

# Quest 2016 – Splus 43

## Financial Management & Performance

### Guidance Notes

Issue 5 – July 2016



#### Outcomes

- The development of an effective financial plan
- Understanding across the team of the financial performance of the facility
- The effective address of any financial shortfalls and the achievement of financial objectives
- To maximise the financial performance of the facility, given the wider social outcomes and objectives

#### PLAN

**How do you set your financial, performance management targets for the short, medium and longer term?**

#### EXAMPLES OF BEST PRACTICE

- Financial plan linked to business plan objectives
- All areas of the financial plan reviewed to improve performance in the following year
- Annual budget set on monthly basis with both unit and monetary targets; breakdown on each income and expenditure line can be achieved
- Budget targets set using profiled targets
- Key performance indicators identified and targets set
- Systematic review procedure in place for month end accounts to be provided within specific period
- Business case process for investment works
- Proposals to meet additional demand or improvement of facilities
- Current users mapped to assess service or facility catchment for products to assess latent demand
- Market segmentation: assessment of demand and supply in catchment areas for key facilities
- Open market tendering and procurement strategies for key suppliers to reduce expenditure
- Secondary sales/ spends considered to contribute to net position
- Loss making services considered that contribute to wider objectives
- Sales and marketing processes developed and targets set
- Retention programmes developed and monitoring systems in place; attrition rates are in place for all areas
- Procedures and policy standards are part of an integrated quality management system

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### Suggested Guidance

#### SUGGESTED GUIDANCE

- Does the financial plan/budget book link to the achievement of the business plan objectives and higher level strategic plans
- Is the financial plan/budget book simply set on last year's actual +/- x%, or have the management team fundamentally reviewed all areas of the business to determine how the facility can improve its performance in the following year
- Is the annual budget set on a monthly basis with unit as well as monetary targets with a detailed breakdown on how each income and expenditure line can be achieved through usage, prices, occupancy (and membership sales and projected cancellations in facilities)
- Are budget targets set using profiled targets that reflect previous performance, known variance and predicted income streams
- Have relevant key performance indicators (KPIs) been identified and targets set for example; number of members per station, swim income per m<sup>2</sup>, income per court and casual income as a % of DD income; coaching course occupancy; referral schemes; events; holiday programmes; training programmes; target group programmes and membership schemes; grant programmes
- Is there a systematic review procedure in place, so that the month end accounts are provided within a specific period following the month end and is a review process in place for the senior management team to review them as well as the head office, department head and the facility management team
- Is there evidence of a business case process for investment works including building and equipment quotes, income and expenditure projections including contingencies and allowances for a contribution to central costs and profit with strategic reasons for completing the works
- Are there proposals to meet any additional demand or improvement of current facilities, including change of use of facilities or improvement of ancillary facilities
- Has the service mapped the current users within key areas, such as fitness, swimming lessons, holiday activities and older people to assess the service's or specific facility's catchment for the type of product, to assess latent demand
- Is there evidence of an assessment of demand and supply in the catchment areas for key facilities including swimming pools, main halls, fitness and all weather areas
- Is there evidence of open market tendering and procurement strategies for key suppliers and franchises to reduce expenditure, particularly energy and maintenance costs with a competitive process to engage key suppliers. This may be completed by head office or central procurement of a council; do they assess for Value for Money (VFM) utility tariffs, catering franchises, maintenance contracts, fitness equipment suppliers
- Is there evidence that secondary sales, for example catering, bars and vending have been considered and are positively contributing to net position
- Have any services where there is currently subsidy needed such as a crèche, GP referrals and specific programmes that contribute to wider objectives or other income streams been considered
- Has sales and marketing been developed to ensure that leads are generated and then converted into sales; are sales targets set in all areas.
- Is there evidence that retention programmes have been developed and monitored to keep existing customers; are attrition rates in place in all areas, not just fitness and health
- Have procedures and policies been clearly developed, defined and documented as part of an integrated quality management system, for staff and where appropriate customers

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### DO

#### How do you communicate financial, performance targets to all the staff and stakeholders?

##### EXAMPLES OF BEST PRACTICE

- Management and staff involvement
- Senior managers inform staff of the budgets
- Managers and staff 'buy-in' to targets and budgets
- Management responsibilities for each key area defined; staff responsible for elements of budget
- Monthly targets for income and expenditure cascaded to staff.
- Management and all staff have access to monthly performance information
- Current performance is known by staff
- Staff know how they can influence the achievement of targets
- Staff views are encouraged on how to improve performance
- Easy to read up to date information available for staff

##### SUGGESTED GUIDANCE

- Have a range of managers and staff been involved in the financial and business planning process
- Do senior managers agree their budgets and disseminate information to all staff
- Do all managers and staff 'buy-in' to their targets and budgets as opposed to just believing that they have 'been given' the following year's budgets
- Are senior managers responsible for each budget area, with front line staff also responsible and accountable for elements of achieving the budgets, for example, cleaning and equipment
- Once set, is the annual business plan broken down into monthly targets for all areas of income and expenditure and cascaded down to staff
- Does the service and all staff have access to monthly financial performance information
- Do staff know how well their "department" and the service is performing
- Do staff know how they can influence the achievement of targets in the day to day operations of their job
- Are staff views taken on board with regard to how to improve performance
- Are there easy to read, up to date information charts in respect to performance available for staff

#### What training has been delivered to ensure that the staff are aware of their responsibilities and understand the financial, performance management processes that are in place?

##### EXAMPLES OF BEST PRACTICE

- Relevant staff trained in financial planning process
- Financial awareness training for staff involved

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- Financial management and performance training is part of the service's training programme
- Staff encouraged to attend continuous performance development (CPD) events
- Staff trained in relevant procedures and policies

### SUGGESTED GUIDANCE

- Is there evidence of training for all relevant staff in the financial planning process
- Are Staff involved in the development and monitoring of the finance plan trained in financial awareness and performance management
- Has the service's training programme been developed and is it being implemented, with records maintained on site, which includes elements for 'financial management and performance'
- Are staff encouraged to attend continuous professional development (CPD) courses/ seminars to assist and enable them to obtain additional knowledge and qualifications
- Do management ensure that staff are trained in any relevant procedures and policies; and any changes actioned accordingly

### What resources have been allocated to achieve these outcomes?

### EXAMPLES OF BEST PRACTICE

- Time allocated for staff involvement in the financial process
- Time planned for staff to complete monthly reviews
- Budget responsibilities across the management team
- Peer reviews of performance
- Systems and ICT provision in place to provide up to date data; other systems and products used to monitor the service's performance
- Front of House system linked to central systems
- Financial systems and processes are efficient and effective
- Resources available to access external information
- Staff resources in place to drive financial performance
- Support from company/ council

### SUGGESTED GUIDANCE

- Is there time allocated for staff to be involved in the development of the financial planning process
- Is there time planned for staff to complete monthly reviews of financial targets and key performance indicators
- Is the responsibility for budgets evenly distributed across the management team
- Are independent and peer reviews completed on the performance of the service
- Does the ICT work to assist in efficient performance reviews, are dashboards used to provide up to date performance data. Have other ICT systems and products been developed/ purchased to assist in the monitoring of the service's performance
- Are any front of house systems linked to central finance and accounts systems
- Are the service's financial systems and processes efficient and effective for invoicing, purchase ledger, collection of DD, following up debtors, to name a few

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- Are resources available to access additional external information for example; demand and supply analysis, latent fitness/sports demand, customer insight, national governing bodies
- Are staff resources in place to specifically focus on driving the financial performance across all areas
- What support has been provided from the company/ council to assist in the achievement of the financial performance

### MEASURE

#### How do you measure?

##### EXAMPLES OF BEST PRACTICE

- Financial strategy projections are measured
- Previous financial plan measured and objectives achieved
- Financial and performance results are compared year on year
- Weekly/ monthly budgets measured and reported
- Performance measured and monitored for KPIs as well as income and expenditure
- Staffing costs compared against target and compared with other comparable facilities.
- Investment projects performance measured
- Performance surplus shared with partners or re-invested.

##### SUGGESTED GUIDANCE

- Do the management measure the position of all financial strategy projections, including short, medium and long term targets
- Was the previous financial plan measured and were the financial objectives achieved
- Are annual projections measured against the previous year's and budget; can the service demonstrate an improvement in performance year on year
- Are the weekly and/or monthly budgets measured and if so how is the data reported
- Is the performance measured, not just on income and expenditure but other key performance indicators such as sales and retention, occupancy of key courses, food and beverage gross profits, yield per membership, energy consumption against budget
- Are all actual staffing costs compared against target. Does the service know how well it has performed and are there any comparisons with other comparable facilities, for example, benchmarking performance through the Sports England NBS scheme or similar
- Where investment projects have taken place, has the projected performance been measured and achieved
- Has a performance surplus been measured and shared with the partners or re-invested back into the facility

### REVIEW

#### How do you review what you measure?

##### EXAMPLES OF BEST PRACTICE

- Management can change/ amend aspects of the financial so that it remains 'live' and 'real'
- Measurable outputs and actions taken are sufficient to achieve objectives

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- Following reviews action is taken where targets are not met
- Staffing resources realigned to meet needs and demand following reviews
- Action/ Improvement plans reviewed to assist in reducing expenditure
- Programmes and occupancy rates reviewed and changes made where required
- Following benchmarking activity, understanding of the KPIs can be demonstrated
- Actions taken after benchmarking activity can be demonstrated
- Stakeholders are involved in the review of performance
- Staff consulted in the review of financial plan objectives
- Staff meeting minutes used to track actions and identify outstanding actions
- Celebration of success
- Procedure and policy systems reviewed

### SUGGESTED GUIDANCE

- Is there the ability for the management team to change and/or amend aspects of the financial plan to ensure that it remains 'live' and 'real'; how do the staff improve the process of developing the business plan
- Are the measurable outputs and actions taken to achieve the objectives sufficient and/ or on course to meet the desired outcome
- Is there evidence of actions being taken if the performance is not meeting targets; is support provided to staff for any areas that are not meeting performance targets. Are subsequent and/or additional actions delegated to staff in order that the desired outcomes can be achieved.
- Following review of staffing resources have the staffing structures been realigned to meet the needs and demands of the service and programme
- Is there a process in place to review action/improvement plans to further assist in the reduction of expenditure
- Does the service regularly review the programmes and occupancy rates of the main facility/service areas to assess opportunities to change where occupancy is low
- Following any national benchmarking survey (NBS) efficiency report or alternative benchmarking, for example within the company, can the facility demonstrate understanding of the meaning on the KPIs
- What actions can be demonstrated to have been taken following any of the benchmarking reports; who is responsible for delivering and setting actions and monitoring completion against deadlines.
- How are other stakeholders involved in the review of performance, for example other council departments, client or Sport England, particularly if they provide any capital or revenue funding
- Is there evidence that the staff are consulted in relation to the review of the financial plan objectives
- Are staff meeting minutes used to identify what actions remain outstanding but also track the action taken in order to achieve the business plan objectives
- Are all/any staff rewarded for success
- Management have a process in place to regularly review and update relevant procedures and policy systems

### IMPACT

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### Has what you have done made a difference?

#### EXAMPLES OF BEST PRACTICE

- Improvements in all areas can be demonstrated
- Increased usage
- Income increase and expenditure reduced
- Deficit decreased/ surplus increased
- KPIs results improving
- Results of benchmarking improving
- Savings achieved due to energy management

#### SUGGESTED GUIDANCE

- Can the service management demonstrate improvements in all areas of the financial and business performance year on year
- Has usage increased in the service year on year
- Has income increased across a range of departments within the service year on year; have savings been achieved within the service's expenditure budget year on year
- Has the service's deficit decreased or the surplus increased
- Are the results of the KPIs improving, both within the service and within the organisation
- Are the results of benchmarking improving, for example benchmarking within the company, or National Benchmarking Survey or similar
- Have savings been achieved due to energy management and initiatives