

# BUSINESS STRATEGY IN LOCAL GOVERNMENT

## Professional 2 examination 6 June 2001

From 10.00 am to 1.00 pm,  
plus ten minutes reading time from 9.50 am to 10.00 am.

### *Instructions to candidates*

Answer *five* questions in total: **Question 1** from Section A, *two* questions from Section B and *both* questions from Section C. The marks available for each question are shown in italics in the right-hand margin.

All workings should be shown. Where calculations are required using formulae, calculators may be used but steps in the workings must be shown. Calculations with no evidence of this (for example, using the scientific functions of calculators) will receive no credit. Programmable calculators are not permitted in the examinations room.

Formula sheets, statistical tables, graph paper and cash analysis paper are available from the invigilator, where applicable.

**SECTION A (Compulsory)****1**

The Government White Paper 'Modernising Local Government' has set a wide agenda for the reform of local government.

- **Requirement for question 1**

- (a) Identify:
  - (i) three models proposed to replace the existing committee based approach to local government; and 3
  - (ii) four proposals to seek to improve turnout at local elections. 2
- (b) Codes of Conduct concerning members' behaviour are required to be produced by local authorities. Identify five broad principles that lie behind these codes and appraise the codes' effect in modernising local government. 7
- (c) Identify, and briefly explain, the four requirements held to underpin the fundamental performance reviews required by Best Value. 6

(18)

**SECTION B (Answer two questions)****2**

Some barriers to change faced by an organisation are rooted within the cultural web of the organisation.

- **Requirement for question 2**

- (a) Outline a version of the cultural web with which you are familiar, identifying issues encompassed by each of the elements of the web. 9
- (b) With reference to an organisation within the sector in which you are studying, discuss how the cultural web and elements within it can help explain sources of resistance to change. 9

(18)

**3**

Strategic Planning has been defined as ‘a disciplined effort to produce fundamental decisions and action shaping the nature and direction of an organisation’s activities within legal bounds’. Bryson (1988)

- **Requirement for question 3**

- (a) Identify and outline the steps in the process of developing a strategic plan. 10
- (b) Illustrate the process by describing how an organisation with which you are familiar undertakes strategic planning, and evaluate the process against the steps outlined in (a). 8

(18)

# 4

A market strategy is ‘a plan which will make the best use of the organisation’s products, skills and services, matching these to the needs of the customers who have shown a willingness to buy’. (CIPFA Open Learning material)

- **Requirement for question 4**

- (a) Identify the elements of a market strategy, and for each element describe the attributes for success. 10
  - (b) Discuss the extent to which the attributes for success in devising a market strategy are relevant to Local Government. 8
- (18)

**SECTION C (Answer both questions)****5**

The Cumberdale Training Unit (CTU) provides a wide range of training services to all departments of Cumberdale County Council and also, where it has surplus capacity, to private sector businesses. The CTU was formed as a strategic business unit operating on commercial lines following a restructuring of the Council's Personnel Department. The CTU is headed up by a Director of Training. As part of the restructuring, the CTU was given a guaranteed contract of all work from all Departments of the Council for a five year period. Over the last three years the CTU has attempted to enlarge its scale of operations by encouraging take up of courses and by targeting the private sector. It now has an annual turnover of £3 million.

The CTU offers training in four programme areas: management training; health and safety; IT training; and financial training. The CTU strategic plan contains the following mission statement:

*"To deliver best in class training to our customers. We will employ the best people and use leading edge technology and learning techniques to provide training that is of unbeatable quality and value for money."*

The management of the Unit also declared an objective of reducing its dependence on Council work and expanding provision to the private sector. The Unit recognises the importance of being innovative in training provision and maintaining a course portfolio that is up to date. As a result the Unit has a development section to design new training courses. Extracts of the results of this section are given below:

For the Year 2000

Total development expenditure	£100,000
Revenue from courses designed within the last five years	70% of turnover p.a.
New training courses developed and launched this year	course on Best Value to the County Council
	Safety at Work course to the private sector
	the impact of the Euro on business

New course successes	Best Value course to the County Council – income this year of £300,000
New course failures	e-commerce course costing £40,000 to develop in 1999 but failing to recruit

The Unit is unsure about the longevity of these recent developments, particularly the Best Value and the Euro courses if there is a change in government. The Safety at Work course will have a very short shelf life. Both the Euro and Safety at Work courses had been marketed but were not scheduled to be offered during 2000.

Extracts from the accounts of the CTU are provided below:

	2000(£000)	1999(£000)
Turnover	3,000	2,500
Labour costs	1,800	1,600
Overhead (40% which is central service recharges)	<u>690</u>	<u>540</u>
Surplus	<u>510</u>	<u>360</u>
Fixed assets	7,000	6,000
Net current assets	3,000	2,000
Turnover by programme area:		
Management training	1,200	700
Health and safety	700	500
IT training	500	700
Financial training	600	600
Turnover by client		
Cumberland County Council	2,100	1,500
Other local authorities	400	400
Private sector	500	600

The Unit works on a cost of capital of 6%.

Particular attention is paid to course quality and customer satisfaction. Quality is central to the Unit's goals. The Unit has collected the following data relating to quality.

	<b>2000</b>	<b>1999</b>
Feedback from course delegates		
Highly satisfied	40%	35%
Satisfied	40%	50%
Dissatisfied	20%	15%
No. of new clients	8	7
No. of returning clients	6	10
Customer base (number of clients)	40	48

N.B: Each Department of Cumberland County Council is treated as a separate client.

The Unit feels it has made progress in bringing a sense of purpose to the staff in the Unit. However, it is still dependent on part time lecturing staff who work on average 50% of the hours worked by full time staff. The following results have been recorded:

	<b>2000</b>	<b>1999</b>
Lecturing staff (Full Time Equivalent)	52	46
Number of part time lecturing staff	64	52
Number of staff replaced – full time	4	4
part time	16	8
Labour utilisation (% of paid time delivering courses)		
full time	57%	63%
part time	100%	100%
Sick days per full time member	19 days	8 days

• **Requirement for question 5**

The head of the Training Unit has asked you, as the Unit's Finance Officer, to prepare a report analysing the Unit's performance for 2000.

- (a) Using a Balanced Scorecard approach, analyse the performance of the Cumberland Training Unit, explaining the performance under each of the four perspectives of the Scorecard. 18
- (b) With reference to the data in your report, explain the advantages the Balanced Scorecard approach to performance management has over purely financial measures. 5

(23)

# 6

St Paul's is the capital of Phare, a mid European democratic state. The government of Phare has been encouraging extensive joint working between its State Health Service hospitals, local government and housing associations for a number of years. Consistent with this policy, the government established the Training and Consultancy Unit (TCU) with a remit to provide short courses in general and financial management for all State Health Service hospitals, local authorities and housing associations within St Paul's. Thus far, all relevant organisations in St Paul's have been required to access their general and financial management training needs from TCU, which has been funded directly by central government via its Good Governance Board (GGB). From the financial year 2001/2, however, the government is delegating the previously centrally held training budgets to the individual organisations and will allow them to purchase training from any suitable provider including TCU. However, in the first five years, proposals to purchase more than 2,000 pesos' worth of training (1 peso = £1) in a given year from a provider other than TCU will require a full business case to be submitted by the organisation for approval by the GGB.

During the life of the TCU, a number of organisations have begun to meet some of their general and financial management training needs via mentoring, with further needs being met by self study, using literature which is contained within many of the informal libraries or computer based personal learning centres that have been developed by the organisations. The majority of training needs, however, were perceived to require formal face to face training from TCU.

TCU funding was always claimed to be very substantial by the government. Commentators have claimed that this has been a function both of the high volume of training that is undertaken and the high cost of TCU training compared to similar training provided by external organisations. Organisations eligible to receive funding from the GGB have, however, been dismayed by the recent announcement by government that they anticipate that the proposed delegated training budgets will be expected to absorb a higher than average share of the 2% annual efficiency savings required of the public sector by the government over the next five years.

In more recent years, the TCU has sought to formalise its relationship with organisations, which made significant use of its training courses, by entering into contracts with them. These specified the volume of training that would be delivered for the organisation during an entire financial year and set some broad quality standards in terms of mean participant feedback scores that the training was required to meet. In a move consistent with addressing problems of short-termism and annuality, TCU has begun to move towards contracts of three years' duration. A number of the organisations that entered into contracts had courses tailored to their specific needs. This reinforced TCU's growing reputation as a provider with the capability to meet the specific needs of its clients generally quite effectively.



The majority of TCU's training is delivered from its suite of training rooms at the GGB's headquarters in St Paul's. The training accommodation is high quality and is equipped with extensive computer based training aids. These are seen to be central to much of the training required by the modern public sector and were purchased three years ago in what was seen as a very significant investment, but one which was expected to have a reasonably long useful life.

With the exception of four members of staff recruited two years ago, the training staff are relatively long standing, having been with TCU for an average of eight years. In that time they have developed a good knowledge of client needs. The four staff recruited more recently – one senior trainer and three trainers – came to TCU from a small specialist training organisation that was owned by the now senior trainer, who employed the three others.

There are six major universities within St Paul's. The past ten years have seen the universities develop close links with industry, commerce and some parts of the public sector in order to generate income streams from tailored and short courses and consultancy. However, three years ago, the government announced significant increases in target student numbers for the university sector, giving significant financial incentives for the achievement of these targets. This has led to a major change in university priorities and a significant reorientation of activities towards undergraduate education.

A further player within the university sector is the Public Sector University. This is based in the north of Phare, some 550 kilometres from St Paul's. It employs over 100 academic staff and offers a wide range of short courses for public sector staff throughout Phare. Unusually for Phare, the Public Sector University offers its courses on a distance learning basis. Take up on such courses has, however, been low, because of the strong cultural antipathy to such learning approaches within Phare.

There are two main groups of private sector training organisations in Phare:

**1. Accountancy training colleges**

These have been set up to provide training courses preparing students for examinations for the Phare Institute of Cost and Management Accountants and the Phare Institute of Finance. Colleges have also sought to diversify into providing short courses in financial management for industry, commerce and parts of the public sector. These short courses have been designed to a much greater extent for private rather than public sector organisations. The accountancy press has recently been running articles to the effect that over-capacity in the colleges and a projected long term decline in the demand for qualified accountants is likely to force colleges into a series of mergers or collaborative activity.

**2. Large consultancy firms**

A number of large consultancy firms, many of them multi-national, have offices in St Paul's. Their principal activities are audit and consultancy but a number of them offer training, usually as part of consultancy projects. One such firm, KPA, has been working with GGB on a major restructuring exercise within the State hospitals in St Paul's. Despite the existing policy concerning accessing training from TCU, KPA were awarded a contract by GGB to train health personnel in techniques of business process re-engineering. KPA's training has been generally well received, despite being expensive.

**• Requirement for question 6**

Use Porter's 5 forces model to establish the TCU's position in its immediate environment from the year 2001/02 onwards.

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