

A DETAILED HANDBOOK FOR  
**PUBLIC SERVICE**  
*and*  
**BUSINESS PLANS**

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- Planning the future of public services
- Designing plans for the public sector
- Planning and the 'internal market'
- Organising the planning process
- Useful planning techniques
- Preparing a Public Service Plan
- Presenting and using the plan

# **PUBLIC SERVICE PRACTICE 5**

# **PUBLIC SERVICE & BUSINESS PLANS**

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Public Service Practice is a series of reports analysing policies  
and drawing together best practice based on  
public sector and trade union principles.

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# Introduction

**The need to plan public services has never been greater. Planning service delivery, investment and developing longer term strategies in the public sector has always been constrained by changes in government policies and legislation, conflicting objectives between local and central government, and annual changes in financial resources and controls. Apart from plans for national services such as British Rail and the nationalised industries before they were privatised, there has very limited longer term planning for most of the basic services provided by local government.**

This situation is changing rapidly. Many local authorities, NHS hospitals, and other public bodies are busy preparing 3- 5 year plans for their services. But the vast majority of these are business plans using a planning process, language and values copied from the private sector. The separation of client and contractor roles as a result of Compulsory Competitive Tendering and moves to establish internal markets has led to the creation of Direct Service Organisations (DSOs), trading units, and a more fractured organisational framework. Financial planning has become important for these organisations as they are forced to compete and win or be closed down. But the adoption of private sector business plans will only hasten the commercialisation, fragmentation and ultimately the disintegration of public services.

Planning has also developed in the private sector as companies strive to compete in increasingly international and global markets. The coordination of production, distribution and marketing in different sectors and the need for constant capital investment has led to more widespread corporate and business planning. New management theories have developed to focus strategic and organisational issues which confront firms trying to retain or achieve competitive advantage in global markets. Managerial and organisational planning has an important role in these theories.

The planning of production or service delivery as well as organisational and financial planning is also more widely recognised as an important part of good management practice.

We have produced this report in the Public Service Practice series because there is a need for a planning process based on the particular requirements of the public sector as a clear alternative to business planning. The concept of the Public Service Plan is applicable across the public sector, for example, in the NHS, the Civil Service, and other public bodies although it has been written more specifically for local government.

We have written a companion report, **A Trade Union Guide to Public Service and Business Planning**, published by NALGO and NUPE.



## Part 1

# Planning the future of Public Services

**We first have to make the case for planning public services. 'Business planning' is more than just a management fad. Whilst the principle of increasing and widening the planning of services is a welcome improvement, much current planning is commercialising public services and encouraging moves towards the 'enabling' model. In short, it is merely a tool of current government policy.**

## Who is preparing plans

Business Plans are in the process of being, or already have been, drawn up for a wide range of public sector organisations:

- Local authorities and/or departments
- Direct Service Organisations (DSOs)
- NHS hospitals and Trusts
- Business or Trading Units within the NHS, local authorities, education etc.
- Local government white collar services in advance of CCT
- Trusts (residential homes)
- Care Plans in Social Services
- Housing Management Plans covering preparation for CCT
- Arms length companies such as Local Authority Waste Disposal Companies (LAWDCs), bus companies and airports.
- Schools, Colleges and Universities
- Nationalised industries and other public sector bodies

Business Plans are also usually prepared in the lead up to the sale of assets. They set out the changes planned for operation in the private sector. For example, water companies, bus companies, and Management Buy Outs all prepare business plans setting out their strategy and future policies. These plans are usually based on major changes to the way the service is organised, working methods, and employment policies.

The preparation of plans by DSOs varies widely. Some small and large DSOs have already produced plans whilst others have only recently begun discussing the possibility of drawing up a plan. DSOs, particularly some of the larger ones which have successfully won all their CCT contracts, often recognise the need for a plan but it is not seen as a priority. However, LMS together with opting out and transfer schemes are forcing DSOs into more strategic planning. DSOs which are viewed by their 'parent' authority as stand alone contractor units are also being forced into longer term planning in order to try to survive. This inevitably puts increasing pressure on jobs, pay and service conditions and the 'affordability' of adhering to corporate policies.

## The Need for Planning

There has always been a need to plan service service delivery. All organisations, large or small, cannot operate effectively on a week by week, month by month, or year by year basis. This is particularly true of public service organisations which have statutory obligations and responsibilities.

Planning must not focus solely of service delivery, increasing defined as 'contractor' functions, but must encompass services as a whole. Planning must not become a tool used to accelerate the fracturing of local authorities with each DSO or unit having its 'own' plan.

Public service planning is important because:

1. Changing organisational relationships in local government between 'client' and 'contractor', more stand alone organisations and arms length companies, and the need for more effective operational strategies, have all led to pressure for planning and performance monitoring.
2. There is a need to constantly adapt and change services to achieve better use of resources and economies of scale and to improve services.
3. No service can claim to fully meet existing demands, that it fully maximises resources effectively, or that the social relations of service delivery could not be improved.
4. Public services have to meet changing social ,demographic, political and economic needs and hence the use



and function of services is never static

5. There are always increasing or changing demands or responsibilities brought about by the activities and failure of the private sector.

6. It is vital to take positive advantage of innovation and technical changes rather than simply respond to them negatively or belatedly.

7. The current fragmentation of public services into separate stand-alone trading bodies and business units requires more thought and planning of service delivery in order to sustain the continued existence of the organisation.

8. Planning can be used to improve the accountability of managers by increasing their responsibility for meeting performance targets.

### Planning is a means to an end

All plans should aim to achieve the following eight objectives. The plan should be viewed from the outset as a means to an end, of facilitating the development of services.

1. provide an overview of the current service
2. improve understanding of the potential impact of future internal and external changes to the service
3. make the strategic objectives clear
4. harness the potential for improving and enhancing the service
5. strengthen the organisation's ability to respond to changes and opportunities
6. develop a strategy detailing how the objectives will be financed and implemented
7. develop an employment policy focused on the health and welfare of the workforce
8. establish procedures for monitoring and reviewing services

Planning is not an abstract activity. It can have a major practical impact on day to day service delivery.

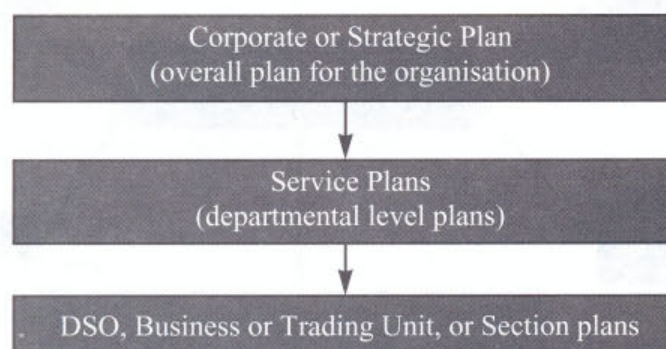
Effective planning will require:

- accurate management and financial information systems
- agreed and quantified performance standards
- regular monitoring of standards and costs
- involvement of staff and trade unions
- effective management practices
- regular review and revision of the plan

## Corporate and service planning

### A hierarchy of plans

A public service plan or business plan may be drawn for the organisation as a whole, at a departmental or service level, or for individual sections or units within the department or service. There may be a hierarchy of plans, each performing somewhat different functions.



There is no one hierarchy or framework. Local authorities have adopted different approaches to planning at both corporate and service delivery level often giving different names to similar types of plans. However, there are certain key features including setting an overall corporate policy framework, drawing up plans which link policy to service standards, finance, employment, management and organisational matters, and monitoring and reviewing performance.

### Objectives in preparing a plan

Several objectives can be identified:

- to provide a clear statement of aims and policies for each service



- to provide a framework within which staff and users can express their views and ideas for the provision and delivery of services.
- to ensure users needs are on the same agenda as financial resources and budgetary concerns
- to improve the authority's understanding of national trends and developments in each sector including private sector strategies and to be able to develop a clear role and provision of public service.
- to create opportunities for wider and more thorough monitoring of services.
- to improve understanding of all the costs involved in service delivery and to open them to wider scrutiny
- to improve understanding of the different responsibilities in service provision and ensure staffing, both front-line, supervisory, management, administrative, and central services, are more widely discussed.
- to develop more detailed service specific plans as part of the wider corporate planning process of developing Service Plans and corporate strategies.

## Public Service Plans in the tendering process

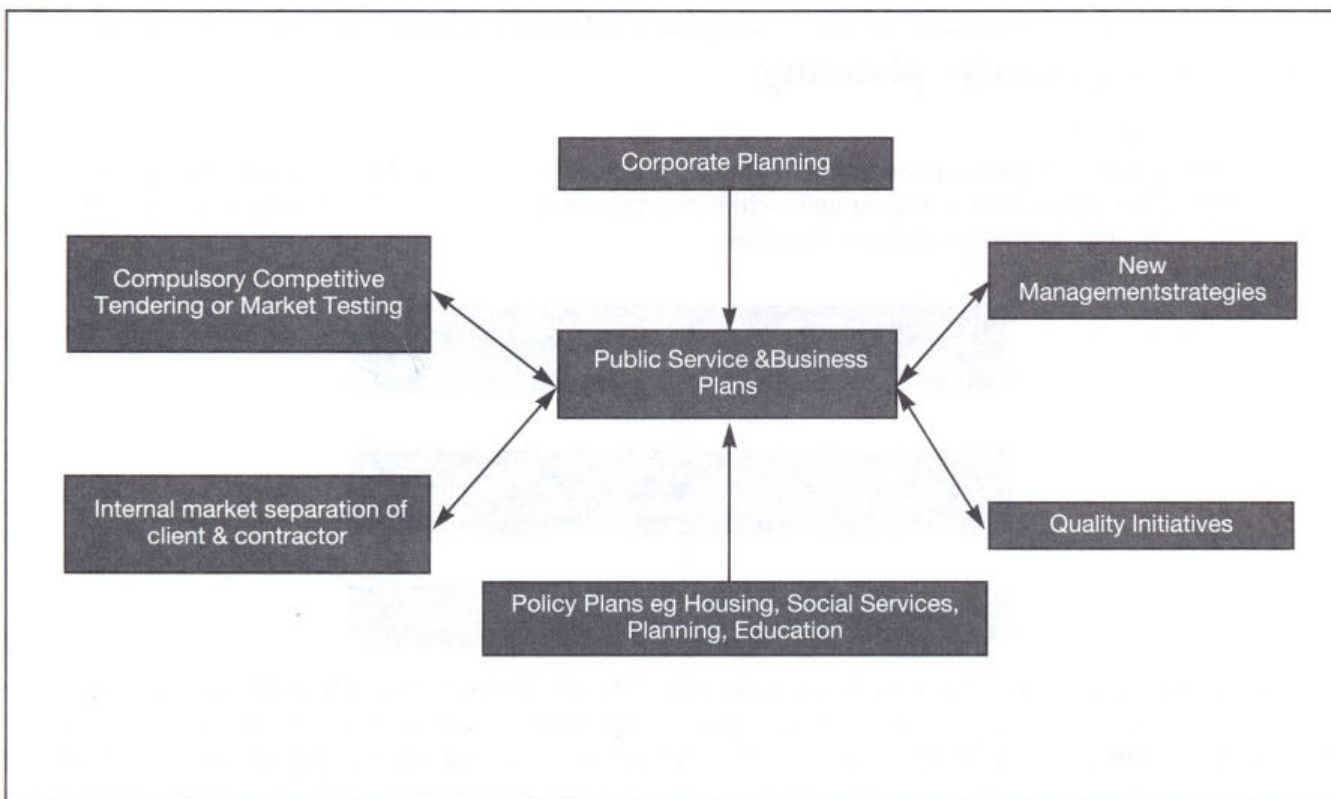
The production of service plans plays an increasingly important role in determining policies and the organisation, management and operation of services. The relationship between plans and CCT, corporate planning, new management and quality initiatives is shown below.

The vast majority of DSO Plans covering manual services were prepared after they had been awarded the contract. The reverse is likely to be the case for many white collar services because preparation for competitive tendering and the planning process are running in parallel. Trading or business units in many authorities already have plans although, as we note in Part 4, they have many shortcomings. In other authorities plans are likely to be prepared either before or simultaneously with the preparation for CCT.

There is also some overlap between CCT and Plan preparation. Preparing a Service Profile and Review under CCT covers virtually the same issues as the Service Profile in the preparation of a Public Service Plan.

**Public Service Plans will therefore influence CCT decisions.** Hence the need to ensure coordination and consistency otherwise it may result in two separate groups of officers producing different strategies resulting in the plan preempting tendering decisions or vice versa.

Public Service Plans supplement strategic policy plans for community care, housing and education and other services. The focus on the means by which these strategic policies are implemented.



## Public Service and Business Plans in the internal market

A growing number of local authorities are enforcing the separation of client - contractor duties and organising their 'contractor' activities or service delivery into trading or business units across a wide range of services. This is accelerating the growth of 'business' planning as each unit usually has its own plan. (See Part 3)



## Common problems in planning

A number of common problems fall into several categories:

### Vague and unclear objectives

- unclear corporate and service objectives
- vague financial objectives

### Inadequate sector analysis and forecasts

- finding staff time and/or with service planning experience to prepare a plan
- inadequate financial information, particularly unit costs
- difficulty in carrying out market analysis and failing to identify potential markets
- difficulty identifying potential income generation within legal constraints and which is related to service and employment objectives
- not enough attention to effects of externalities ie new legislation, increased competition.
- users and clients needs not clearly identified

### Plan is 'owned' only by a select few

- lack of trade union involvement in the process
- lack of Member involvement thus plan having no political input
- no attempt to communicate the broad contents to staff
- conflicts with corporate objectives over key objectives
- plan is too detailed with objectives and strategies obscured by unnecessary detail

### Lack of detail about implementation

- too much emphasis on financial matters and targets
- too few details of how policies and objectives will be met in practice
- lack of priorities and action programme

### Poor use of the plan

- failure to set up regular monitoring and performance review
  - failure to use the plan in managing and developing the service
  - too few performance targets to enable effective performance review
- no details of how stated objectives are to be met in practice
- lack of priorities
  - too much emphasis on financial matters and financial targets

### Limited scope of employment issues

- staffing matters limited to jobs, pay and conditions with the exclusion of wider employment matters and staff health and welfare issues.

## The essence of Public Service Planning

1. There is a distinction between Public Service Plans and Business Plans. The process of planning must be relevant to the specific duties, requirements and organisation of the public sector and reflect the values and corporate policies of the authority.
2. Planning is essentially about developing a strategy for the future. But there are limitations in the plan itself, it is not sacrosanct. There is often a danger that plans concentrate too much on the analysis of the past and existing situation, useful as this may be, but are weak in mapping out a plan and strategy for the period ahead.
3. It is important not to be overwhelmed by a technical approach to planning. It is not a science nor are there mathematical equations which will give the 'right' answers. Don't be put off by references to an implied scientific/technical approach to planning, particularly the jargon copied from US business books. Having clear information about current standards, costs, and so on is vital but many of the key decisions in a plan will be based on judgments about future spending, legislation, needs and markets. The key to public service (and business) planning is to have more confidence in common sense, being systematic, and rigorous analysis.

Beware of:

- a **scientific and technical veneer** being used to make the process sound more complex than it is.
- officers claiming **competence** to plan which is unjustified
- use of **jargon and language** which obscures rather than clarifies
- control of **information** which is not confidential



- **forecasts** based on inadequate research and understanding

When what is really needed is:

- a systematic approach
- rigorous analysis of all the issues
- the ability to think strategically
- the application of common sense

This will require the skillful use of planning techniques whilst recognising their potential use and limitations.

4. There is no 'right' methodology to preparing a public service or business plan. We believe the Public Service Plan sets out a framework which is most appropriate to the public sector. But the approach to planning is as vital as any particular methodology.

5. You may need to win over those who do not see the need for planning - things have been all right without a plan so far! Preparing business plans at a time of cuts and in the lead up to retendering. Some managers, councillors and trade union reps may not see the need for a plan particularly if contracts were won in-house without a plan.

6. Avoid the temptation to delay starting the planning process until you have all the necessary information. The 'right' time may never arrive. The planning process should be used to identify information needs, unit costs, performance indicators and so on. The process will be refined over several years as the plan is amended and developed.

7. The plan itself won't directly produce the results- it is only a means to an end. It will be up to management and workforce to implement the plan and to adapt it to changing circumstances.

8. Public Service Planning is not a one-off phase but should be established as a continuing process. The plan should be a working document, not a tablet of stone.

9. The planning process must be honest and not used to cover up existing faults and problems. Management should not use PSP as a vehicle for demanding concessions on jobs/pay/conditions and working practices claiming competition as the reason. Rigour should be applied equally to management and to the workforce including setting and monitoring performance targets.

10. Public Service Plans should be set in the context of departmental Service Plans which should provide a framework for plans for particular services, sections or cost centres.

11. DSOs or in-house contracting organisations have a particular problem preparing public service plans because they have no control over the client's budget problems. Budget cuts can be imposed which may mean re-writing the Plan.

12. Need to use the plan to re-integrate DSO within the council, to prevent different cultures of client and DSO plans, to prevent separate client/contractor cultures from developing and combine under Service Plan with a common culture. This requires a broader vision extending beyond the immediate remit of the organisation or department.

## Key issues

Having established that planning of service delivery is essential, there are certain key issues which must underpin the planning process.

### Planning is not management's responsibility alone

Planning is not the sole responsibility of management - it is essential that staff, trade union reps and Councillors also understand the purpose of plans and are involved in their preparation. There is evidence that business planning is being privatised by a handful of senior managers.

### Analysis and strategy rather than description

Plans should emphasise strategies and how they will be implemented. They should contain targets to enable implementation of the plan to be monitored and evaluated with lessons learnt fed back into the planning process. Bulky plans full of descriptive information will have very limited short term use. Information and costs must be accurate - a plan can set up a sequence of failures if reality is masked by doctored figures.



### **Need for Corporate policy for Public Service Plans**

There is a need for local authorities to have a clear corporate policy covering the content, approach, and process of plan preparation in order to ensure plans are prepared within the context of corporate policies. Central support and advice should be made available to departments involved in plan preparation.

### **Don't let money dominate**

Plans should concentrate on the objectives, quality and level of service which can be achieved within the available resources - they should not be dominated by income and expenditure. Service provision is paramount, not the level of financial surplus. Turnover and the return on capital should not be primary objectives as in the private sector but should be viewed as means to an end - maintaining quality of service and stable employment for the workforce.

### **The process is important as the final content**

The process of planning is as important as the final content of the plan. Organisations can learn a lot from the planning process which can be immediately used to improve service delivery, establish effective management and financial information systems, improve monitoring and performance review and so on.

### **Set a framework for the future - its not a one-off exercise**

The Plan should provide a guide and framework for the future direction of the organisation and identify how it will respond to and implement any necessary changes. It should not be treated as a bible nor should it be ignored by placing it on the library shelf once the Plan is finished. Planning is an ongoing process - the plan must be regarded as a working document and should be updated and revised annually following regular performance review.

### **Management should not hide behind the Plan**

There is always the danger that Plans are used by some managers to protect and safeguard their interests. They focus almost exclusively on what the workforce will 'deliver' conveniently omitting management's contribution and responsibility. Plans which attempt to brush problems under the carpet or to obscure their existence by using inaccurate information or half-baked analysis will only lead to more severe problems later.

## **Public Service Planning and new management techniques**

Competent management will want to use the planning process as a tool to mobilise, support and encourage the workforce.

Planning is an integral part of new management techniques. For example, different levels of planning are an integral part of the seven operating elements of Total Quality Management:

1. Demonstrating personal leadership of TQM by top management
2. Strategically planning the short/long term implementation of TQM throughout the organisation
3. Assuring everyone focuses on customer's needs and expectations
4. Developing clearly defined measures for tracking progress and identifying improvement opportunities
5. Providing adequate resources for training and recognition to enable workers to carry the mission forward and reinforce positive behaviour
6. Empowering workers to make decisions and fostering teamwork
7. Developing systems to assure that quality is built in at the beginning and throughout operations ie quality assurance.

The plan should not be a tendering plan. This would present serious dangers for the DSO or inhouse service. Instead the plan should be used as a vehicle for:

- Improving management of the service
- Improving quality of information
- A means of engaging the confidence, commitment and enthusiasm of the workforce

The point needs to be stressed that trade union and workforce involvement are key aspects of most new management strategies. There is evidence that some of those preaching the virtues of these strategies are reluctant to involve the workforce in any meaningful way particularly in the planning of services.

## **Public Service Plans and quality of service**

Plans should spell out how quality standards will be achieved, maintained and improved. It should also set out the required level of resources to meet these performance standards. In this respect the plan can be used later to defend services against cuts.



## Part 2

# Designing Plans for Public Services

**Planning for public services must take into account the particular context, nature and characteristics of the public sector. They must also address the public sector's strengths and weaknesses. The mere transfer or imposition of private sector methods, on the basis that both are, or should be, the same is crude and naive.**

## The nature of public services

The Government and some local authorities are intent on commercialising public services to eliminate differences between public and private sectors. The view that local authorities and other public sector bodies are 'businesses' and should be treated accordingly is gaining ground. However, three important points need emphasising:

1. The public sector has particular values, principles and responsibilities which require enhancing and developing, not eliminating. Democratic accountability, responsibility for public needs and the public interest, the fulfilment of statutory duties, to name just a few.
2. Public service practice represents a clear alternative to the commercialisation and privatisation of public bodies. The latter is not 'inevitable'.
3. Public and private sectors operate on different rules - some of these are desirable but most are imposed by the government specifically to ensure an 'uneven playing field' and to constrain the public sector.

These constraints on the public sector include:

- Legal constraints on its ability to seek work in different areas, sectors or markets
- Controls on capital spending to limit new investment in plant, equipment and new development.
- Controls setting minimum rate of return and profits or face closure
- Legally required to operate separate trading accounts for each activity
- Restrictions on diversifying into new services or products
- Economies of scale are restricted
- More stringent obligations on making financial information publicly available

Further details of the constraints on direct labour are discussed in *The Welfare State: Privatisation, Deregulation & Commercialisation of Public Services* and the financial and accounting differences in *A Guide to Trading Accounts of Local Authority Direct Service Organisations*. (See Part 8)

The recognition of these differences and constraints are essential in developing an appropriate planning process. It means that the content of public service plans and the process by which they are drawn up must be distinctive from private sector business plans.

## Common Questions

### Why do we need a Plan if we are working to a contract?

In the current climate in local government no DSO can afford to sit back and assume that its contracts are 'safe' until retendering is required. Local authorities cannot award themselves legally binding contracts hence DSO-run services will always be vulnerable to budget cuts. LMS and other transfer schemes are forcing DSOs into packaging and marketing services in order to try to retain existing work let alone seek opportunities to supply services to other parts of the public sector.

There is also a need to set out the longer term direction of the service and organisation. The specification and contract conditions will obviously influence how the organisation works but it is essential that the organisation is more than the sum of a few contracts. In-house services and DSOs should not be driven or shaped entirely by the terms of CCT contracts.

### What use is a Plan when budget cuts can radically affect service delivery?

Whilst this is a real threat the planning process should be used to improve the DSO's or in-house service ability to resist cuts. Information in the plan could be used to highlight the consequences of cuts on services, jobs and



the organisation itself. If the plan is prepared with and supported by trade unions and the workforce then it is more likely to have increased their commitment to maintaining and improving the service. A plan should also encourage a DSO or in-house service to be more aware of the impact of different scenarios, to have contingency plans, and to reinforce efforts to improve the promotion and marketing of the service.

### **Why should trade unions be involved in what is clearly management's responsibility?**

Planning the future direction and strategy of the organisation is a responsibility of management but not their's alone. Trade unions also have important views about these matters, can play a key role in preparing service profiles, have access to information not always available to management., and public service plans must be part of the collective bargaining agenda.

### **Why shouldn't public services be run as businesses?**

There are different definitions to 'business'. The dictionary definition of the word describes a type of organisation ie 'a commercial company or firm' and it is used to describe their activity ie 'engaged in trade or commerce'. Local authorities are clearly neither of these. 'Businesslike' is defined as being 'efficient and systematic' which is an objective of both public and private organisations.

## **The planning process**

Despite the growth in service planning there are few published sources which refer specifically to the planning of public services. There are a number of general business planning books but these are geared almost entirely to preparing business plans for commercial organisations. The planning models, examples and language are business centred.

There are different approaches to planning. Some planners argue that the starting point should be a market assessment. For example, management consultants Touche Ross worked with a team in Sunderland Health Authority to prepare its business plan in autumn 1989 on the basis of:

*'Business planning begins with a market assessment to find out where current patients come from; what services future healthcare purchasers wish to buy; who our competitors will be; what do we have to do to win the business; and how much income we will make.'*

(Health Services Journal, 8 February 1990)

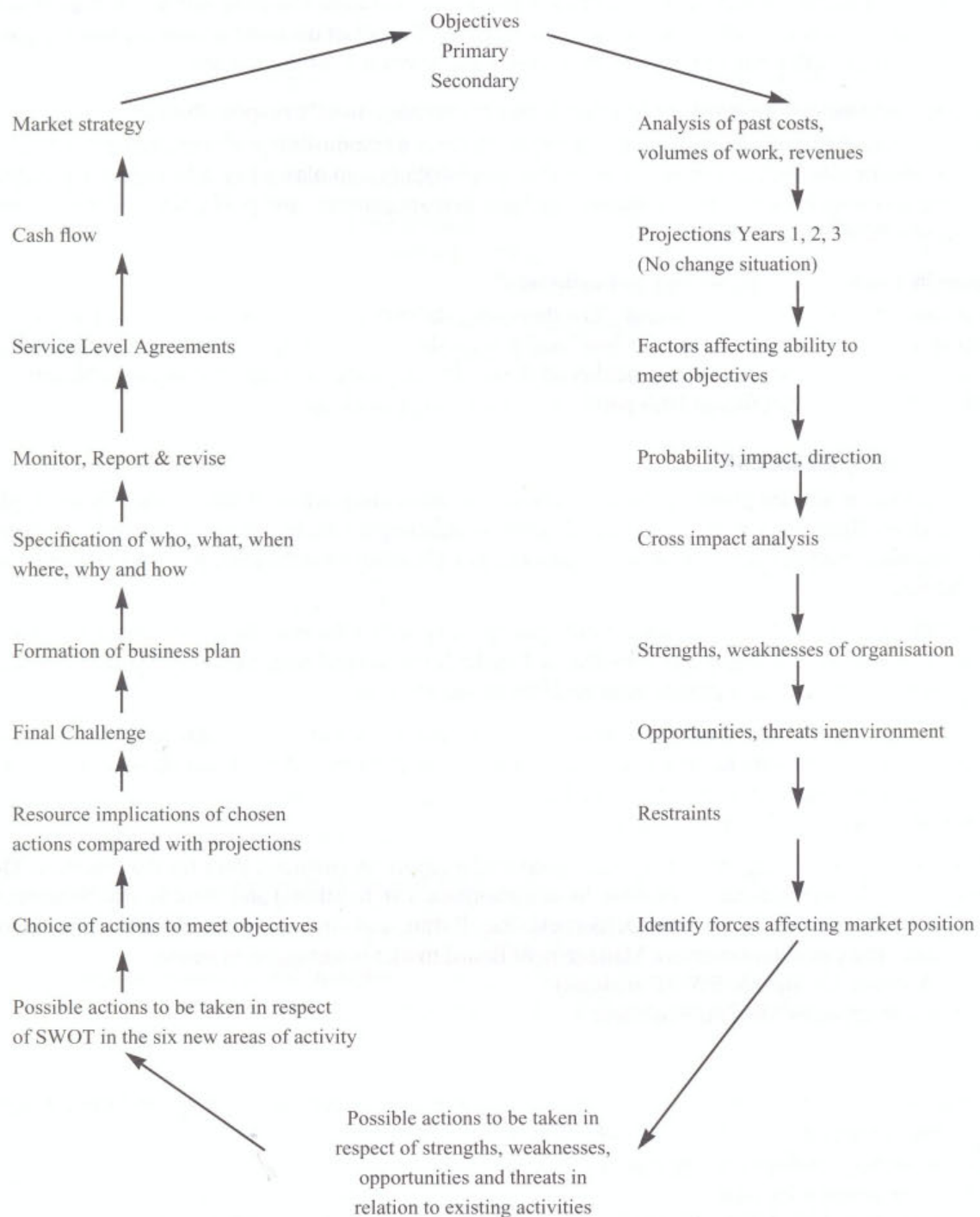
The Local Government Management Board has produced a report 'A Business Plan for the Nineties: The Application of Business Planning' (£48.00 to local authorities, £96 to others) and there is also 'Business Planning in Local Government' by John Delderfield, Ray Puffitt, and Graham Watts (£35.00). The approach to planning varies. The Local Government Management Board model is summarised below:

1. Situation Analysis (to include SWOT analysis)
  2. Statement of Purpose or Mission Statement
  3. Objectives
  4. Strategic Review
  5. Performance statement (to include service range, alignment of resources and staffing, and marketing strategy)
  6. Budget: product/service forecasts and costs, by month.
  7. Product or service development: by product, by cost.
  8. Marketing: by activity, by cost.
  9. Total departmental Action Plan: by month to show key tasks, programmes and projects.
  10. Master budget: by month to show overall cash flow, forecast balance sheet, and profit and loss statement.
  11. Report schedules: by financial and other information systems to show Actual v Budget variances by month.'
- (Source: An Introduction to Business Planning, LGMB, 1992)

Another approach has been developed by Delderfield, Puffitt and Watts. Although they claim their planning process takes account of the 'traditional values of local self-government' they accept without question that the aim is 'to create a market-place of the public sector, to break up monopolies of provision and to generate internal markets within bureaucracies.' In fact there are fundamental conflicts between the 'overall values that derive from the purpose of the local authority' and the adoption of internal markets and business planning.



Their planning process may be summarised as:



There are a number of important criticisms of these planning methodologies.

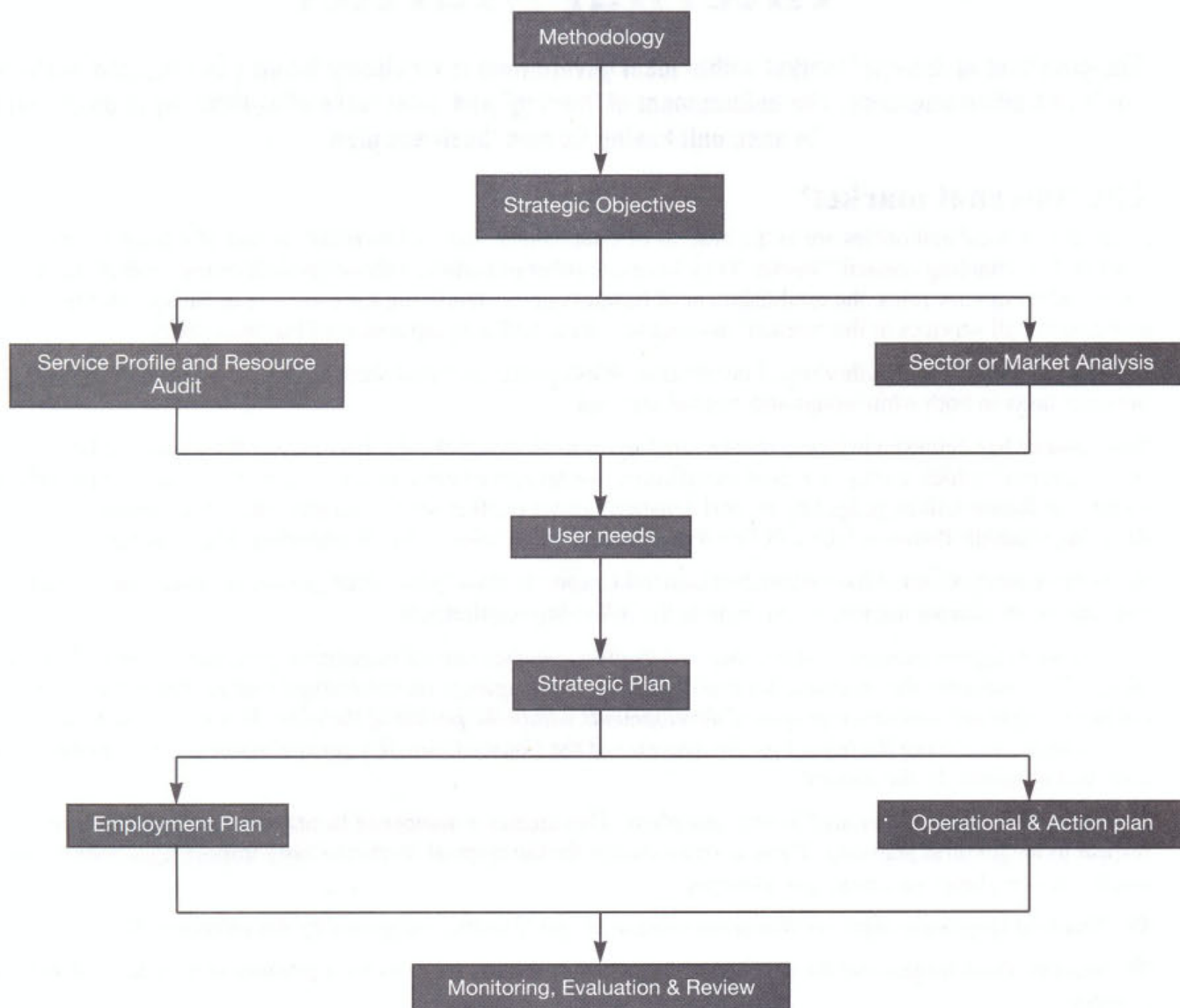
1. User needs are not clearly identified nor do they fully address public service issues.
2. There is too much emphasis on an 'organisational' perspective rather than on the service itself.
3. There is no staffing or employment plan, responsibility as an employer is hardly recognised let alone the role of staff in achieving quality of service.
4. They complicate and obfuscate rather than clarify the planning process. Jargon or language is often used to 'professionalise' the planning process which can make genuine attempts to involve trade unions that much harder.
5. They are relatively expensive for the quality of advice offered.

The basic difference between business plans and public service plans are that the latter specifically addresses:

- public sector corporate policies
- user needs
- quality of service
- wider staffing policies

## Model for a Public Service Plan

We believe the public service plan model provides the most appropriate framework and coherent approach for preparing plans. It is not a straitjacket but provides sufficient flexibility to accommodate the varying needs of different public services.





## Part 3

# Planning and the Internal Market

**The growth of an internal market within local government is inevitably leading to separate business units or trading agencies. The enforcement of 'trading' and financial self-sufficiency of units leads to each unit having its own 'business plan'.**

## The 'internal market'

A number of local authorities are in the process of establishing 'internal markets' as part of a progression towards the 'enabling council' model. They have a number of common elements such as the separation of client and contractor roles, the establishment of business units, tendering for contracts or SLAs, pricing and charging for all services in the 'market', trading accounts, and the preparation of business plans.

For example, three local authorities, Lincolnshire, Westminster and Berkshire have set up a total of over 40 business units in both white collar and manual services.

Westminster has defined a business unit as 'analogous to an external contractor. It is a fully accountable 'service centre' which works to a clear specification for an agreed price or fee structure over defined periods. Its success or failure will be judged by its performance against explicit service targets and output measures.' (The Enabling Council: Business Units, Policy & Resources, 14 October 1991, Westminster City Council)

Berkshire County Council has established General Corporate Principles which govern the operation of trading agencies in its internal market. These include the following requirement:

*'As a matter of good management practice, all trading agencies will be required to produce an annual business plan, which indicates the general aims and objectives of the agency, its marketing strategy, market analysis, business proposals, and major proposed developments within the period of the plan. This is an essential document for indicating the impact on the agencies of the County Council's general strategic and operational direction proposed by the agency.'*

However, these plans are limited to one year plans. This creates a number of limitations, particularly with respect to longer term planning. These corporate rules for the internal market usually impose a number of other constraints on plan preparation. For example:

- financial targets are often set which are more stringent than those imposed by the government
- meeting these targets and the survival of the organisation has tends to have primacy over quality of service matters.
- the plan has to take into account the authorities 'market testing programme' which usually involves putting services out to tender ahead of government requirements. If the work is contracted out to the private sector this is likely to have a substantial knock-on effect on the remaining work leading to higher unit costs. It also makes short term let alone longer term planning extremely difficult.

Plans drawn up as part of the internal market have to cope with even greater instability and uncertainty. Evidence also shows that these relatively short term plans are dominated by financial matters to the exclusion of quality and other service issues.

(A detailed study of business units and the internal market will be available in April 1993, please contact the Centre for Public Services for details)

## Commercialising public services

The adoption of stand-alone business units and commercial values is gaining pace across the public sector. In the health service concern has been expressed about the consequences of the internal market:

*'Many units now have greater degrees of subjugation, bureaucracy and insensitivity than those they replaced. It seems that in finding their freedom the new entrepreneurs have in some measure adopted almost a brutal parody of 'business' attitudes and behaviour.'*

(Health Services Journal, 17 September 1992)

Commercialisation takes several forms:

- the organisation of services is based primarily on cost and profit centres rather than a detailed assessment of organising service delivery to meet local needs.
- the separation of client and contracting roles and treating the contractor organisation virtually as a separate 'business'. Similarly, sections or units are being treated as trading organisations or separate 'business units'
- business and private sector values are used in service planning, for example, using private contractors unit costs, wage rates and conditions of service, productivity levels, and so on as the prime focus
- service users being treated as 'consumers and customers' who pay for what they get rather than as users with an entitlement or right of use and who are active participants in the running of services.
- service provision is being reduced to the lowest common denominator.
- the practice of local authorities as model employers is rapidly declining with the erosion of nationally negotiated pay and conditions and equal opportunities policies. This is being exacerbated by the abandonment of central personnel functions in some authorities.
- the sale of DSOs to private companies or Management Buy-Outs. In other cases local authorities are refusing to allow in-house bids for services thus ensuring contracting out.

Commercialisation is leading to:

- greater use of management consultants who generally reinforce private sector values
- encouragement of management buy-outs
- recruitment of private sector managers primarily because of their business experience
- competing for contracts, cross boundary tendering, in the rest of the public sector without negotiation

### **Increasing commercialisation means:**

- further loss of jobs and skills
- deterioration of pay and conditions
- increased privatisation
- fragmented industrial relations and trade union organisation
- erosion of equal opportunities policies
- deterioration of quality of services as commercial interests dominate over user needs and standards of service



## Part 4

# Organising the Planning Process

**The effectiveness of a plan will depend in part on prior preparation and organisation of the planning process identifying responsibilities, involvement, resources, and scope of the proposed plan.**

## Starting the process

There are various alternative ways of initiating a plan:

1. Giving responsibility to an existing working group of managers, councillors and trade union reps
2. Establishing a special joint planning working party comprising representatives of the above.
3. Setting up a 1 or 2 day training course in plan preparation, the main purpose of which is to draw up a plan outline and allocate tasks. This is particularly valuable where a plan covers a range of services which may have their own operation plans.
4. Obtaining advice and support from chief executives department which should also consider preparing a model planning framework for use across the authority. This should be flexible to accommodate different content and detail required by different services. A common framework will also assist in performance review and in developing the planning process across the authority
5. Organising a residential weekend for intensive structured workshop for senior managers, councillors and trade union reps
6. Running one or two day training workshops to develop awareness and planning process.
7. Some local authorities have engaged management consultants to prepare business plans - see below.

The decision about how to draw up a plan should also be influenced by:

- the need to be authoritative and for the plan to be taken seriously
- the availability of central coordination, support and guidance - the Chief Executives office should provide a general framework and advice/support to departments
- ensuring wide 'ownership' of the plan

## Main stages in the plan process

1. Agreement on team, training, timetable, priorities and coordination
2. Preparation for a 1 or 2 day training workshop in plan preparation for team, key councillors and trade union reps
3. Agree planning process, consultation with staff, trade unions and user organisations, and allocate tasks
4. Prepare strategic objectives section
5. Carry out a SWOT analysis
6. Prepare Service Profile & Resource Audit, Sector or Market Analysis and User Needs Analysis
7. Checking of information in Profile and Analyses
8. Develop strategic plan
9. Prepare employment and operational plans including schedules for action
10. Preparation of sub-plans for particular services within the overall framework
11. Agree monitoring, evaluation and review procedures
12. Writing of report
13. Preparation of summary report
14. Report to Committee
15. Briefings for staff

It is important to set a timetable for preparing the plan and to try to keep to it. There is always a danger that the plan is never quite ready, if only more information was available, if we had more time to make refinements here and there. Continuing the planning process is likely to have marginal gains - danger of disillusionment setting in and in reality there will never be a time when all the information is available. No plan is ever perfect. It should be regarded as a working document which can be refined and revised as and when necessary based on regular monitoring and evaluation of its implementation.



## Who should be involved

Staff must identify with the plan - too often a few senior managers are involved but do not take into account the views of operational managers or other staff. It is essential to involve those who are going to be responsible for implementing the plan - it is hard to argue that they are accountable for it if they have not even been consulted. One West Midlands authority set up Advisory Committees consisting of Chair of Committee /Deputy, client officers and trade union reps in addition to the main Contract Services Committee.

### Role of Members

Members of the authority should be involved in the planning process in the following ways:

- Agree main principles and content of the planning process
- Be members of the planning working group with officers and trade union reps
- Discuss and agree strategic objectives
- Discuss and agree the strategic plan
- Be involved in the evaluation and review of the plan
- Discuss and agree annual report and information to public on key issues of service

### Other points:

- Organise a training workshop for Councillors on Public Service Planning so that they can be more effectively involved.
- Highlight the strategic decisions which the plan will need to address.
- Use the Plan to show Councillors the consequences of budget cuts on the level and quality of service, jobs and on the organisation.

## The Case for Trade Union Involvement

Planning is a legitimate trade union concern because a plan must focus on the future of the service, staffing levels, pay and conditions of service, and a number of other matters including the effectiveness of the organisation in retaining work, promoting and developing the service. A compelling case for trade union involvement includes:

- An effective plan which has the backing of staff can provide a direction and strategy for the organisation thus increasing staff morale, reducing fear and insecurity.
- Improve job satisfaction and hence commitment to the service leading to better services.
- The successful implementation of quality initiatives require the involvement of staff
- Trade union cooperation is likely to lead to a more positive negotiating climate which will benefit both the workforce and organisation.
- The adoption of new management strategies such as Total Quality Management (TQM) require staff and trade union involvement
- Staff and trade unions have ideas for improving service delivery and new potential markets which can only be harnessed through genuine participation and negotiation.
- Trade unions have access to information about competing companies and trends in service sectors often unavailable to management.

The trade unions will usually want to:

- Ensure that key strategic decisions about the future of services are on the political agenda.
- Negotiate consultation and involvement in the preparation of the plan.
- Seek agreement on the content of the plan and the planning process
- Negotiate how the plan will be used in industrial relations
- Be involved in the monitoring and evaluation of the plan

Management will need to fully address these issues.

## Involving users

A distinction needs to be made between involving users of services in the development of policies for particular services, establishing strategic objectives, involvement in service delivery and monitoring, and participation in the preparation of a Public Service Plan. It will usually be difficult to involve users directly in the planning team although users could be involved at specific stages depending on the service concerned. For example, they could be involved in:

- identification of user needs
- assessing strengths and weaknesses of the existing service -
- strategic objectives - input into committee



- monitoring - can play a key role in monitoring service standards and performance

## Resources required

The staffing and financial implications of a plan must be established in the organising phase. You will need to consider:

- what resources will be needed? - a small team of officers, Councillors and trade union reps to coordinate the work with particular staff allocated specific tasks at different stages.
- how long will it take? - a figure of 400 hours or ten working weeks is often cited as an average. It is time consuming work but we have already noted the benefits which can be immediately applied, for example, improved financial information and performance monitoring.
- what skills are needed?: most authorities have most of the necessary skilled staff to carry out a plan within the organisation. A team of officers with technical, financial, personnel, and management experience will be needed on a part time basis.
- what training will be necessary?: try to obtain copies of similar public service and start by examining the advantages and disadvantages of these plans.
- how much will it cost: in-house preparation will be much lower than hiring management consultants - see below

## Scope of the plan

### Planning period

A public service plan should cover a 3 - 5 year period. The length of contracts and the timing of retendering will obviously influence the planning period chosen but this should not be the only consideration. Three years is normally accepted as a minimum period.

Until recently there has been little service level planning in local government beyond annual budgeting, partly because of the financial uncertainty from one year to another. Planning in a recession with even more stringent government financial and policy controls only serves to increase the level of uncertainty. Clearly, any plan in this context will have to make certain assumptions in making medium and longer term forecasts.

## Preparing and coordinating plans in multi-service organisations

Where a large DSO is preparing an overall plan with sub-operational plans for particular services such as refuse, catering, and cleaning it will be essential to:

- establish clear aims and objectives
- a common timetable
- team working across the DSO
- a system of information exchange

## Commercial confidentiality

The process of preparing a plan will of necessity involve the collection and use of information which is confidential to the organisation. The plan itself will be confidential - it is not a public document. It would be prove to be very useful to competing firms if they managed to get hold of a copy. So the need for confidentiality is legitimate.

However, 'commercial confidentiality' is too readily used to privatise the entire planning process and as an excuse to 'justify' the exclusion of the workforce and trade unions.

Security of information is important. Equally there needs to be a realistic and balanced view of what is in the plan and what is not. The Plan will usually not set out detailed costings and prices (although these will be important in helping to shape the Plan) and should be part of unpublished background papers.

There are a number of measures which local authorities can take:

- An Information Agreement could be drawn up which covers the availability and use of reports and information and sets out the obligation of both management and trade unions. This should also apply to the appendices and background material used in the preparation of the Plan. An Information Agreement could include the following:
  - Identification of reports and information covered by the agreement. This should cover the following:
    - details of staffing
    - details of earnings
    - hours worked



leave

finance and performance

- Named individuals who will have access
- Conditions imposed on the use of information

A Summary of the plan could be produced for internal briefings with the workforce and circulation to relevant councillors. This could play a key role in building political support from Councillors and trade unions for the future direction of the service

Imposing secrecy trying to maintain confidentiality completely contradicts management best practice of building on the ideas, skills and experience of the workforce and creating more effective working environment in the longer term interests of users, management and the workforce. Plans which are locked away as a 'security' measure are less likely to be used in developing and evaluating the service and the organisation - thus minimising their usefulness.

Management fears of trade unions accidentally 'leaking' confidential information have proved groundless. Trade unions have a long track record of being trusted with a great deal of confidential information. In fact, far more harmful 'leaks' occur as a result of management buy-outs and senior managers leaving local government to join private contractors.

## Access to information

### Councillors

**Councillors have a right of access to information:** 'Any document which is in the possession or under the control of a principal council and contains material relating to any business to be transacted at a meeting of the council or a committee or sub-committee of the council shall..... be open to inspection by any Member of the Council.' (Section 100F(1), Local Government (Access to Information) Act, 1985). Councillors also have common law rights based on a 'need to know' in order to fulfil their duties as a Councillor.

**Questions:** Councillors can also seek information through formal questions at full council or committee meetings. They can also make requests through their Group and committee chairs.

### Trade unions

**Information for collective bargaining:** All employers have a duty to disclose information to trade union representatives for the purposes of collective bargaining (Employment Protection Act 1975, see ACAS Code of Practice No 2). The Code indicates the range of information which should be supplied under a series of headings which include pay and benefits, conditions of service, staffing, performance, and financial issues.

There are limits to the Code - information must be in relation to collective bargaining, the union has to be recognised by the employer for collective bargaining, the employer is not required to compile information 'which would entail work or expenditure out of reasonable proportion to the value of the information in the conduct of collective bargaining', and ACAS has no statutory powers to impose any penalties on employers who fail to abide by ACAS rulings.

However, a strong case can be made that large parts of a public service or business plan are relevant and directly concern the collective bargaining agenda.

## Use of consultants

Far too many authorities assume that they do not have the resources and/or experience to prepare a plan. They often turn to management consultants without fully assessing internal abilities and assume that consultants will deliver what they want. But there are a number of important points to consider before such action is taken:

1. ownership of the plan is vital, if it is not owned by management and the workforce then the planning process becomes somewhat futile.
2. relative high cost of using consultants compared to doing it internally. Consultants will rely heavily on work being carried out internally.
3. need to learn the skills internally as planning is not a one-off exercise. The development of internal skills is rarely assisted by the use of management consultants.
4. consultants usually impose private sector values and practices
5. consultants are unlikely to have the time and resources to carry out a thorough analysis of the organisation nor do they always know enough about the particular services - this is best carried out internally.



6. risk to commercial confidentiality in using consultants who are usually advising other public and private sector clients at the same time as well as serving as auditors to private contractors.

A recent study has highlighted the limitations of using consultants and the consequences of under-valuing in-house skills and experience. A Department of Trade & Industry, Welsh Office and Scottish Office evaluation of business plans submitted by firms receiving Regional Enterprise Grants found that 40% of the 145 firms had used outside assistance in preparing their plan. It concluded: 'In terms of quality, there was little appreciable difference between those which had and those which had not received professional help, although five of the plans rated poor had been professionally prepared.'

## Part 5

# Useful Planning Techniques

**Several planning techniques have become more widely used in the preparation of plans. They are not an essential part of the process but the selection of one or more can assist the identification of problems, assessing particular aspects of the organisation, and testing the reality of forecasts. These techniques are briefly described.**

## Introduction

This section examines some of the main techniques which can be used in the preparation of plans including:

- SWOT Analysis
- Gap Analysis
- Quality Audits
- Management Audits
- Risk Analysis
- Sensitivity Analysis

## Reviewing previous performance

It is often very useful to summarise both the key achievements of the organisation in the preceding period (this could be inserted in the introduction to the plan) and to identify the problems the service has, or continues to, confront both internally and externally.

It is essential to identify the cause(s) of poor or inadequate performance which may include one or more of the following:

- inadequate or poor management
- poor investment decisions regarding new plant and equipment
- changes or cuts imposed by client departments on the level or quality of work
- problems encountered in the organisation of work and procedures
- inadequate quality control and monitoring

The following techniques can assist in identifying cause and effect which can be more fully investigated in the preparation of the plan (see Part 3). This must be an honest exercise and should not be used to identify scapegoats or concoct excuses. It is equally important to identify strengths and successes so that these can be sustained.

## SWOT ANALYSIS

### (Strengths, weaknesses, opportunities and threats)

This is a useful way to begin the preparation of a plan, in particular it can help to set the agenda for the Analysis of Service and the Sector/Market Analysis stages of the preparation of a Public Service Plan. It is also a useful way of engaging staff and trade unions in the planning process by providing an agenda for more collective discussion about service delivery, its organisation and management within a legitimate, and hopefully non-threatening, framework.

A SWOT analysis is only useful if it is reasonably thorough. Vague and general questioning of strengths, weaknesses, opportunities and threats will not be much use and may in fact conceal fundamental weaknesses in the organisation.

It may be beneficial to split the criteria between a couple of groups. Notes of the discussions will prove invaluable.

List the strengths and weaknesses of the service or organisation together with the main opportunities and threats it faces at present and over the next few years.

### Strengths

What are the organisations strengths?

- how can these be improved
- how can they be protected
- how can these strengths be used to advantage



### Weaknesses

What are the organisations weaknesses?

- what are the cause(s) of the weakness
- how can they be rectified

### Opportunities

What are the main opportunities for the service?

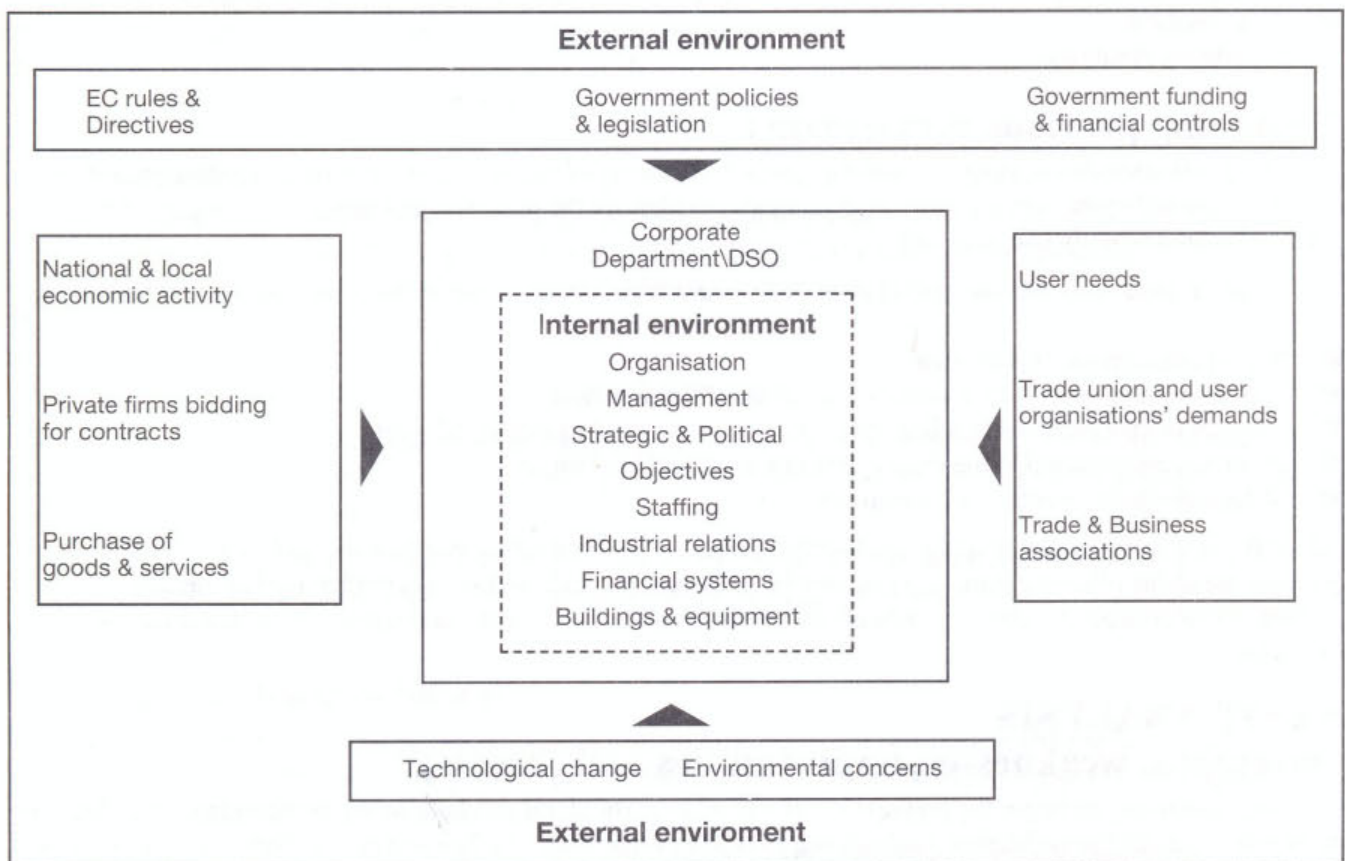
- how can these opportunities be developed
- what prevents the organisation from taking advantage of these opportunities
- how long will they remain

### Threats

What are the main threats facing the service and organisation?

- how can these threats be eliminated or minimised
- can these threats be turned into opportunities

## Internal and external influences



## Criteria

Strengths, weaknesses, opportunities and threats can also be examined by focusing on certain key issues such as performance or staffing and discussing how they are affected by all four elements of a SWOT analysis. This approach should supplement the separate identification of strengths and weaknesses. Together they provide a basis for a more thorough examination of all the internal and external factors confronting the service.

### Performance

- are the existing service objectives being met
- how well and what are the gaps?
- are the performance targets clearly stated and are they being met?
- how is performance measured?
- are there problems with service delivery in particular areas?

**Finance and Resources**

- are resources fully used at present?
- are premises and equipment adequate and appropriately located?
- how efficiently are resources contributing to meeting financial targets?
- is investment needed for new equipment

**Compatibility**

- are corporate policies being satisfied?
- are committee aims and policies being satisfied?

**Organisation and management**

- is the organisation top heavy or short on particular skills?
- is management committed to implementing total quality management?
- does communications between different levels of the organisation need to be improved?
- is some restructuring needed?

**Staffing**

- does the organisation have the right balance of skills and experience?
- can management-workforce relations be improved?
- is there a high level of absenteeism and/or turnover?
- can collective bargaining and consultation be improved?

**Users**

- are existing and potential clearly identified?
- are user (internal and external) needs being met?
- how/where and why are needs not being met?

**Trends**

- what is the potential for growth or decline in the service?
- new demands from users?
- impact of new technology?
- new developments in service delivery?

**Market**

- what is the scope or size of the 'market'?
- what are the gaps in the existing 'market'?
- what is the potential for income generation?

**Competitors**

- who are the main competitors (public and private)?
- what are their strengths and weaknesses?
- what are their corporate strategies?
- what are the reasons for the loss of any contracts or bids not submitted?

**Legislation**

- what will be the impact of new regulations?
- will new or planned legislation affect your service?

**Promotion and Marketing**

- are sufficient resources going into marketing services
- does the organisation have enough marketing expertise
- how is the organisation perceived by users, the public, the workforce, suppliers,

The above checklist should provide a base from which to add further questions about strengths, weaknesses, opportunities and threats particular to each service or organisation.

**GAP Analysis**

This technique represents another approach to strategic planning. It is based on carefully assessing current performance, projecting this to a future date, and then assessing the gap between this level of performance with the set targets or objectives.



- 'select a suitable performance indicator'
- 'where are we now?' In other words what is the agreed current position of the chosen indicator(s)
- 'where do we want to be at an agreed point in time?' In other words what is the target for the indicator(s) at the end of the planning period.
- 'where are we likely to be at the agreed point in time?' This requires forecasting the likely performance over the planning period based the continuation of current organisational and management policies. It will have to anticipate the impact of changes in budgets.
- 'what is the extent of the any gap between (c) and (d)?' This enable examination of the different options available to close the gap.

## Quality Audits

Assessing the current quality of the service will provide important information about the effectiveness of the service and identify the necessary changes required to maintain and improve quality during the plan period. It will also help to develop performance indices which can be used in the monitoring and evaluation of plans.

A brief for a quality audit might cover the following:

- to what extent does the service satisfy the needs of current and potential customers
- how do current levels of satisfaction - and participation - compare with those elsewhere
- how much does the service cost the Council and the user?
- is the present service provided efficiently and economically?
- if there is evidence of dissatisfaction or low levels of participation: how could the service be changed or developed to achieve higher levels of participation (by current or potential customers) and higher levels of satisfaction?
- if there is evidence of inefficiency or dis-economies what should be done to achieve improvements?
- where improvements in satisfaction or participation would contradict changes needed to achieve higher efficiency or economy levels: what would be the optimum solution?
- how much would it cost to achieve these changes and developments efficiently and economically?
- how would users view changes in the cost of services to them and how would such changes affect participation levels?

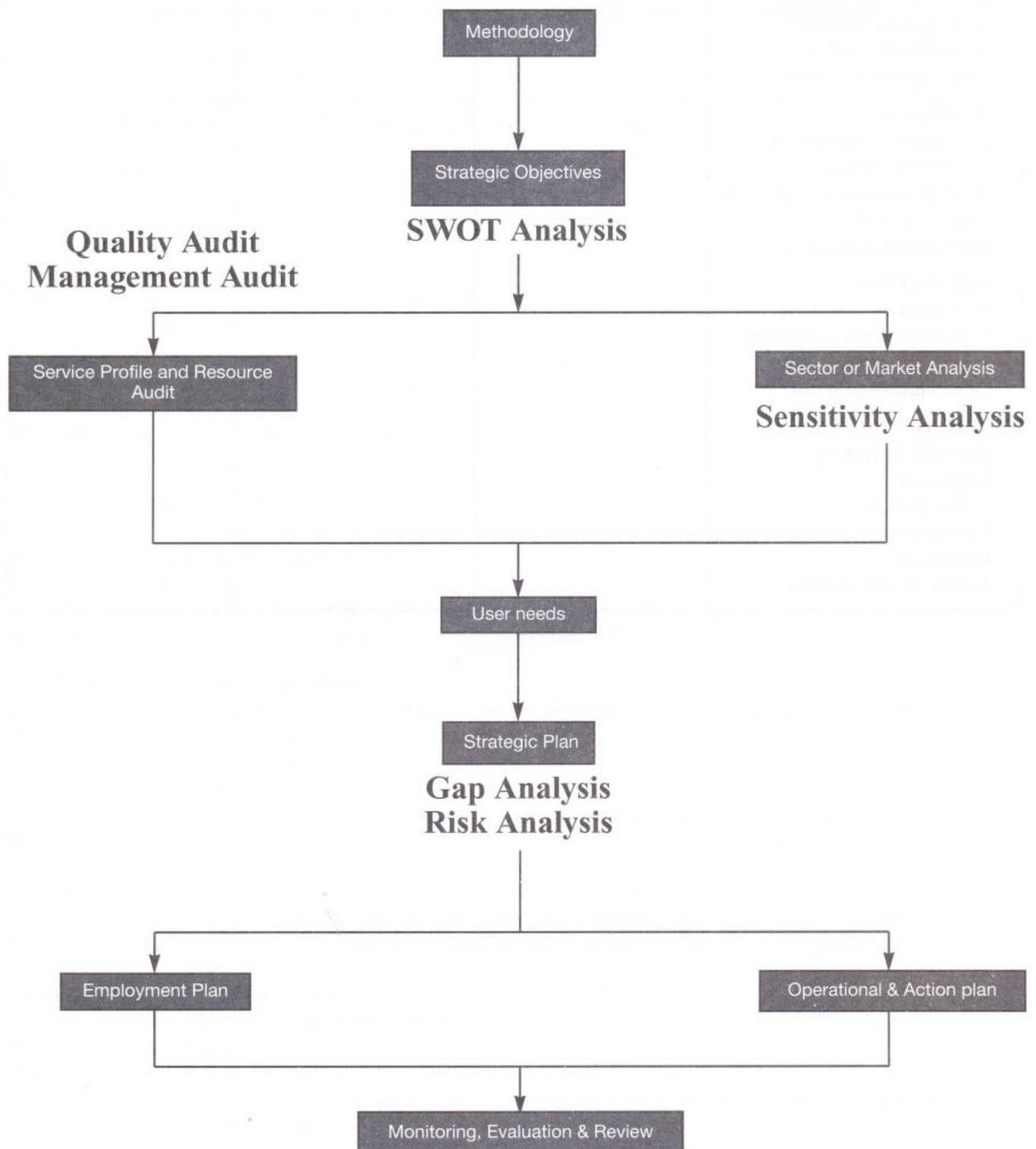
It is important that the audit team is multi-disciplinary in order to maximise objectivity and validation both internally and externally. The methodology of the team also needs to be agreed so that quality, rather than efficiency, is top of the agenda. Also use of user surveys, development of performance indicators and interviews with staff are an integral part of the audit.

## SWOT Analysis

Example of factors to be considered	Internal to the organisation	External to the organisation	Action required
<b>Strengths</b> Skilled and trained staff Good quality service Committed workforce Relationship with client  <b>Weaknesses</b> Investment in equipment Financial monitoring Weak promotion & marketing Quality control Recruitment difficulties  <b>Opportunities</b> New markets New management practices Quality initiatives Development of service  <b>Threats</b> Potential budget cuts Legislation Policy change Competition Opting out Failure to win contracts			



## Where planning techniques fit in the planning process



## Management Audits

Management Audits are a particularly useful means of examining the strengths, weaknesses and the potential for improvement in management practices. In practice it will often be very difficult for many senior managers to commit themselves to a comprehensive management audit but this is just as important as the effectiveness and efficiency of service deliver.

It may be advantageous to suggest a joint approach of carrying out a Quality Audit and a Management Audit at the same time.

A Management Audit can be particularly useful where DSOs or departments or services have clearly experienced problems in achieving service and financial targets.

A management audit should examine:

- service delivery management:
- financial management
- personnel management
- support services management
- promotion and marketing management
- identify management training needs

Many senior managers will be very reluctant to consider a management audit. However, there must be genuine attempts to tackle management problems and to recognise the importance of good management practice in improving the quality of services. It is vital to ensure that the plan focuses on the competence and performance of management as well as that of the rest of the workforce.

## Risk Analysis

There are two types of risk failure for local authorities; failure of service delivery leading to breach of statutory duty and failure to achieve financial saving with the possibility of increased costs. Assessment would need to be made on:

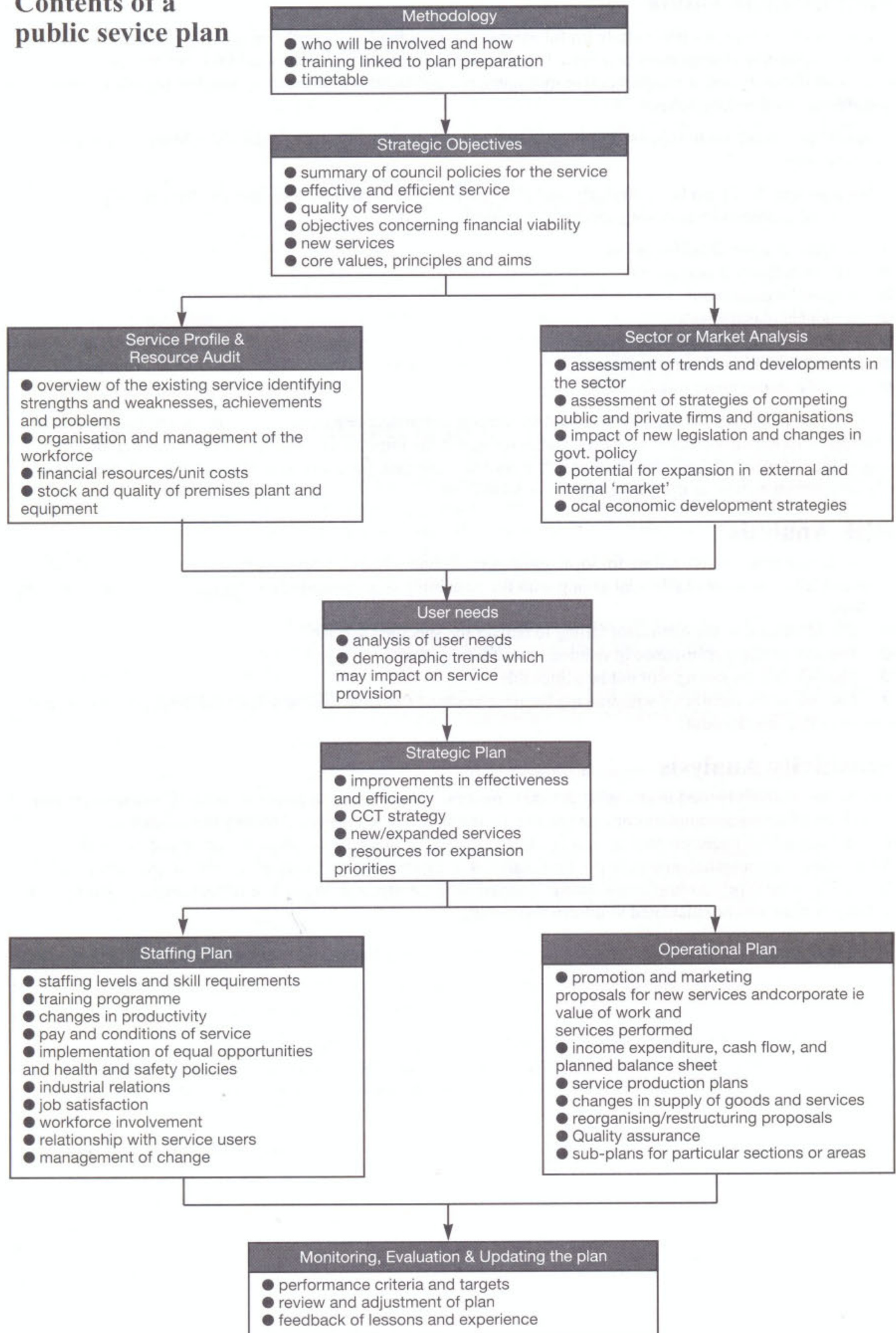
- The likelihood of the contractor failing to deliver the specified service
- The risk of non-performance in relation to statutory duties
- The risk that the saving will not be achievable
- The risk of the contractor withdrawing from the contract (there should be a financial bond on the contract that takes this into account)

## Sensitivity Analysis

Sensitivity Analysis is used in assessing forecasts by quite simply asking a series of 'what if' questions to test the effects of wrong assumptions or changes in circumstances. It is a means of testing the validity of assumptions which underline forecasts. It is a form of scenario planning in which the effects of different circumstances or potential outcomes can be calculated and quantified. For example, 'what if' occupancy levels fall by 5%, what if project implementation is delayed by 6 months, and so on. The impact on projected income and expenditure can be calculated to inform forecasting.



## Contents of a public service plan



## Part 6

# Preparing a Public Service Plan

**This section describes the eight elements of a Public Service Plan in detail. It highlights the core components of each element suggesting appropriate methodologies and sources of information. The level of detail should be tailored to the needs of the organisation. We have provided detailed information for the production of a comprehensive plan. Each organisation must first identify the level of detail it wishes to have in its plan. Plans for smaller organisations will not need to be as comprehensive. But it should be based on all eight elements of the plan.**

**The level of detail should be tailored to the needs of the organisation.**

For example, a large DSO supplying several services will want to have an overall plan plus quite detailed operational plans for each of the main services or contracts. A smaller organisation or one based on providing a narrower range of services will require a more vertically integrated plan.

The approach developed below recognises the specific characteristics and requirements of the public sector and is distinct from a traditional plan.

## Contents of a Public Service Plan

The chart on page 28 sets out the 8 key elements of a Public Service Plan.

# Strategic Objectives

**Strategic Objectives should draw together the existing corporate and departmental policies. They should provide a clear framework for the preparation of the plan which should detail how these policies will be implemented. New strategic objectives may also be set at this stage.**

The full extent of these policies and objectives may not be widely known or understood. The first stage of the Plan should be to draw these policies and objectives together from committee reports, political manifesto's and departmental papers. It will involve more than just compiling a list of the existing objectives. Both trade unions and management are likely to have their own strategic objectives, particularly in the current climate where local authorities are being forced to reduce budgets. The scale of these cuts may be forcing a rethink of the strategic objectives which in turn could have a major impact on the level and quality of service and jobs. However, it is very important that the plan is not dominated by financial or organisational objectives. Service and employment objectives are equally important.

Strategic objectives must be clear and concise. A plan will not be of much use if it is produced with a hidden agenda.

## METHODOLOGY

### Setting strategic objectives

It is important to identify between corporate and DSO or service objectives. Objectives stated in committee reports, service plans and political party manifesto's are likely to cover:

- a summary of council policies for the service
- the need for effective and efficient services
- quality of service
- objectives concerning financial viability
- development of new services
- core values, principles and aims including public service practice and value of services to the community
- employment policies
- equal opportunities policies

This involves more than simply re-stating client, service or contract requirements but should include the overall



corporate, organisational and service objectives. The objectives should be more than a collection of broad statements to which everyone would subscribe such as “to provide a regular, effective and efficient catering service meeting the specification and needs of users”.

Importance of setting out public service principles and practice at this stage, particularly for DSOs where there may be tensions, misunderstandings and differences of opinion over the degree to which the DSO can and will operate within corporate objectives. This stage also needs to reconcile corporate objectives with those set for the organisation by legislation and Government directive.

It will be necessary to assess whether the objectives:

- need to be reassessed in the light of current or likely future circumstances
- conflict with the availability of resources
- are fully compatible with corporate objectives

Any proposed amendments to strategic objectives need to be referred back to relevant committees.

It is important to stress the need for service and employment objectives. Many ‘business plans’ for DSOs and business units concentrate solely on objectives concerning financial targets and organisational survival. Whilst financial objectives and complying with government regulations is essential they should be viewed more as a means to an end rather than as end in themselves.

## Other service and organisational objectives

There may other internal service and organisational objectives which are important to achieve but are not as important as the strategic objectives. Some of these have been identified during the SWOT analysis and it these should be clearly stated at this stage of the planning process. These are in effect secondary objectives. It is not necessary to develop a detailed hierarchy of objectives - this is only likely to confuse matters and obscure the strategic objectives.

## Mission statements

An increasing number of public and private organisations have drawn up mission statements which usually summarise the organisations purpose and aims into a single statement. They are particularly common in diversified organisations where they attempt to ‘inspire a common purpose’. They are intended to help to improve or promote the image of the organisation and to motivate staff. However, recent research has revealed that mission statements in industry are primarily intended for internal use, to communicate and motivate staff and to assert management leadership through the company.

An important distinction needs to be made between mission statements, strategic objectives and performance targets. Over eighty per cent of organisations with mission statements also had separate statements covering their strategic objectives in a recent survey.

A mission statement usually combines ‘statement of the long term purpose of the organisation reflecting deeply held corporate views’. It is often combined with a statement outlining the organisations scope, activities and geographic spread. It should be concise and explain the organisation’s *raison d’être* - its primary purpose, function and broad aims in a paragraph.

**Strategic objectives** should set out the desired longer term direction and performance of the organisation.

**Performance targets** should be set out in the operational or action plan and quantify specific performance objectives to be achieved within a specified period.

The process of drafting a mission statement can be positive in that it forces clear examination of the organisations objectives. However, mission statements are usually brief and should not be confused with nor attempt to replace strategic objectives. A mission statement could include reference to one or more of the following:

### Purpose or function of the service

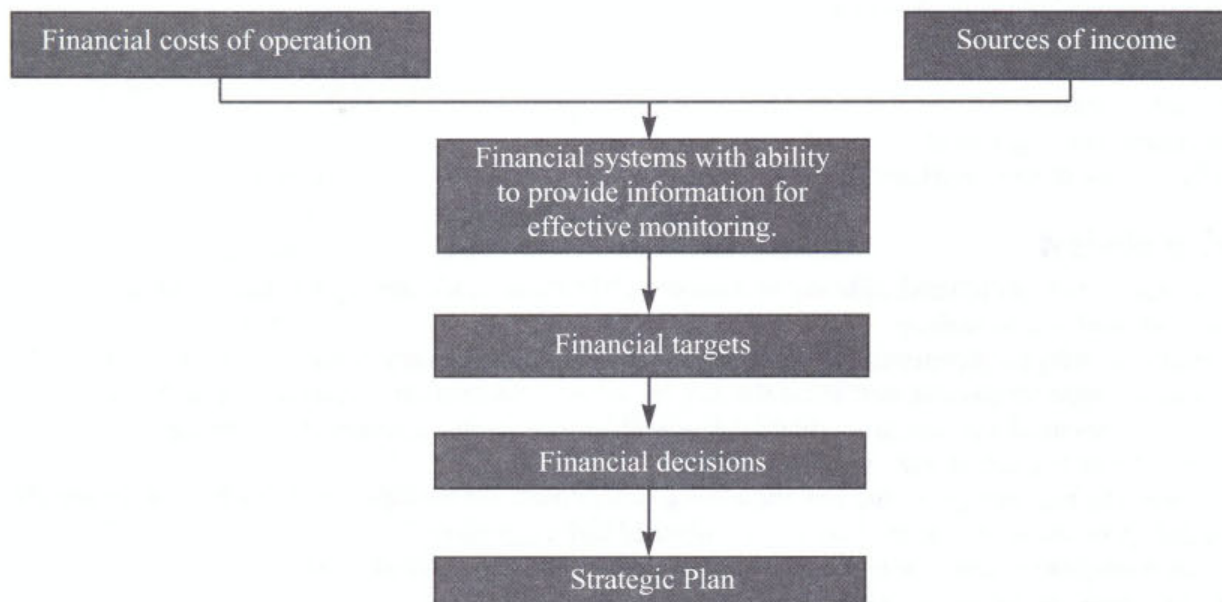
- range and scope of services
- meeting specific needs

### Strategy

- uniqueness
- market niche

- trying to determine the cause of marginal differences in costs between different cost centres ie schools which assumes a level of accuracy and value in such detailed comparison which is neither useful nor relevant.
- too much emphasis on financial matter at the expense of service quality and employment matters.

This stage has five core elements:



#### Financial costs of operation

- costs of the different elements of the service
- overheads
- rents
- management and supervision
- employees (different skills/groups groups)
- management and supervision costs
- buildings
- transport
- utilities
- central services
- computing
- contract costs
- leasing fees
- materials and supplies

The analysis should distinguish between fixed and variable costs. Variable costs should be examined

#### Sources of Income

Income would need to take into account income generated from:

- contracts
- Service Level Agreements
- user charges
- non-contract work
- variation orders issued for contracts
- other sources
- income generated within the authority
- income from outside the authority

#### Financial systems

- trading accounts
- cost centres
- identification of the type of financial information required for monitoring
- monitoring unit costs



**Financial Targets**

- additional income
- new markets and new services/contracts
- penalties on contracts
- rate of return/profit or surplus
- minimising cost of financial systems

**Financial Decisions**

- pay and conditions
- purchasing new equipment
- staffing levels to meet workload

**Service review**

Having completed the profile and audit the next stage should focus on identifying any needed changes and improvements and should include:

- consultation with users (internal and external) about what improvements could be made to service delivery.
- consult the trade unions and staff about the way the service is organised, managed and delivered.
- identify ways in which current shortcomings or problems in service delivery can be remedied
- examine best practice in other local authorities
- examine possible changes in the way the service is organised, for example, consolidation of the service, establishing specialist units, and the way work is planned and programmed.
- review management and financial information systems identifying changes needed.
- examine costs and pricing of work
- examine the potential for expanding services and develop a marketing strategy.

These are the type of questions which should be posed:

- Can money be saved by buying more cheaply?
- Could premises and equipment be shared with other departments?
- Could the service be provided more efficiently by investing in new equipment or buildings?
- Can the Council's own staff carry out work currently done by contractors?
- Is a review methods of operation, management procedures and work patterns needed?
- How can job satisfaction be enhanced?

**SOURCES**

- Preparation of a Service Profile will require a small team to carry out the work. Staff should be allocated specific tasks to be completed within a timescale. Whilst accuracy is important there has to be a cut-off point otherwise the gathering of information can go on and on.
- A SWOT analysis could a useful way of identifying some of the key issues for the Service Profile agenda.
- A **Quality Audit** could be carried out as part of the Service profile. This would seek to identify the current quality of service and highlight potential improvements (see Part 5).
- Checking and verifying the accuracy of the Profile and Audit is essential. The Profile should be checked by the trade unions and their comments and suggestions built into the Profile.
- The preparation of the Service Profile should be used to establish and/ or improve financial and service performance information systems which will be essential for performance review and evaluation of the plan.

# Sector or Market Analysis

**The Sector or Market Analysis is essential in order to fully assess the opportunities, changes and competition the service will be facing and provide the information for forecasts.**

**It is important to assess trends in relation to the particular service and the local competitive environment.**

## METHODOLOGY

This analysis should have five main parts:

### 1. Economic and political context

- vulnerability of the service to economic recession.
- demographic and social trends which may have an impact on the level of demand: falling school roles may lead to school closures and reductions in school meals and cleaning services, or new housing development may require an expansion of services.
- planned legislative and government policy changes: will forthcoming legislation or policy changes affect the scope of the service and/or the ability of the authority to trade within the public sector?
- availability of funding for the service
- impact of corporate restructuring and/or changes in policies and procedures by the local authority: how will changes in other departments and services affect your service?
- impact of changes in the local economy on services: for example, what will be the effect of further closures and increased unemployment.
- local economic development strategies - the encouragement of certain types of business or small firms may increase competition in tendering council services.

This section should be no more than a few paragraphs.

### 2. Key trends in the service sector or industry

The key point is to establish whether the 'market' is growing, remains static, or is declining? This section should identify the likely impact of national or regional trends on the service including:

- changes in patterns of user spending - will longer term trends in user spending affect the level or range of services provided, and how local economic conditions will effect the need and demand for different services.
- changes in standards of services, for example, are user expectations leading to higher standards of service either across the board or for particular parts of services.
- changes in government policies and legislation which may affect services and tendering strategies.
- trends in service delivery and innovation, for example, the technical and organisational changes occurring in service delivery in other authorities and in the private sector.
- changes in technology such as the effect of new equipment on working methods.
- trends in the packaging of services, for example, the development of 'multi-service' or facility management contracts.
- changes in the supply of goods and materials which the service requires.
- changes in environmental policies and requirements

### 3. Potential markets

This analysis should examine:

- the level of growth or decline in the sector and the extent to which this will affect the level of potential work
- the main opportunities for improvement and expansion
- service and employment related income generation (see below)
- work already contracted out which could be brought in-house
- restrictions on trading imposed by local government legislation
- possible use of surveys to assess user demand and potential for change in the level and quality of the service - will also be useful in helping to plan the service.

### 4. The competition

The plan should identify the existing pattern of contracts in neighbouring authorities together with their tendering timetables. It should also identify:



- the key firms or organisations which are seeking work and contracts
- patterns of bidding and apparent tendering strategies
- how firms are gaining market share and any information on their corporate strategies
- competitor's strengths and weaknesses including their public sector track record
- anticipated new entrants to the sector
- how is competition likely to increase or decrease in the planning period
- cross boundary tendering, competition from DSOs and trading units in other authorities

## 5. The local labour market

It is important to examine the major trends in the local labour market as maintaining and/or recruiting staff will be essential:

- main trends in the availability of locally required skills
- impact of anticipated changes in the local labour market which may affect the availability of appropriately trained staff

## 6. Material and supplies

Supplies and services usually constitute a substantial element of the budget.

- possible changes in sources and availability of supplies
- new products and services
- new purchasing methods and arrangements

## 7. Forecasting

This should seek to predict the level of work, setting realistic targets based on the points above including identifying potential peaks and troughs. It will be necessary to predict or forecast the following:

- the scale of the service ie the number of council houses in the stock,
- the number of outlets ie schools,
- total budget
- impact of different pricing policies on the level of demand

Unlikely ever to get it exactly right and opportunity to revise forecasts periodically as part of the monitoring and evaluation of the plan. So the aim is to make a considered assessment which can later be adjusted according to conditions and performance.

Sector or market analysis is a client-side responsibility in CCT and this has meant that some DSOs have not accrued any experience in this work. It is essential for effective forecasting and trying to improve job security by seeking new markets.

## Effect on the local economy

Plans for larger DSOs and in-house services must consider the role they have, either separately or as part of the authority, in the local economy. More often than not the local authority is the largest employer in the local economy and has an important role to play in:

- maintaining wage levels and conditions of service which can provide a standard or barometer for other employers in the area
- influencing the implementation of equal opportunities policies - without the pressure or example set by public sector employers many other employers would increase their efforts to marginalise equal opportunities
- training
- purchasing of goods and services locally

## Sensitivity Analysis

It is important to test how realistic forecasts actually are by subjecting them to series of 'what if' questions - see part 4.

## Service & Employment based income generation

Making better use of existing services and equipment, providing new or enhanced services, and seeking to win other service contracts are vitally important. However, it is essential that income generation is not simply financially motivated but related to service provision and job retention. Too often income generation can focus on relatively small schemes which are likely to be short lived or have little to do with retaining local employment.

"We're better off winning service contracts and treating patients than putting scarce NHS capital into fringe schemes" stated one NHS resource manager commenting on income generating schemes (HSJ 21 Nov. 1991)

### **New markets and new packages of services**

Local Management of Schools, schools opting to Grant Maintained Status, the formation of Trusts for residential homes, and the fragmentation of local authority services into separate units and organisations is forcing DSOs and trading units to develop new approaches in order to retain work and expand into new areas. This is leading to the re-packaging of services and more aggressive promotion and marketing.

Clearly, seeking new areas and/or to diversify can only be justified if the service to existing users is satisfactory. Attempting to diversify or seek new work should not be used as a diversion from current problems - it will only serve to reinforce existing shortcomings in the longer term.

A strategy to improve services and retain jobs needs to cover the following;

- added value - enhancing the service and ability to increase income
- new packages of services
- retention and/or creation of existing employment
- need for the service
- legal framework
- minimum investment required
- avoidance of commercialisation
- reasonable financial viability
- marketing and promotion

Methods of improving and expanding services

- improving existing service delivery through reorganisation, introduction of new equipment but at marginal cost and with little or no change in income generation
- New services currently not provided by either public or private sector - generating new income from a new service building on existing resources
- New public service to compete against service already provided by the private sector - seeking share of an existing market and/or seeking to benefit from its expansion
- extending the use of existing facilities and services: for example, selling hospital laundry services to private hospitals and the residential care sector.
- better use of internal services within the authority

### **Internal Market**

- Authority's staff
- other departments and services in the authority
- other similar authorities
- other public sector bodies
- existing users of services
- businesses and voluntary bodies receiving council grants and/or renting council property
- private sector generally

### **External market**

- general public
- private sector organisations
- community and voluntary organisations

### **Legal constraints and opportunities**

- legislative constraints re Local Government Goods and Services Act
- Cross Boundary Tendering

### **Criteria for appraisal**

The following criteria can be used to assess proposals for income generation.

- nature of the proposal
- potential scale and market
- effect on existing services
- employment consequences
- impact on users
- legal constraints



- resources, facility and equipment requirements
- financial, investment and risk analysis
- use of income received
- specific marketing proposals
- other trade union issues
- implementation, approval and timetable

### Whose ideas

New markets or gaps in existing markets are most likely to be identified by frontline workers and other staff directly involved in service delivery. Procedures will need to be negotiated with the trade unions for:

- the encouragement of ideas and proposals through the trade unions
- the investigation of ideas and proposals for developing new services or seeking new work
- the full and fair evaluation of these proposals using the above criteria
- the evaluation of proposals to improve or change the management, organisation and operation of existing service delivery

## SOURCES

- Specific sector studies: NALGO/Centre for Public Services and Local Government Management Board for those services subject to CCT (forthcoming)
- Information about general trends in the sector can usually be found in local government press and technical journals.
- Information about specific companies: Both the Public Services Privatisation Research Unit (based at NUPE and available to trade unions) and LGMB (available to local authorities) databases have detailed profiles on contractors.
- Specific research will have to be carried out to identify the potential to diversify into new areas or markets and for income generation proposals. These studies should draw on the information in the Service Profile to compare quality of service, costs and so on with competing organisations or firms.
- It may be necessary to carry out specific market research or surveys of internal and/or external users in order to establish potential levels of work and details of user needs (see also User needs Analysis below)
- National or local market research by other public bodies, research institutes, and trade associations may also be useful.
- Be very wary of the simple extrapolation of past results and performance - changes in the sector, new legislation etc. may make straight line projections invalid.

Having completed the sector or market analysis it is important to double check the main forecasts and the evidence upon which they are based (and any assumptions which have had to be made). A plan based on unrealistic optimism about winning new contracts or one which seriously underestimates the level and intensity of competition can call into question the credibility of a plan, the positive benefits achieved in the planning process, and lead to early major revisions of the plan.

# User Needs Analysis

**Identifying and setting out proposals of how the service will try to meet User needs must be at the heart of a Public Service Plan.**

The separation of client and contractor roles often leads to a crude splitting of responsibility for identifying user needs. It is often assumed to be a 'client' responsibility. However, departments should be seeking regular information on user needs, quality of service, and so on from frontline staff. Equally those involved in service delivery should be seeking user views on the organisation, access and responsiveness of the service.

## METHODOLOGY

### 1. Identification of users/clients

The first prerequisite is to identify precisely who the users/clients are:

- members of the public
- community and voluntary organisations
- other local authority departments
- other public bodies



User surveys, covering both internal and external users, are usually an effective way of determining who the current users are.

## 2. Compare current level of service with user needs

Having established the current level, quality and frequency of service in the Service Profile this should be compared with user needs to identify any gaps. The extent to which this service meets user needs should be established using one or more of the following:

- discussions with current service users through surveys
- needs audit
- household surveys
- consultation with community and tenants organisations
- user group consultation
- information from front-line staff
- complaints received

## 3. Future user needs

User needs rarely remain static. Identifying how and the extent to which these needs will change over the planning period is an essential part of the planning process. This should cover:

- the extent to which changing demographic trends will affect the level of service required - for example, falling school roles, changes in post 16 education and vocational training, increasing number of people of retirement age.
- any changes in users requirements, for example, the effect of Local Management of Schools.
- service sector analysis (see market analysis)
- new areas of service provision to meet unmet needs or extend services

## 4. Changes needed to meet future user needs

Any substantial change in user needs either from reduced or increased levels of demand, or for a different or improved service delivery will have a knock-on effect on service delivery and its organisation. It is important to identify what changes may be necessary in order to make the organisation more responsive to changes in user needs. This should examine:

- the need for any changes in the method of delivering the service
- the potential to integrate different services to provide a more comprehensive or facilities management approach
- determine potential for adding-value to specific services to meet changing needs
- establish user involvement in planning
- feedback of ideas and experience

## 5. Develop relationship with users and commitment to public services

- ongoing consultation
- review of service delivery
- training to develop awareness of council policy and practice
- outreach work

## SOURCES

Emphasis should be placed on the quality of indepth information about user needs.

Too frequently relatively expensive market research or surveys are carried out but produce very little indepth information about user needs, focusing instead on superficial views about likes and dislikes or simplistic views about the 'efficiency' of council services.

- Briefings and discussion with user organisations such as tenants associations and federations, community organisations, pensioners groups and so on.
- Establishment of user groups
- Surveys of users carried out by the authority at facilities and centres
- Surveys carried out by user and community organisations
- Quality Audits
- Market research of LMS and GMS schools carried out as part of sector analysis
- Internal surveys or questionnaires of actual users in other departments



# Strategic Plan

The Strategic Plan should chart the overall direction of the service and organisation over the planning period.

## METHODOLOGY

Three basic strategies which can be used singularly or in combination:

- **overall cost leadership** - producing the service as cheaply as possible in order to undercut competitors.
- **differentiating the service** - emphasising quality of service ie customer service, use of technology, competitive advantage is gained by the uniqueness or the special quality of the service (costs are important but not a primary strategic target).
- **focusing the service or niche markets**- concentrating on particular services rather than a wide range, ie focusing on quality in a particular service or area rather than a broad brush approach.

There are however, limitations on the extent to which these strategies can be applied in the public sector. Whilst some national public services such as British Rail can diversify there are trading restrictions imposed on local authorities. Nor can local authorities adopt a niche market strategy by simply abandoning a universal service which is part of its statutory duties.

There are also strategic decisions about:

- how to **consolidate/maintain** the current position
- how to **improve the quality of service**
- whether to **expand and/or diversify** - new markets, income generation, cross boundary tendering
- whether budget cuts impose the need for **managed contraction** or withdrawal in parts of services
- introduction of **new management practices** across the organisation

## Implications of the three broad strategic options

Strategy	Skills & Resources Required	Organisational Requirements
Overall Cost Leadership - <b>competing primarily by having lower costs than competitors.</b>	Sustained capital investment and access to capital	Tight cost control
	Intense supervision of labour	Frequent detailed monitoring reports Structured organisation and responsibilities
	Products/services designed for ease of production and delivery	Incentives based on meeting strict quantifiable targets
Differentiating the service - <b>emphasising quality of service and value added uniqueness</b>	Strong marketing abilities	Strong co-ordination amongst functions and sections of service
	Creative flair	Quality of service rather than quantitative measures
	Corporate reputation for quality or technological leadership	Amenities to attract highly skilled labour
Narrower focus - <b>focus on specialised services</b>	Combination of the above directed at particular strategic target	Combination of the above directed at particular strategic target

In theory there are three basic options available to achieve these objectives:

- through internal resources and development
- joint ventures with other public sector organisations
- acquisition

However, acquisition by takeover or merger is not an option usually available to public sector bodies.

Ability to operate in the 'competitive environment' is also constrained by:

- legal constraints
- financial rules which forbid submitting loss leaders to gain market share, and impose controls on the access to capital for investment

## Setting the priorities

The Strategic Plan should examine existing priorities and reassess these in the light of the current plan. It should determine the main priorities which should be developed in more detail in the Operational or Action Plan.

Key service and organisational targets should be identified which will be further detailed in operational plans. The key targets could include:

- **introducing a more comprehensive and coordinated service**
- **implementing quality initiatives**
- **improving working conditions**
- **introducing new management practices within parts or all of the organisation by certain dates**
- **winning contracts and/or increasing level of work**
- **achieving a certain level of surplus or return**

These strategic targets should be prioritised and set out in a timetable:

## Strategic targets timetable

Strategic target	Year 1				Year 2				Year 3			
	Quarter				Quarter				Quarter			
	1	2	3	4	1	2	3	4	1	2	3	4
1 .....												
2 .....												
3 .....												
4 .....												
5 .....												
6 .....												

The financial strategy will also have to set out how any surplus will be used ie reinvested in the service to acquire new equipment or fund service quality improvements.

Remember, plans should be driven by meeting user needs, not driven solely by financial and profit targets.

## CCT Strategy

This should set out the targeted contracts and their timing over the planning period identifying specific action which may be required in the run-up to retendering.

## Environmental issues

The Operational Plan should also address how environmental objectives will be met in the implementation of policies. For example, the plan will need to consider:

- environmental criteria in the use and supply of goods and materials
- recycling
- energy conservation in offices and depots
- use of chemicals and pesticides
- waste disposal
- noise intrusion from depots



The service may also have an education function, for example, cleansing services and ground maintenance, in participating in environmental education.

Plans for large organisations may want to establish environmental balance sheets which would clearly identify standards, protective measures taken, and the resources used in delivering the service.

## Realism

It is vital that strategic objectives are feasible and potentially achievable - it is pointless, and demoralising, setting targets which require super-human effort or which depend on unlikely economic circumstances. For example, one DSO set an objective of a 1% failure rate per zone on a cleaning contract - it soon suffered financial losses and seven out of ten contracts were lost when the contract had to be retendered.

## Risk analysis

There is always a risk of some of objectives not being met, of resources being cut or limited by unforeseen events of one type or another. Risk analysis attempts to assess the risk of non-implementation or non-performance - see Part 5.

## Financial strategy

This should establish the overall financial targets plus the following:

- Budget including capital programme covering replacement and new investment for plan period
- forecasts for each year of plan period including writing down the assumptions upon these forecasts are made (thus facilitating evaluation later)
- profit and loss account (balance sheet) covering expected income and expenditure
- Cash flow statement - monthly for year one then quarterly or half yearly for subsequent years

The financial strategy will also have to set out how any surplus will be used:

- reinvested in service improvements
- reinvested in new equipment
- held in reserve and carried forward to the next financial year
- transferred to corporate budget
- reduce charges to users
- surplus sharing scheme with workforce

and also deficits:

- set against reserves
- charged to corporate budget

Remember, plans should be driven by meeting user needs, not driven solely by financial and profit targets.

## Contingency planning

Contingency planning is about considering and preparing for the possibility of coping with major changes in circumstances, threats to the service, failure to implement planned proposals or to achieve performance targets. It is about being prepared if things do not go according to plan for whatever circumstances.

It is not normally necessary to prepare detailed plans on how to cope with every foreseeable crisis, this would be wasteful and costly in terms of time and resources. But it is prudent to consider possible scenarios and to increase the service or organisation's ability and capacity to respond if the need arises. The level of risk, uncertainty and the potential adverse effects will obviously vary.

A contingency plan would briefly set out the action to be taken in the event of:

- Budget cuts being imposed leading to a substantial change in the level and quality of service.
- Implementation of changes in Government policy and/or legislation
- Changes in the interpretation of local government trading rules and regulations thus further restricting local authority's activities
- Failure to achieve financial targets
- Government imposed re-tendering or contract failure

Contingency plans should:

- identify which contingencies to consider
- evaluate their likelihood and potential impact
- decide what would be appropriate action to take

## SOURCES

- The results of the Service Profile and the forecasts in the Sector or Market Analysis should underpin the Strategic Plan. They should provide an agenda for discussion by the planning team.
- A team approach is essential because the decisions at this stage will largely determine the scope of the Operational and Employment Plans.



# Employment Plan

**The Employment Plan should set out the policies and changes in staffing and employment issues over the plan period which will be necessary in order to implement the Strategic Plan.**

The workforce is a vital resource. Employment planning and developing a better understanding of the local labour market are important parts of a public service plan. The plan should cover the authority's employment policy as a whole, not simply the number of jobs, pay and conditions of service, important as these are. The broad health and welfare of the workforce is vitally important because of the direct relationship between the quality of service and the quality of employment (see A Strategy for Quality, Public Service Practice 4). If the Plan is to develop new services or new markets the Employment Plan should set out how this will be achieved - the need for additional staff, their skill level, recruitment, and so on.

The employment plan will need to be discussed and negotiated with the trade unions through local bargaining procedures.

## METHODOLOGY

The employment section of a public service plan should have 16 elements:

- 1. Staffing levels:** the forecasts of overall staffing levels for the plan period, planned changes in staffing levels in each section to meet strategic plan objectives (numbers, types, levels) and any changes in the mix of skills required. Redeployment policies should also be stated.
- 2. Skills analysis:** The plan should assess the range of skills currently available in the organisation and assess its needs over the planning period. It should identify any mismatch and propose how this will be addressed.
- 3. Training programme:** This should address existing skills shortages, promotion and career development, induction training for new staff, management training, CCT and service plans awareness for workforce and Members, and requirements for customer care/quality training. Staff training is a crucial issue both in short and long term and the cost of training should be clearly established and programmed into the staffing and operational plans.
- 4. Staff development:** Proposals to ensure there is a proper career structure throughout the organisation covering manual, administrative and clerical, technical and managerial staff.
- 5. Changes in productivity:** targets and how these will be achieved, for example, through the introduction of new equipment, implications of new technology.
- 6. Pay and conditions of service:** The plan should set the policy for pay and conditions of service. This should state a clear commitment to maintaining national terms and conditions as well as locally negotiated terms.
- 7. Implementation of Equal Opportunities:** Proposals to meet both the council targets and those set by the department or section. It should detail the measures to be taken on positive action against racist and sexist attitudes and those with disabilities. The need to reduce or redeploy staff because of budget cuts may conflict with equal opportunities objectives.

The plan will have to take into account recommendations and proposals following equality audits and/or equality action plans developed corporately. Implementation of an equality strategy should include:

- training of staff
- recruitment and selection procedures
- childcare provision
- job share and flexible working policies
- access to services
- identifying needs through research and involvement
- physical access
- targeting
- monitoring

**8. Health and Safety:** policies and practice

**9. Industrial relations framework:** trade union recognition, facility time for shop stewards and trade union education, and a framework for settling disputes and grievances.

**10. Job satisfaction and motivation:** how this will be assessed and improved over the planning period, including induction courses for new staff.



**11. Workforce involvement:** The plan should establish procedures for assessing workforce and trade unions ideas to improve and expand services. It should also detail how the workforce will be informed of the organisations policies, the achievement of targets, progress in preparing and bidding for contracts and so on.

**12. Relationship with service users:** policies and practices including training.

**13. Policy on contracting-out and sub-contracting:** This should minimise the use of sub-contracting, requiring each case to be fully justified, and ensure full negotiation with the trade unions.

**14. Management of change:** an agreement setting out how planned changes will be implemented with regard to staffing and employment issues. Should be negotiated with the Trade Unions.

**15. Staff health and welfare:** An appropriate framework should be established to enable the implementation of health screening, health promotion, and that facilities are made available to encourage staff social and sports events.

**16. Monitoring of absenteeism:** Need to ensure that any monitoring is fair with acceptable procedures and includes assessing the real causes of absenteeism and sickness. Proposals to reduce sickness and absenteeism should be negotiated with the trade unions.

## SOURCES

- Corporate employment policies (Personnel department) should form the basis of the Employment Plan with any planned additions and/or variations negotiated with the trade unions.
- Economic Development and Planning departments and/or local Training & Enterprise Councils (TECs) should have up to date local labour market information.

# Operational or Action Plan

**The Operational Plan sets out how the Strategic Plan will be implemented over the plan period. It goes into more detail how strategic policies will be implemented in terms of resources, organisational and management.**

There can be several components to an Operational Plan. The extent to which the Operational Plan is divided into separate units will naturally depend on the size and scope of the organisation and service. However, plans will need to address marketing, financial and operational issues irrespective of whether they are treated separately or in one chapter.

## METHODOLOGY

### A Service Delivery Plan

- service production plans
- changes in supply of goods and services
- reorganising/restructuring proposals
- sub-plans for particular sections or areas

This should not be detailed but a list of key points covering

- decisions
- proposals
- methods and timing of implementation

Need to relate to local sites and divisions not just management at the centre

The plan could cover Leisure services as a whole with individual leisure centres having their own sub-plans.

The plan should also identify any changes in the use of land and buildings in order to maximise use and minimise overheads.

### A Quality Plan

This should identify the quality initiatives to be implemented during the planning period together with a timetable:

1. An overall plan explaining how the quality of service will be maintained and improved. This should:
  - identify the quality standards and how they will be achieved, maintained and improved.



- the type of quality control and monitoring of service performance including the type of indicators and measures to be used.
  - how failures and complaints will be dealt with.
2. A management development strategy detailing the possible introduction of new management strategies. The plan should detail the changes and initiatives deemed necessary or desirable to address management and organisational problems identified during the SWOT analysis and/or Management Audit.
3. Cross reference to the quality of employment detailed in the Staffing Plan.

Many authorities have obtained, or are working towards, BS 5750 accreditation and drawing up customer care contracts or charters for particular services. Important as these are, they form only a part of a strategic approach to quality.

Research carried out for 'A Strategy for Quality' (Public Service Practice No. 4) identified different types of quality initiatives. These are categorised under six headings:

- management (eg. Total Quality Management)
- design, planning and specification of services (eg. SLA's)
- processes and procedures (eg Quality Assurance)
- monitoring and evaluation (eg Quality Audits)
- user rights and information (eg. customer contracts)
- quality of employment

A Quality Plan should be based on a comprehensive definition of quality. The Public Service Quality Framework identifies six basic elements which determine the quality of public services:

- The core service
- Access to the service
- The service environment
- The service relationship
- Quality of employment
- Accountability & democratic control of the service

Full details in 'A Strategy for Quality' (PSP No. 4)

The Quality Plan will be very important in the preparation of tenders in bidding for new work.

## A Financial Plan

**Financial information required will include:**

- Budget including a capital programme for new and replacement equipment together with expected revenue for year 1 with estimates for years 2 and 3
- Forecasts for Years 2 and 3 with the assumptions made explicit
- Profit and Loss balance sheet for years 1, 2, and 3
- Cash flow statement - monthly income/expenditure for year 1 and projections for subsequent years.

The plan should seek to maximise income and minimise expenditure through prudent cash flow management including issuing and settling of invoices, pricing tenders to maximise income early on the contract. It should detail how the government imposed rate of return or other externally imposed financial targets will be met.

## Financial models

Computer models can be useful at this stage in assessing the financial impact of different forecasts of service usage, income generation and so on.

Computer 'Business Plans' are available but these are essentially financial models, they are no alternative to the planning process outlined in this report.

## An Investment Plan

This should determine the level and timing of capital investment for buildings, plant and equipment. It should also indicate how this will be financed ie through loans, balances, leasing, hire purchase following a comparative costing of each funding alternative and how each can be implemented within financial controls.

## Environmental issues

The Operational Plan should also address how environmental objectives will be met in the implementation of

policies. For example, the plan will need to consider:

- environmental criteria in the use and supply of goods and materials
- recycling
- energy conservation in offices and depots
- use of chemicals and pesticides
- waste disposal
- noise intrusion from depots

The service may also have an education function, for example, cleansing services and ground maintenance, in participating in environmental education.

Plans for large organisations may want to establish environmental balance sheets which would clearly identify standards, protective measures taken, and the resources used in delivering the service.

## A Promotion and Marketing Plan

Marketing and promotion is increasing in importance with the fragmentation and commercialisation of public services. For example:

- DSO's winning contracts under LMS
- Central services retaining the work from departments and DSO's
- some local government services facing increased competition ie leisure, building control
- important where improved or new services need to be promoted

A promotion and marketing plan should contain proposals to promote the service and organisation as a whole as well as particular services and products. It should explain in general terms the techniques to be used, the resources to be made available, how marketing will be coordinated with other key events, and who will be responsible for the work.

Marketing and promotion will also play a pivotal role in the expansion of existing or development of new services.

## Targets

- to improve take-up of service to a set target
- ensure resources are targeted in areas of greatest need
- need to know current uptake of services
- need to know unit costs and cost of equality initiatives
- need to know user expectations
- what are barriers to service uptake

## Prioritising tasks

The phasing of the implementation of the operational plans is very important. Some tasks will rely heavily on the implementation of others, for example, the promotion and marketing of a new or enhanced service will depend on the timing and completion of improvements or changes to the service.

**Prepare a schedule of the action which needs to be taken, prioritised, and identifying and whose is responsible for implementation.**

## Action Checklist

Objective	Task to be completed	Priority	Target date month/year	Section/officer responsible
1 .....				
2 .....				
3 .....				
4 .....				
5 .....				
6 .....				

The Table above could also be converted into a timetable or year planner.



# Monitoring, Evaluation & Review

**No plan can be effective unless it is monitored and evaluated on a sixth monthly and annual basis and the results fed back into the planning process to contribute to revisions and new plans later.**

The plan needs to clearly identify how the plan will be monitored and evaluated and who will be responsible for doing so. Too many plans are prepared merely to satisfy corporate requirements for the production and approval of a plan or as part of a submission to obtain grants or financial support. They are then effectively put on the shelf.

An evaluation of business plans submitted by 145 firms receiving Regional Enterprise Grants carried out by the Department of Trade & Industry, Welsh and Scottish Offices concluded:

*'The acid test for any business plan is whether or not it is used in managing the business, ie monitored and updated in the light of performance. In most cases, our interviewing team were frankly skeptical that the plans had ever been used since being prepared.'*

## METHODOLOGY

Effective monitoring can only take place if there is up **todate information** available. Monitoring and evaluation should also link into other timescales, for example, the timing of annual accounts and so on in order to maximise the use of available information and minimise duplication.

The process should involve:

- deciding what is to be measured
- selecting which performance indicators will be used
- set performance targets
- agree method of monitoring
- analyse performance
- identify problems and appropriate measures
- take action

The plan should ensure that there is:

- continuous monitoring ie on a monthly basis
- regular reviews ie quarterly by the planning working group which should include an assessment of:
- overall service performance
- the extent to which corporate objectives are being met
- financial performance
- section by section performance review identifying those on target and the reason for those not achieving targets
- identify difficulties, action needed and set revised targets for next quarter
- a report of the review is fed back to managers, trade union reps, and councillors ie management team meetings, LJC, and council committee

## Performance targets and measures

There is always a danger that financial performance dominates the performance review process because it can be more readily quantified in a given format and because financial concerns often dominate contracts and the internal market. Performance review should cover:

- **quality of service**
- **quality of employment**
- **financial matters**
- **organisational performance**

Trading accounts enable an assessment of financial performance but there is no similar set format for assessing service, employment, and organisational performance. It is therefore essential that performance charts are drawn up for these three areas so that they can be reviewed at the same time as financial performance.

Performance targets and measures should be selected during the preparation of the plan.

Normally performance reports should be required on a monthly basis in order to develop continuous assessment.

The following are examples of targets and measures. It is very important to select and agree these targets and measures at an early stage.

## **1. Quality of service performance review**

### Quality of services

- complaints received
- level of default notices and penalties incurred
- speed in rectifying defaults
- user satisfaction on quality and level of service

### Service improvements

- % of planned improvements implemented

### Relations with users

- level of complaints about concerning treatment by staff

## **2. Quality of employment performance review**

### Staffing

- trends in productivity levels
- level of job satisfaction

### Training

- number of staff completing in-house external training
- number of staff completing identified training programmes
- % skill shortages reduced
- % staff re CCT awareness courses

### Equal Opportunities

- % achievement of women and ethnic minorities employment targets
- increased access for users
- changes in use by minority groups

### Health and safety

- reductions in accident rate

## **3. Financial performance review**

### Financial targets

- rate of return
- surplus/break even of trading account
- annual cost per person/household
- trends in overheads as a % of total costs
- comparison of prices/costs with competitors
- income from increased usage by users or visitors
- income from work for other organisations

## **4. Organisational performance review**

### Organisational changes

- implementation of management information and financial monitoring systems
- implementation of reorganisation proposals
- implementation of promotion and marketing

### New agreements and contracts

- % of work obtained and £ income generated
- % of work won in targeted areas



## Assessing performance: Setting Targets

Each service or section should be in a position to complete the following chart. Doing so will help to identify weaknesses, lack of information and/or monitoring, and should provide a basis for evaluation and review of the Plan.

Objectives	Criteria to measure progress towards objectives	Standards		Present position	Targets
		Minimal acceptable	Achievable		
1.....					
2.....					
3.....					
4.....					
5.....					
6.....					

## Part 7

# Presenting and Using the Plan

**How the plan is presented, the key issues are communicated to Councillors, trade unions, and staff will have a direct bearing on the longer effectiveness of the plan. It is only a means to an end and this is ultimately how it will be judged.**

### Contents of the plan

A public service plan should cover the following headings. The level of detail under each heading will depend on the size and range of service(s) being provided by the organisation.

Table of Contents

Summary (written on completion of the plan, 2-5 pages maximum)

Introduction

- a paragraph on the services covered by the plan
- the planning period
- a paragraph on how the plan was prepared

Strategic objectives

- statement of the strategic objectives
- other service or organisational objectives

Service Profile & Resource Audit

- structure and organisation of the service

Sector or market analysis

- economic and political context
- key trends in the service sector or industry
- potential markets
- the competition
- forecasts

User Needs

Strategic Plan

Employment plan

Operational & Action Plans

- service delivery plan
- quality plan
- financial plan with balance sheet and cash flow projections
- investment plan
- promotion and marketing plan

Monitoring, evaluation and review

Appendices & Supporting data:

It is not necessary to put all the evidence, technical and other information into the Plan itself as this is more usefully kept separate in appendices and background papers.

### Summary of the Plan

A 2-5 page summary of the main objectives, targets, strategies and proposals of the plan should be prepared for distribution to the workforce and trade unions.

### Presenting the plan

Long turgid plans are unlikely to be widely used once they are completed. It is essential to present objectives, targets, strategies and policies clearly and effectively using graphics and diagrams whenever possible. Visual



presentation with checklists, bar charts, graphs and so on will also help to get the main message of the plan over in briefings to staff, councillors and key users.

The use of checklists in the plan will also have a practical use in the monitoring, evaluating and updating of the plan.

## **Report to Committee**

It is very important that the plan is explained to and discussed by the relevant committee - this should be a debate about strategic decisions and should not be used as a rubber stamping exercise. No plan can stand in isolation - elements of the plan will interact with other services, departments and their plans. The report should seek authority to implement the plan and agreement on the performance indicators.

The committee should also receive regular progress reports, for example, quarterly or half-yearly evaluation and review reports together with the annual review of the plan.

## **Informing the workforce**

A Plan can play a significant role in helping:

- to build and maintain morale, confidence and security of the staff
- to obtain a commitment to implement the plan's policies
- improve industrial relations in general

## **Informing users**

- use consultative meetings or special briefings to inform community and user groups about the plan.

## **Annual Report**

If the organisation has to produce an annual report, for example DSOs, this should be used to restate the main objectives of the plan and the extent to which the previous years performance has contributed to the plans objectives. The report should also highlight progress in implementation of equal opportunities policies, achievement of environmental standards, and for larger organisations, their contribution to the local economy including training targets met (relative to the local labour market)

## Part 8

# Glossary of Terms & Further Reading

The following glossary of terms covers those which are used in this report together with those which are more used in public service and business planning generally.

### Annual Report

A report detailing the performance of an organisation or company over the previous year.

### Business Plan

A development plan for company or organisation setting out how it will try to achieve its objectives.

### Capital Receipts

Income from the sale of a fixed asset such as land or buildings.

### Cash flow

The flow of income and expenditure on a weekly, monthly or annual basis

### Contingencies

An allowance made to accommodate unforeseen events

### Corporate objectives

The objectives set by and for the council as a whole.

### Corporate plan

A plan covering the local authority, public body or organisation as a whole. It sets out the overall policies and strategy. It is very similar to a public service or business plan.

### Corporate strategy

The overall strategy of the organisation

### Current assets

This covers the value of stocks of materials, cash in the bank, and money owed to the organisation.

### Current liabilities

These are the bills for the purchase of services, materials and supplies which will fall due within one year ie. they exclude long term debt.

### Executive summary

A brief summary of the major conclusions and recommendations in a report or plan.

### Direct Service Organisation (DSO)

The council's own workforce (also sometimes referred to as Direct Labour Organisation)

### Debt Charges

Charges to the revenue account to cover interest and repayments on loans raised to fund capital expenditure.

### Debtors

Are those people or companies which owe money to the organisation.

### Fiduciary duty

The duty of councillors to act in the best interests of the council-taxpayers

### Gross profit

Total profit before tax, interests and any extraordinary payments are deducted.

### Human resources

This is another way to describe staffing and personnel issues.

### Income generation

Money generated by expanding services, imposing new user charges, renting under-used facilities and so on.

### Mission statement

Usually combines 'statement of the long term purpose of the organisation reflecting deeply held corporate views'. It is often combined with a statement outlining the organisations scope, activities and geographic spread.

### Performance review

Another name for monitoring and evaluation - basically assessing how well the service is being delivered.



## Performance targets

Set out in the operational or action plan and quantify specific performance objectives to be achieved within a specified period.

## Rate of return on capital employed

DSOs are required to make a 5% rate of return on capital. This means they must make a surplus or profit equivalent to 5% of the value of the capital equipment employed.

## Reserves

These are savings achieved through surplus balances, trading profits and special funds held by a DSO, department or the authority.

## Risk analysis

An assessment of the likelihood of fulfilment or completion of a contract or implementation of a policy.

## Sensitivity Analysis

This is used in assessing forecasts by quite simply asking a series of 'what if' questions to test the effects of wrong assumptions or changes in circumstances. What if occupancy levels fall by 5%, what if project implementation is delayed by 6 months, and so on.

## Service Level Agreement (SLA)

SLAs are internal agreements between the providers and users of 'central support services' within a local authority's administration. They set out the service to be provided, how it will be monitored, its cost and how it will be paid, and how the agreement will be enforced.

## Strategic objectives

They set out the desired longer term direction and performance of the organisation.

## SWOT (Strengths, weaknesses, opportunities and threats)

A format for questioning the current merits of an organisation and the external climate in which it operates.

## Trading profit

This is the sum which remains after the operating costs (wages, rent, materials, fees and other costs) is subtracted from total income.

## Turnover:

Total annual income of the organisation from all sources including contracts, sale of property and equipment, interest, and other sources.

# Further Reading

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A Guide to the Trading Accounts of Local Authority Direct Service Organisations & Direct Labour Organisations, GMB, NALGO, NUPE & TGWU, 1992.

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