

# Quest 2016 – Gplus 21

## Financial Management and Business Development

### Guidance Notes

Issue 1 - July 2016



#### Outcomes

- There is an effective financial plan which is integral to a business model designed to secure long term viability and sustainability
- The organisation drives both efficiency and effectiveness to maximise the financial performance of the organisation which is aligned to its core purpose and the achievement of wider social objectives and outcomes
- The organisation maximises income, controls costs and generates additional activity and participation, targeting subsidy and resources to where it is most needed
- The organisation fosters a creative entrepreneurial culture and operates a business development programme that is capable of scaling up innovation and best practice to deliver on its core purpose
- The organisation measures its performance, projects forward and can evidence improvement and growth

Challenge:	Unsatisfactory	Satisfactory	Good	Very Good	Excellent
<b>PLAN</b>					
How do you develop a credible financial plan and business model for the short, medium and long term?	Budget planning is predominantly focused on the short term/immediate future and on current projects/programmes /interventions.	The organisation is working to improve its planning and forecasting capability  Annual budget plans are in place and monitored on quarterly or monthly basis. Accounts are audited annually.	The organisation has a clear sense of purpose and strong position in the marketplace.  The Annual Budget and monthly reviews and reporting is a well-established process.  The organisations is in the process of developing a Business Model/Strategy with precise financial objectives for the longer term.	1-3 year financial plan is in place which underpins Business Strategy/Plan.  There is a clear sense of strategy and forward planning based on where the organisation wants/needs to be in 3-5 years' time to proposer and be in control of its own destiny.  Opportunities and priorities to grow develop the business	There is a robust forward looking financial plan in place which is at the heart of a clearly defined business model and operating framework.  Financial projections/forecasting and targets are all in place to help drive up income and reduce costs. These have been carefully calculated and relate directly to the core purpose of the organisation.  The organisation can

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				have been identified and are now being actioned/resourced.	demonstrate growth over a sustained period of time as a result of its planning, business development process, actions and investment.
<b>DO</b>					
How do you ensure that the organisation is equipped with the skills, knowledge and culture to maximise income and minimise cost?	<p>The organisation is focused on getting money it receives “out of the door” to deliver activity</p> <p>There is little or no emphasis placed on financial management/ commercial skills within the organisation.</p> <p>There is no access to financial and business development expertise.</p>	<p>There is some access to financial and business development expertise.</p> <p>Project budgets are managed well and the reports/accounts submitted to funders are satisfactory.</p> <p>Staff are trained on systems and processes.</p>	<p>There is good access to financial information and business development expertise.</p> <p>Staff are trained in general marketing and commercial/business developments skills</p> <p>Budgets are managed across the service and across projects to help create economies of scale and make better use of resources</p> <p>There is a robust set of financial procedures in place which provides control and a framework for effective decision making and clear accountability</p>	<p>There is expertise at Leadership/Strategic Management level with specialist staff in place to support frontline delivery or relationship management around financial planning; business development and marketing. Succession planning relating to specialist roles is in place.</p> <p>Monthly P/L accounts provide good quality financial information that is used pro-actively to set strategy and to take action.</p> <p>The organisation has created/allocated resources for growing its financial planning and</p>	<p>The organisation has strong budget plans and financial controls in place allied to an entrepreneurial culture which helps drive the business forward.</p> <p>There is evidence of innovation and product development which has been successfully scaled up to generate new income</p> <p>Staff have specialist skills where needed, are generally well trained and supported by effective operating policies and procedures that create accountability and support effective decision making</p> <p>Staff have skills and experience and in contract tendering; commissioning; marketing and sales that is fully deployed</p>

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				<p>business development work.</p> <p>The organisation has put in place processes and people to encourage and support creativity, innovation and change designed to sustain the work of the organisation</p>	
<b>MEASURE</b>					
<p>How does the organisation demonstrate its efficiency and effectiveness in what it does and how it operates?</p>	<p>The organisation does not have KPIs in place to measure its financial or business development performance.</p> <p>The organisation cannot track or capture the numbers/types of people who use the services it provides.</p>	<p>KPIs and targets exist for projects/programmes and are mainly set by commissioning/funding partners.</p>	<p>The organisation has created a suite of KPIs that will help assess its efficiency and effectiveness.</p> <p>These KPIs work across the organisation as a whole as well as within projects and programmes. They are set out in a Performance Dashboard or Balanced Scorecard.</p>	<p>The organisation has established KPIs in place including those agreed with partners/funders/commissioners.</p> <p>These measures show some improvement in performance with links being made between efficiency and effectiveness across the service specifically around targeting of subsidy, value for money and cost effectiveness of key interventions.</p>	<p>There is a robust suite of KPIs in place as part of a Balanced Scorecard. These cover subsidy levels; the targeting of subsidy; attendances; cost recovery; value for money and cost effectiveness; income generation or cross subsidy; external funding levels; staff to income ratios; overhead and administration costs; social return/economic value or leverage.</p> <p>The organisation can demonstrate improvement across both efficiency and effectiveness criteria which has been recognised and endorsed by third parties.</p>

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<b>REVIEW</b>					
What is in place for the organisation to learn, develop and improve its financial planning and business development operations?	There is no formal review process beyond reporting back to funders as required.	Internal and external audit operate focusing on essential processes and accounting practices.	<p>Quarterly reviews of performance take place working across projects and programmes. Board Members, Peers, Partners are involved as appropriate</p> <p>Service improvement group of key staff at ways of working across projects, programmes and services</p> <p>KPI performance is assessed and reported regularly</p>	<p>The organisation has a formal review process across themes and work areas with a clear focus on achieving economies of scale, generating income and attracting additional resources through collaborations, co-productions, external funding and better internal working within the team or across organisational boundaries.</p> <p>There is good use made of available benchmarking opportunities, which has led to positive change</p> <p>Reporting is robust- both to the team and key decision makers</p>	<p>Check and challenge processes operate in support of both budget planning and investment as well as business development and growth strategies</p> <p>KPIs are monitored closely at a strategic and operational level to make informed decisions and effective changes to ways of working and investment in interventions/ products/ services provided</p> <p>Value for money and cost effectiveness is clearly demonstrated</p> <p>The organisation actively benchmarks with similar organisations</p>
<b>IMPACT</b>					
How does the organisation	It is not possible to evidence clear improvement in bottom	There is some evidence of improvement in bottom	Performance baselines are in place around cost control,	Trend data and management	The organisation is growing and diversifying to reduce its cost

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demonstrate improvement, growth and positive movement in the direction of achieving long term sustainability?	line financial performance; cost recovery or new income generation.	<p>line financial performance; cost recovery or new income generation.</p> <p>The organisation is in the process of change and is now investing in management/financial information systems; measurement tools and business expertise.</p> <p>External factors are largely influencing the staff team to be reactive and agile rather than proactive and in control of their own destiny.</p>	<p>income generation and growth opportunities with emerging indications of success and positive results evidenced.</p> <p>Staffing structures/cost base is well aligned to future requirements.</p> <p>Overhead and administrative costs are appropriate and good value.</p>	<p>information is in place and demonstrates improvement in areas identified as priorities for the organisation</p> <p>Levels of external funding are being maintained or increased as a result of the organisation's ability and reputation for delivering high quality and good value outputs.</p> <p>New income lines are developing and showing positive results.</p> <p>Costs including direct staffing and overheads are controlled, considered and provide very good quality/value.</p> <p>The organisation is moving into new areas of work as a result of its high quality planning and delivery and is achieving a good balance between core business and new</p>	<p>base and/or reliance on external funding or a single source of public funding.</p> <p>Direct or unfettered income lines are increasing based on successful business development initiatives and product/service development.</p> <p>Commissions and external funded projects are well delivered providing stakeholders with great outputs and outcomes at great value for money. The cost and value of services and products is clearly identified and is improving.</p> <p>Incorporated organisations (with charitable status) have adequate reserves in place that meet best practice guidance to support investment and to help sustain them .</p>

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				growth.	

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## Guidance Notes



### PLAN

#### GUIDANCE

- There is a financial plan which links directly to the achievement of the Business Strategy / Plan objectives for the short, medium and long term
- Financial and business development planning is underpinned by marketing objectives, priorities and targets designed to deliver on the core purpose and to improve financial performance at the same time.
- Financial objectives have been set that reflect business reviews, performance to date, predicted income streams and growth/diversification targets
- There is an “enterprise” culture that supports change, innovation to secure viability and sustainability through growth
- There is a business development plan and process in place which links up core purpose and strategic objectives with organisational/management/people/marketing and systems strategies. Priorities for expansion, growth and development have been carefully worked out through an options appraisal process which involves a clear understanding of the opportunities, requirements and risks involved
- Relevant key performance indicators (KPIs) have been identified for income generation and targets have been set for individuals and teams for external funding and for occupancy and cost recovery for all projects/programmes/services such as: coaching course; referral schemes; events; holiday programmes; education and training programmes; target group interventions as well as new business or product development.
- Assessments of existing demand as well as latent demand have been used to shape and deliver services/projects/interventions.
- There is a systematic review process in place, at least quarterly, to assess performance, take action and report back to staff, Boards and key stakeholders
- There is evidence of business planning around sustainability of projects/programmes beyond funding periods
- Budget planning is rigorous and well informed with good use being made of management and financial information; latest industry trends and insight and local knowledge/expertise
- Projects are well planned and organised “to do more with less” and show cost and benefit

### DO

#### GUIDANCE

- Staff are fully involved in the business and budget planning process.
- Staff have financial targets for both income and expenditure and are fully accountable for budgets in designated areas
- Staff have ready access to live financial performance information and know how well the organisation and service is performing
- There is evidence of training for all relevant staff in financial/business planning, business development; tendering, sales and commercial skills in order to develop an entrepreneurial culture and outlook to help achieve the core purpose of the organisation.
- Sales and marketing processes have been well developed to sell the benefits of the organisation and its services/products and to ensure that leads generated and then converted into sales where targets have been identified/set
- There is evidence that retention is closely monitored to: keep newly engaged customers involved and active; indicate the value of projects/interventions; and recover costs in order to achieve sustainable development.

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- Business cases and Options Appraisal processes are used to develop ideas/proposals to shape services/products that can be scaled up to reduce costs, target subsidy more effectively or generate income and promote viability/long term sustainability
- Staff are able to understand and use SROI and other social value measurement tools.
- Independent and peer reviews are completed on the performance of the service and ways of working to improve cost efficiency and the targeting of subsidy.
- ICT systems assist performance reviews, capture performance data and provide good quality financial information
- Other ICT systems and products been developed/ purchased to assist in the monitoring of the service's performance
- Readily available resources and external information (such as: inactivity rates/profiles; customer insight and market segmentation) is extensively used to assess demand and supply, latent sports demand,
- External funding is well managed and clearly accounted with the organisation satisfying all of the requirements of funders
- Staff resources/specialisms are in place to specifically focus on driving/supporting improved financial performance across all areas
- Staff skills are evident: commissioning, business development, sales and marketing and staff are experienced in preparing bids/tenders and product development
- Procedures and policies are clearly developed, defined and documented as part of a quality management system, which staff can access and utilise

### MEASURE

#### GUIDANCE

- The organisation plans backwards to make the changes and investment necessary to deliver a more sustainable service
- The organisation measures and projects forwards to set short, medium and long term targets as part of its business modelling
- The organisation operates a Balanced Scorecard to help drive efficiency and effectiveness around financial performance with a suite of KPIs that focus on income generation; business diversification; cost recovery, value for money, subsidy per user; subsidy per head of catchment population and social return on investment
- Staffing costs and ratios are closely managed and measured to help assess productivity and efficiency.
- Administration and overhead costs are closely managed and reviewed to maximise efficiency and determine value/cost benefit. Where possible overhead costs are incorporated into funding bids and submissions
- The “return” on investment projects, new ventures and external funding is calculated and then measured as part of the business development process
- The organisation measures inward investment and levels of external funding
- The organisation measures diversification of its income streams and the blend/balance of its business with sustainability in mind
- The organisation measures its wider social return and/or economic value
- Efficiency measures and targets are set
- Risk is carefully assessed

### REVIEW

#### GUIDANCE



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- The financial plan remains 'live' and 'real' with staff input and regular reviews at a strategic and operational level. Budgets are adapted and amended based on performance with contingency plans in place where risk is taken or there is under-performance
- There is regular reporting of results and outputs which is well communicated both internally and externally.
- Performance is positively managed and achievement recognised and celebrated
- Staffing structures are regularly reviewed and realigned to meet the needs and demands of the organisation
- There is a process in place to review action planning designed to increase income; leverage in additional external funding; deliver on commissions and drive down costs
- Pricing policies are regularly reviewed as are the provision of free and paid for services to partners and stakeholders
- Marketing practices are reviewed to identify products and services that have potential to generate new income and achieve full cost recovery
- The service regularly reviews projects, programmes and occupancy/take up rates in key service areas to ensure target audiences are engaged and take action to improve performance/impact
- The organisation benchmarks its performance within the sector and with similar service based organisations as appropriate
- Stakeholders, partners and end users are pro-actively involved in performance reviews to assess efficiency and effectiveness
- Staff are fully engaged in business development reviews and the scaling up of projects/services to achieve financial objectives
- There is a reward/recognition scheme in place for initiative and enterprise demonstrated by staff
- There is a process in place to regularly review and update relevant procedures and policy systems

### IMPACT

#### GUIDANCE

- The service can demonstrate improvements in all areas of the financial and business performance year on year through the actions it has taken
- Partnership working and approaches to commissioning and external funding has attracted additional income/resources which can be calculated and is communicated.
- Usage/throughput/participation has increased and generated positive results including additional income.
- Savings and economies have been achieved within the service's expenditure budget
- The net cost of the service has been reduced and the service can demonstrate an improvement in performance year on year towards a more viable and sustainable position. Projects and programmes are achieving their targets and are more sustainable in the longer term without public funding or direct support
- Subsidy has been effectively targeted at those who most need it and the organisation can demonstrate value for money and cost effectiveness when producing impact reports and tendering for commissions/new contracts.
- KPIs are improving, both within the service/projects and across the organisation
- Economic added value has increased as a result of the service's work and output
- New business has been won or developed
- The business model is working and the core purpose of the organisation is being delivered to good effect. Efficiency and effectiveness is demonstrated

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