – especially when you might have 10 on the go at the same time. I have instigated a RAG'd spreadsheet which can help to focus on just what needs reviewing or evaluation. At the beginning of each year a review timetable is set, but this always slips due to pressures from outside – such as the need to attend Court at short notice and missing a review meeting.

I have concluded from completing the above exercise that generally we are implementing our plans well, but could do with some training on writing SMART plans and finding the time to properly review and evaluate how we are progressing plans.

Identifying resource requirements (and involving my team)

On a day-to-day basis, our work and the back up systems in place tend to self manage the resources needed at any time. The team communicate well if there is a problem and solutions are found.

When new demands are put on the team to deliver, we tend to discuss as a management team and take proposals to the staff that will ultimately have to deliver the new service. These might be adapting to new legislation or new objectives shared with partner agencies. There are advantages to consulting the team, these are tapping into past experience, specialist knowledge from professionals from other services and access to data and information which assists with forecasting service demand. If this sharing and consultation is done well, it leads to enthusiasm for the new project or service and staff ownership of roles and responsibilities. Disadvantages are that people can feel threatened that they will have to add new tasks to an already full day, or left out because they were away at the time of consultation.

Part B – Sourcing Suppliers

Introduction

Many definitions of ‘a supplier’ are focussed on the manufacturing industry such as ‘supply a product not manufactured by the company’ (www.ecodirectory.org). This is true of those that supply commodities to us. We, however, supply a service which is to educate and change people’s understanding and behaviour, this is something we cannot do on our own.

Why buy in goods or services?

In order for the Yot to deliver its service it needs to buy in goods and services from a range of sources:

- Utilities such as gas, electric and water
- Building services – Maintenance and cleaning
- IT services – Software, hardware and support
- Specialist staff and temporary staff
- HR services – Recruitment and advice
- Office supplies – Paper, pens, copiers, printing
- Training – For specialist tasks and safeguarding

Identifying Suppliers

Since the inception of the Yot, its choice of suppliers for certain services has become reduced. This may have advantages for the Council where they can manage costs and contracts for services centrally, but it can cause problems for us further down the line. We now have no choice over utilities providers - so cannot negotiate a lower price for gas, electric and water. Likewise all office supplies are now from one supplier who is not always the best value or up to date with the products we need.

Many of the intervention services we deliver are ‘supplied’ by people from partner agencies. They tend to be experts in their field and very effective. However, there is always the risk that a partner agency could withdraw staff at any time leaving a gap in service and a potential business risk where KPIs will not be met. This means we need to treat our ‘suppliers’ with care at all times.

Where this centralization has worked well is with IT Services. We could not afford the cover we enjoy on our own and being part of the Council has allowed us to be well served by a big IT contractor.

Internal Suppliers

It is important to be in regular contact with my internal suppliers at the Yot. As we all work for the Council it tends to be easy to talk on the phone, email and meet as there is no real distance to consider as a barrier. The obvious suppliers internally, are the IT Support, Human Resources and Finance departments. We regularly experience small problems due to the exceptional nature of our team which can cause confusion. An example of this is where we were penalised by finance for not paying some bills. They could not be flexible in their methods. Our reasons for late payment were because the payment was by a partner agency whose policy was to pay by a different deadline – which was beyond the Council internal deadline. This cost us thousands of pounds in fines which had to be made up by a grant from – the Council!

The study guide asks me to look at my relationship with internal suppliers and grade it.

1) I discuss my supply needs with internal suppliers on a regular basis

Yes absolutely	Mostly	OK	A little	Not at all
		X		

2) I pay regular visits to my internal suppliers and they regularly visit me.

Yes absolutely	Mostly	OK	A little	Not at all
		X		

3) I know the manager of my internal suppliers

Yes absolutely	Mostly	OK	A little	Not at all
X				

4) I know who to speak to if there is a supply problem

Yes absolutely	Mostly	OK	A little	Not at all
X				

5) I discuss ideas with my supplier on how they might improve their services

Yes absolutely	Mostly	OK	A little	Not at all
			X	

From this exercise I can see that I know who my suppliers are and can speak to them if I have any problems. Consultation on improvements to internal supply services does take place, but this tends to be led by them as part of a survey. I need to be more proactive in this area.

Negotiating with Suppliers

The study guide suggests considerations when negotiating with suppliers. I have used this to reflect on recent negotiations with cleaning contractors.

Was I ethical	I communicated over several months with my current contractor, requesting meetings to review the quality of the service they provided and the recent increase in cost. They failed to attend agreed meetings and did not answer the questions I raised about costs. I made it clear that I would commence investigations into finding a new contractor. I believe this to be open and honest.
Have I the authority to negotiate and commit to a contract	Prior to negotiating the contract I obtained written confirmation that I was authorised to commit to a new contract. To ensure I was not going to over commit and bearing in mind my limited experience, I agreed to pass it by our legal department first.
Don't be fooled	It is easy to hear promises of improved services and be given 'incentives' to make a quick decision, or be taken in by glossy brochures, or even sob stories by the sales person. I had to keep coming back to the service level that I wanted and not be distracted.
Face to face	It was important to meet the potential contractor on site and see his reaction to the brief. I was not convinced of his commitment or ability to improve on the current service.
Think long-term	This contractor was considerably cheaper and was able to give me a fixed price for 5 years. However, this would tie me into a long contract. On reflection I understand that this was fair.

On reflection, the process I went through was ethical and fair. However, I was limited to only the one quote, as other cleaning contractors that had expressed an interest failed to turn up at agreed appointments. This is not ideal, but potentially better than what I had before.

Solving Supplier Problems

Due to the complexities of multi-agency working in the Local Authority it is not always possible to know where I stand contractually with an internal supplier. Subsequently I often find out only when a problem occurs. Ideally, I would be fully aware and would have researched the agreement. An example of a recent problem follows;

Due to a member of staff leaving at short notice a replacement was sourced from a temp agency. I had no choice over the agency as this is determined by the Council

who have a contract with a sole agency. I also had little choice over who they sent and what skills they had to complete the role in the team. This temp fitted well in the team and was learning fast. However, she had informed the agency that she had successfully secured full time employment elsewhere and gave 2 weeks notice. The agency 'forgot' to tell us until 4:00pm on her last Friday with us. This left great difficulty in finding someone for Monday morning. There was little I could do about it other than voice my displeasure. For this reason we try not to use agency staff unless absolutely necessary.

Tenders and Contracts

According to wps.pearson.co tendering is 'where potential suppliers bid competitively for a contract, quoting a price to the buyer'. This definition makes it sound easy. However, we tend to avoid tenders as many of our services are complex and not easy to define or measure. This is because the service users are chaotic and difficult to manage and measuring success uses both quantitative and qualitative information.

As part of a multi-agency panel, I have been involved in evaluating some tenders, both 'open' and 'restrictive'. The self-study guide suggests there are six stages to tendering.

- A contract is prepared
- The tender is advertised
- The draft tender is sent to potential suppliers
- Supplier submits their tender
- Each tender is evaluated
- The contract is awarded

On preparing the contract the following issues should be considered, according to the self-study guide.

- The price and payment terms
- Main terms and conditions
- What happens if the supplier does not do what has been agreed
- How the supply process will work
- Some detail on the quality required
- How invoices will be prepared and dealt with
- How a supplier will contact a contracting business immediately should anything go wrong

Part C – Financial Planning

Introduction

A simple definition of a budget can be found on the better-credit.com website. ‘An itemized listing of the money a person or company will take in, and how much will be paid out (expense), over a specified period of time’.

Managing the Yot budget is a challenge throughout the year as money comes in from partners, the Local authority and the government at all sorts of different times – and in varying amounts from what was agreed locally and nationally. Our job is to make the best use of the money to deliver services. It is important to give the management of the budget the greatest attention, as we are not permitted to either under or overspend.

The Benefits of Budgeting

The self-study guide suggests some of the benefits of budgeting: -

Planning and Coordination	The Yot ‘master budget’ is complex, as certain streams of money may only be spent on certain services or targets – depending on partners needs to achieve their own targets. Generally, managers know what they need to deliver and what they can spend. The coordination is often only achieved by different managers working together and ‘pooling’ resources. This results in generic working and maximising available resources.
Clarification of authority and Responsibility	The budget makes it clear who is responsible for what spending. This avoids either unplanned overspends and also underspends where services would not be delivered and money would be given back to contributory agencies at the end of the project or year end (financial).
Communication	As a strategic manager I need to work with my operational team so that the Yot objectives are met within budget. Managers are aware of the final budget and are able to communicate this with staff who gain a greater understanding too.
Control	<p>Keeping control is very important, as without it there could be a lack of focus on the priorities of service delivery and variance from the agreed expenditure. The Yot budget is so complex and ‘chaotic’ that it is managed by the Yot business manager and analysed by an experienced member of the admin team. It is reported to the Board quarterly where issues and problems are discussed and decisions made to deal with them if it relates to partnerships.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>The self study guide refers to Peter Druckes’ 7 areas that a budget must satisfy to be effective they are:</p> <ul style="list-style-type: none"> - Economic - Meaningful - Appropriate - Congruent - Timely - Simple - Operational </div>

Motivation	All Yot managers are involved in the preparation of the Yot business plan every year. Part of this plan is the budget for the next year. Also all managers are very proactive in seeking new funding, staffing or resources throughout the year. They will often instigate and see through to completion bids for considerable amounts of money. They then manage the resource.
-------------------	---

Weakness in the Budget Process

A properly planned budget will reduce potential weaknesses. The Yot budget is built on a template of experience which has been successful for the past 7 years. However, there have been problems caused by overspends, charges by Finance (fine for late payment) and withdrawal of partnership funding due to cuts in their service that they have passed on. This risk is particularly worrying – if all partner agencies reduced services they put into the Yot, the total loss of income would mean cancelling services and redundancies.

The Budget Period

The Yot sets a five-year budget plan which takes into consideration known costs that can be predicted, such as utilities, inflation and other standard outgoings. Underneath this plan, the Yot is only able to budget one year at a time, this is because it never knows from one year to the next if it is able to secure some key partnership funding until the partners have fixed their budget. This results in a lot of 'guesswork' based on previous experience. The budget is adjusted throughout the year in order to balance.

Types of Budget

The Yot is independent of other Local Authority budgets, but also dependent on them too. The Yot budget could be considered the Master Budget with operational training and overheads being part of it.

The Budget Process

The self-study guide suggests a model to ensure the budget process is rigorous and methodical – so that it works. I have applied this model to the Yot budget process:

PROCESS SUGGESTED	YOT PROCESS EVALUATION
Determining the principle budget factor	The Yot considers all the main areas that affect the budget; partnership contributions, income, buildings, staff.
Determining the expected sales levels for next year	The Yot is a service provider and does not sell anything. However, it is able to determine the costs of delivering services for the next year, based on the last year.

Put together an income budget	This is based on the same income from year to year with the added variable of unexpected loss or gain in income throughout the year.
The 'lowest level' is requested to contribute to the budget setting exercise	Staff that the budget will affect are consulted throughout the year and their contribution is taken into account by their line manager.
Each mini budget is fed upwards	This does not happen in the Yot. We provide a comprehensive service as best we can with the resources we can get. We expand and contract subject to our success in securing funds.
Senior managers approve the budget	The budget is scrutinised by the Management Board who are experienced directors of their own agency.
Final budget used as a control	The budget is referred to in management meetings and reviewed quarterly prior to Board meetings.

Preparing a Budget

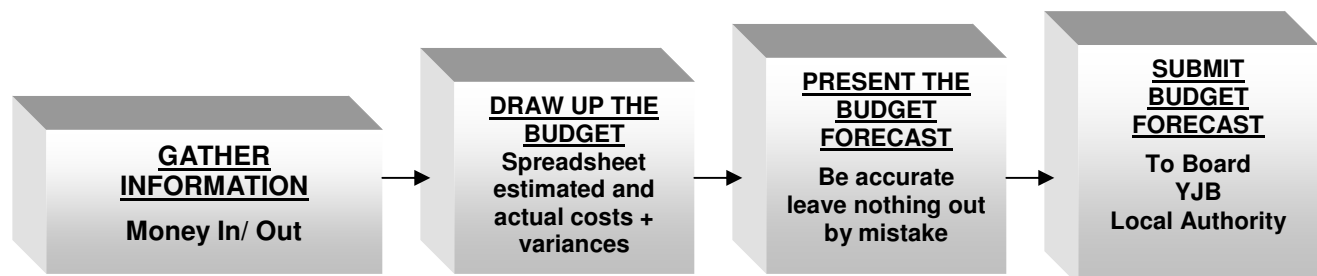
When preparing the Yot budget I work with the business manager who is far more experienced. I understand the importance of using the latest data, linking to the business plan and strategic aims. I split the budget down into departments as these link to strategic aims and this gives transparency when they are independently scrutinised.

Throughout the life of the budget it is monitored and variations are made. Action is taken to address major problems, taking into consideration the original budget plan.

The budget preparation takes into consideration specific targets such as KPIs, National Standards and legislation that must be delivered, as well as shared targets with partner agencies.

The type of budget I use is an 'incremental' budget, this is based on last years income and expenditure but takes into account the latest operational needs and forecasts contained in the new business plan. It is not possible to use a completely zero based budget which would be considered best practice as much of our income is set and agreed with many different partners – and all have conditions on them.

The Budget Process:



Keeping Financial Control

According to funduszestrukturaine.gov. on the web, financial control is defined as 'mechanisms and measures ensuring proper functioning of the process of collection and disposing of community funds'.

It is important, as the person responsible for the budget, that it is monitored and that variances are especially kept in view and under control. Much of this is part of my business manager's role on a daily basis.

Analysing Variances

Some variances can be favourable in that costs have been less than forecast, so there is some money unspent. Adverse variances could be where costs have been too high, such as transport, and there is an overspend.

Although I am ultimately responsible, it is often up to the business manager and the managers concerned with the variance, to take action to rectify the potential under or overspend.

Evaluation

At the end of the year the final budget is disclosed to the Board and partners. Lessons learnt are built into the next budget, following a review of what may have gone wrong, what could have been improved and how long it took to notice the problem and deal with it.

Part D – Financial Forecasting

Introduction

A simple definition of forecasting by smallbusiness.findlaw.com on the web is 'The calculation of reasonable probabilities about a business' financial future'. I like this definition because it accepts that it may be unreliable, but at least it is a reasonable plan to have some form of forecast.

Forecasting Techniques

The study guide suggests 3 basic techniques to use when forecasting, as follows:

Technique 1 – The Payback Method

The payback method is the simplest method to understand and calculate. It involves taking the number of years by which the capital outlay will be recouped given the anticipated additional income generated.

The formula is - Payback period = Capital costs divided by annual revenue

The project brief gives an example:

To demonstrate this – if I had 2 projects, A and B, to invest in, I would choose project A as I would be paid back 6 months earlier than project B. Project B continues after the calculation to a total of 8 years before it needs to be scrapped – but this method does not take this into consideration – only payback.

	Project A	Project B
Investment	£90.000	£90.000
Profit	£22.500	£20.000
Payback Period	4 years	4 ½ years

Technique 2 – The Discounted Payback System

This method assumes that money will not always be worth what it was today. In order to use this method I would need to use a pre calculated table called the 'present value' factor (PV). There are computer programs that can make this a quick way of forecasting.

The assignment brief directs me to look at a project with an initial investment of £20.000. It shows that it would payback in 3 years. However, using the PV calculation it can be seen that in real terms it would actually only be worth £16.335 at the 3 year point, so would, in fact not pay for itself in 3 years.

Year	Cash Flow	PV Factor	Present Value
0	- £20,000	1.000	£20,000
1	£5,000 (Profit)	0.909	£4,545
2	£7,000 (Profit)	0.826	£5,782
3	£8,000 (Profit)	0.751	£6,008
	= £20,000 (Profit)		£16,335

Technique 3 – The Accounting Rate of Return

This method looks at the over income and expenditure of an entire project.

The Formula is:
$$\text{Rate of return \%} = \frac{\text{average annual profit}}{\text{divided by capital outlay}} \times 100$$

Again, this method does not quite give the whole picture as it does not take into account things like inflation.

The project brief asks me to calculate 2 projects, Project A and Project B.

PROJECT A	Profit Year 1	£7,000
	Year 2	£4,000
	Year 3	£3,000
	Year 4	£2,000
	Total outlay	£50,000

The total profit comes to £16,000. Using the calculation formula I can calculate the % profit.

$$£16,000 \div 4 \text{ (years)} = \text{average profit } £4,000 \text{ p.a.} \div £50,000 \text{ outlay} \times 100 = 8\%$$

PROJECT B	Profit Year 1	£2,000
	Year 2	£3,000
	Year 3	£4,000
	Year 4	£7,000
	Total outlay	£50,000

Again the total profit is £16,000. Using the calculations formula I can calculate the % profit.

$$£16,000 \div 4 \text{ (years)} = \text{average profit of } £4,000 \text{ p.a.} \div £50,000 \text{ outlay} \times 100 = 8\%$$

Initially it would seem that either project would be acceptable to invest in as they both look set to give an 8% profit / return. However, with project A, I get most of my profit up front in the first 2 years and with project B I have my best profit in the second 2 years. So I would choose project A. As this only looks at years 1 to 4 this looks like the best and least risky option. However, if I was looking at extending these projects for a few more years, I would be concerned that project 'A's profits are in decline whereas project 'B's are increasing.

The above calculations do not take into account non-financial considerations which could significantly influence the forecast.

Non-Financial Considerations

It is important for us to be careful to think about the implications that affect the staff ability to complete the job they need to do. An example of this might relate to IT. Yot staff complete an Assessment with the young people they are supervising. This is done on paper, often at the young person's home. The Yot staff then come back into the office and input this information on the computer. When next investing in computers I will be sure to buy tablet PCs so that work is not duplicated from paper to PC as it is now. Another consideration for us is sudden changes in government legislation or political direction that would jeopardise a planned project because of a change in the law.

Bibliography

- Diploma in Management – Self Study Guide C42 (2007)
- Definition of forecasting on the web www.smallbusiness.findlaw.com [07/02/07]
- Wikipedia, Internet encyclopaedia. Definition of organisation [07/02/07]
- Definition of supplier on the web: www.ecodirectory.org/categories.php [07/02/07]
- Definition of tendering on the web: wps.pearsoned.co.uk/wps/media/objects... [07/02/07]
- Definition of budget on the web: www.better-credit.com/glossary.html
- Definition of financial control on the web: www.funduszestrukturaine.gov... [07/02/07]