Instructions to candidates

There are 6 questions on this question paper. Questions 1 and 2 are 30 marks each. Questions 3 – 6 are 10 marks each.

Answer all 6 questions.

Where a question asks for a specific format or style, such as a letter, report or layout of accounts, marks will be awarded for presentation and written communication. Marks will also be awarded for appropriate examples drawn from real life that demonstrate understanding and application of theory.
1

Somerset County Council has played down talk of the need to take emergency financial measures despite a predicted overspend.

Last year the council reported a year-end overspend of £2.018m and it predicts a £12.115m overspend for 2018-19.

The council’s cabinet agenda, published on 9 July, showed that the ‘largest budget pressure’ was on children’s services. In response the council approved emergency funding of £5m to bolster this area.

This £5m will come out of a £7.2m contingency fund.

Despite this, Somerset’s chief accountant Lizzie Watkin said during a council meeting: ‘We are not in section 114 territory’.

A council spokesperson said: ‘This authority like all local authorities, is facing considerable financial pressure but it is not poised to, or on the brink of, issuing a section 114 notice and to suggest otherwise is inaccurate.’

The spokesperson said the council had referenced section 114 notices in its paperwork in the last few years.

They said: ‘There are big pressure on finances – we have had to make more than £130m of savings and efficiencies in the last eight years – but we have plans to address overspending and make savings and we will deliver them.’

The cabinet report said ‘work is underway to reduce the predicted overspend’ and that ‘there is a risk that the council may have to take a number of urgent decisions to rectify the financial position.’

One option would be to issue a section 114 notice, the report noted.

But the Somerset spokesperson said: ‘Our financial reporting is honest and transparent, which is why a recent report referred to 114 notices as an option open to all local authorities’.

In February, Northamptonshire County Council became the first authority in 20 years to issue a section 114 Notice.

Source: Public Finance 16 July 2018 Dominic Brady

You are the CFO of a County Council in the UK, The Political leader of your Council is aware of the issues raised by Somerset County Council and is interested in the issues and whether your Council might face similar difficulties in future.

The political leader of your organisation is newly elected in her position and is concerned about the overall finances of the Council. She is keen to fully understand the statutory responsibilities of the CFO, and your broader leadership and governance responsibilities for the Council as a whole.

**Requirement for question 1**

(a) Provide the Leader of the Council with an easy to understand briefing note that explains the terms:

‘balanced budget’ (include some simple figures to illustrate a balanced budget),

‘section 114 notice’ in the context of the legal requirements for financial stewardship in local government in England and Wales.

*(Total 10 marks)*
(b) Describe the range of relationships the Chief Finance Officer (CFO) needs to maintain, and discuss the role of the CFO regarding leadership and governance in the public sector. Compare this to the role to the CFO in the private sector.

(10 marks)

(c) Northamptonshire County Council is reported as having fundamentally mismanaged its finances over a number of years, with inadequate medium-term financial plans, and heavy reliance on reserves.

For a public sector organisation of your choice, explain how its medium-term financial plan should be linked to other plans for that organisation.

(5 marks)

Discuss why effective management of reserves is a critical activity for any public service organisation. Use examples to illustrate your discussion.

(5 marks)

(30 marks)
The European Commission should tighten up its rules for countries with high levels of debt before the next recession, auditors have warned. In a report issued in July 2018, the European Court of Auditors said that the bloc’s rules designed to enhance sound public finances, known as the Stability and Growth Pact, give member states too much leeway.

This is the second stage of an audit of the pact – established in 1997 then reformed in 2005 and 2011 – which set rules to ensure European Union countries have sound public finances and align their fiscal policies.

The first audit in 2016 looked at the ‘corrective arm’, which focuses on bringing the headline deficit below 3% of GDP.

This stage has examined the preventative arm, which requires member states to bring structural budget balances into line with country-specific targets known as medium-term objectives.

Neven Mates, the auditor responsible for the report, said: ‘The flexibility provisions introduced by the commission are not time-bound to the crisis period and in fact went too far in practice. As a result, in the period of recovery and expansion (2014–2018), structural balances in several highly indebted countries have either diverged from their medium-term objectives or converged to them at a slow pace so that substantial improvement ahead of the next recession is far from being assured.’

The report stated that ‘various flexibility clauses’ granted by the Commission to member states with high debts, such as France, Spain and Italy, mean that they may not bring deficits down in a timely manner.

It said the Commission should ensure that the medium-term budget objectives are reached within a reasonable period, with stricter rules for heavily indebted states.

If a recession hits, the current approach ‘is likely to trigger financial market concerns’ in view of the high debt-to-GDP ratio in some countries.

Source: PF International, Simon Rensch, 17 July 2018

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### Requirement for question 2

(a) There can be confusion over the terms:

- national debt
- current budget deficit
- sustainable deficit

Explain these three terms, including how sustainable deficit is mathematically linked with GDP. Briefly discuss their relationships with national interest rates and economic growth.

(10 marks)

(b) The preparation of a **medium-term macroeconomic framework** is essential to:

- frame the formulation of a country’s annual budget
- assess whether the budget policies are sustainable, and
- identify desirable policy changes.

Describe, with examples, the areas of targets and instruments that form part of macroeconomic projections.

(8 marks)
(c) Meeting medium-term budget objectives requires effective financial planning for new large investment projects or for savings projects.

Explain why business cases are important to support organisations in meeting their budget objectives. Present an outline of what you would expect to see in each of the five cases in the Treasury Model.

(12 marks)

(30 marks)
Finance managers in the public sector are often responsible for treasury management functions, including the management of large reserve balances and pension funds.

**Requirement for question 3**

(a) With interest rates being at a historic low level for several years, has the role of treasury management for an investment portfolio become redundant?

(3 marks)

(b) Discuss the issues that the Chief Finance Officer would need to address in response to their organisation’s Board demand that the investment portfolio meets ethical criteria without compromising rate of return.

(7 marks)

(10 marks)
The UK government policy on aid was updated in 2015. The document 'UK Aid: Tackling global Challenges in the National Interest' outlines the UK approach to aid, and the purpose of aid provision.

- **Requirement for question 4**

  Explain the UK’s stated objectives for giving aid, discuss the moral arguments around why one country, or a group of countries, gives aid to other countries.

  *(10 marks)*
Shared management teams have featured in local government in the UK for a number of years, with varying degrees of success.

- **Requirement for question 5**

Describe the characteristics of shared management teams, and with reference to examples from your experience or learning, discuss the advantages and disadvantages of this type of collaboration.

(10 marks)

(10 marks)
You are the finance manager for a large public service organisation, and the administration of payroll services are part of your responsibility. As a result of efficient use of the new payroll software, the payroll service has spare capacity. To help ease budget pressures and generate income, the payroll service is looking to provide its services to other public service organisations. You should assume that all departments internally must use the in-house service, but also assume that there are many other payroll providers for the external organisations who are your potential customers.

- **Requirement for question 6**

  (a) Present a definition of the term ‘Marketing’ and explain briefly why marketing is more than just advertising a product of service.

     (2 marks)

  (b) Consider the marketing mix theory of the 4 Ps – Product, Place, Price, Promotion. Discuss how you would apply the theory to a marketing campaign for your payroll services to external customers. (you may also refer to the further 3Ps added to the theory by the Chartered Institute of Marketing).

     (8 marks)

     (10 marks)
Question 1

Workbook 5 Syllabus ref B2

a) Briefing Note
To: The Leader of the Council
From: CFO
Date: March 2019

Introduction
This Briefing note sets out the statutory duties of the CFO for a County Council in England, and explains the requirements for a balanced budget and the term ‘Section 114 Notice’.

Financial Stewardship in Local Government
Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements.

The 2003 Local Government Act requires the CFO to report on the robustness of the budget and on the adequacy of the proposed level of financial reserves.

The CFO’s duties in England and Wales were significantly extended by section 114 of the 1988 Act which requires a report to all the local authority’s members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or a budget that cannot be balanced with reserves, without leaving the organisation with inadequate reserves for future years.

Example of balanced budget
A balanced budget is a budget that has been constructed to take account of the income expected to be received through grants and other income, matched to the expenditure required to deliver services at a level acceptable to tax payers. Reserves can be used to balance the budget, but as stated above, any use of balances should not jeopardise the ability of the Council to set a balanced budget in future.

A simplified example of a balanced budget for the County Council might look like this:

<table>
<thead>
<tr>
<th>Expenditure:</th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Service</td>
<td>2018 Expenditure</td>
<td>2019 Expenditure</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Adult services</td>
<td>150,000</td>
<td>145,000</td>
</tr>
<tr>
<td>Children &amp; Young people services</td>
<td>94,000</td>
<td>96,000</td>
</tr>
<tr>
<td>Education</td>
<td>102,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Environment &amp; Highways</td>
<td>65,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Finance and Resources</td>
<td>49,000</td>
<td>48,000</td>
</tr>
<tr>
<td>Communities &amp; Well-being</td>
<td>37,000</td>
<td>36,000</td>
</tr>
<tr>
<td>Total Services Expenditure</td>
<td>497,000</td>
<td>486,000</td>
</tr>
<tr>
<td>Non-Service expenditure</td>
<td>13,000</td>
<td>13,000</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>510,000</td>
<td>503,000</td>
</tr>
</tbody>
</table>

**Income:**

- Central government settlement: (90,000) (85,000)
- Business rates: (5,000) (5,000)
- Local growth Business Rates: (2,000) (3,000)
- New Homes Bonus: (3,000) (3,000)
- Adult Social Care Grant: (4,000) (5,000)
- Other grants: (6,000) (2,000)
- Precept Council Tax: (395,000) (398,000)

Total income: (500,000) (501,000)

(Surplus) / deficit: 5,000 2,000

Efficiency savings already identified: (1,000) (2,000)

Balance to be met from savings or reserves: (4,000) 0

**Summary**

Whilst the Council is planning to use some of its reserves to balance the budget for the current year, there is significant work being undertaken to find efficiency savings to help preserve the reserve balances for any future budget pressures.
(up to 3 marks for explanation of a Section 114 Notice. Up to 2 marks for explaining the term balanced budget. 2 marks for explaining that reserves cannot be used indefinitely, and that savings need to be found. Up to 2 marks for a decent example of a budget table to include at least different income and expenditure lines, totals and reserve contribution. 1 mark for briefing note format, to include summary). Maximum 10 marks.

Workbook 5 Syllabus ref B2

b)

Relationships

The CFO must develop strong relationships with other senior officers, with auditors, inspectors, Boards and elected members (where applicable). The role of the CFO is a fundamental part of good corporate governance.

The two main roles are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources.

To deliver these roles the CFO must have senior status in the organisation through membership of the leadership team. This may be a Board, senior management team, executive group or other similar group of senior officers.

The CFO should have a close working relationship with the Chief Executive and the Board or elected members, to ensure that financial impact of any strategic decisions are considered as a key part of the decision making process.

The CFO should lead on engagement with stakeholders where financial decisions affect key services, or where proposed service changes will have significant financial impact.

The CFO should develop their role to ensure appropriate oversight of major projects with significant financial implications. This is further explored in the workbook on business cases.

The CFO must develop a good relationship with relevant auditors and inspectors through establishing sound systems of internal control and being open and transparent about how financial transactions are recorded and reported, and how financial decisions are made.

The CIPFA Statement on the Role of the CFO in Public Service Organisations has been developed as a guide. It is not a code of practice and is not a legal requirement, but has been recognised as good practice.

CIPFA’s Statement on the Role of the CFO outlines 5 key principles.

The CFO:

1. is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest;
2. must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation’s financial strategy; and

3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

4. must lead and direct a finance function that is resourced to be fit for purpose; and

5. must be professionally qualified and suitably experienced.

This Statement is generic for all public services. CIPFA has since developed more focused statements for specific sectors in the UK – police, further education, local government and health, all based on these principles.

Chief Finance Officer - Public sector v Private sector

There is no equivalent legislation (to the Local Government Act and similar) for the private sector in the UK, stipulating that a CFO must be appointed. The Companies Act 2006 (amended 2013) identifies the roles and responsibilities of appointed directors. A specific finance role is not a legal requirement.

In large organisations, however, especially those listed on the stock exchange (FTSE350), it is highly unlikely that there would not be an appointed finance director or other chief finance officer role. The legal responsibilities of a CFO in a limited company would be the same as those of the other appointed directors.

The UK Corporate Governance Code 2014 sits alongside the Companies Act, where there is a requirement to ‘comply or explain’ when publishing accounts for listed companies. The Code does not state that a finance director must be appointed, but does refer to the board being made up of ‘appropriately qualified and experienced’ individuals.

The International Federation of Accountants (IFAC) published a discussion paper in October 2013 - The role and expectations of a CFO. This document identifies five principles guiding the role and expectations of the CFO.

A professional CFO should:

1. Be an effective organisational leader and a key member of senior management;
2. Balance the responsibilities of stewardship with business partnership;
3. Act as the integrator and navigator for the organisation;
4. Be an effective leader of the finance and accounting function; and
5. Bring professional qualities to the role and the organisation.
c) Multi-year budgeting

Public sector organisations are usually involved in medium to long-term activities, or activities that repeat on a regular basis. The nature of their activities means that they are unlikely to cease to exist, and usually operate on the basis that they are a ‘going concern’. It makes sense therefore to have a longer-term view on budgeting to ensure the future service needs are likely to be affordable, given some known costs, and making assumptions about other costs and income streams.

Some funding streams are time released over the life of a project or grant period, and other grants may be released in stages in accordance with project milestones so multi-year budgets may be needed to help identify where budget pressures will exist in future years.

Medium term financial planning

Especially in this age of austerity, financial planning is all about allocating finite resources over time, to reach the broad goals set out in an organisation’s corporate or business plan. It is not enough for financial stewardship to demonstrate that the organisation is financially viable; it must go on to demonstrate that its activities are financially coherent.

Budgeting needs to be tied to organisational policy making and strategic planning. Otherwise there becomes a mismatch between what is promised through local and national strategy, and what can be delivered within the financial constraints.

It is necessary for organisations to look at 3-5 year budgeting, and sometimes up to 10 years or more to look at the longer-term impact that current spending plans may have on the organisation’s reserves.

A Medium Term Financial Strategy (MTFS but sometimes referred to as Medium Term Financial Plan - MTFP) supports business planning through identification of key budgets and the assumptions for change in future years.

The MTFS should be used by the organisation to effect real change. For this reason, the financial plan cannot be allowed to become wholly a financial document; it must be linked with other service planning, risk management arrangements and asset management plans. Medium-term financial planning is not just about forecasting financial flows; it has an important role in integrating and harmonising financial and other corporate strategies.
Managing reserves

Managing reserves is a key activity for financial managers in all types of organisations. Making decisions or recommendations regarding when to hold reserves (and where to invest them), and when to spend, are especially important when formulating strategies to cope with volatile funding.

A number of high profile articles have been written in recent years about the level of cash reserves being held by public service organisations – particularly local authorities and the NHS.

There are differing views on reserves and the levels being maintained by organisations. Prudent financial managers will argue that building reserves is critical to ensuring financial resilience is possible in times of austerity.

Finance managers will earmark reserves and ring-fence them for specific projects set aside monies to cope with a crisis, and undertake clever investment to generate income from interest wherever possible.

Organisations should also be investigating where investment in assets or projects should be undertaken to generate revenue income going forward.

Finance managers are responsible for ensuring ‘appropriate’ levels of reserves, and particularly in local government for producing a budget that is balanced and affordable in year – i.e. through income generated and use of reserves.

Requirement to take a long term view – reserves can be used as one-off. They are not a sustainable source of income. Northamptonshire County Council have relied too heavily on reserves over a number of years, and in 2018, effectively ran out of reserves.

Need to allow for contingencies such as unexpected demand for services. Might be as a result of a natural disaster, epidemic, or some other crisis.

Important to have the skills to identify what level of reserves is prudent, but not so cautious that the keeping of reserves reduces service provision to an unacceptable level.

Having the financial skills to get the balance right is critical.

(Numerous examples on managing reserves in the learning material workbook 9 pages 23-30). Maximum 10 marks

Total Marks 30

Question 2

Workbook 1 Syllabus ref A1

a) The current budget deficit, or surplus, is the difference between the government’s everyday expenses and its revenues; in other words, between what it spends and what it receives in taxes and any other income. (2 marks)

The national debt refers to the amount of money owed by the government. This is the debt that has been built up over many years by many governments and is the
accumulation of the annual budget deficits, plus any years where there were budget surpluses. (2 marks)

Sustainable deficit is where the deficit (or surplus) does not increase the stock of debt as a percentage of Gross Domestic Product (GDP).

This can be represented by:

\[ \text{Sustainable deficit} = g - r \left( \frac{d}{gdp} \right) \]  

(2 marks)

where:

\( g \) is the rate of growth in the economy
\( r \) is the interest rate the government pays on its debt
\( d \) is the stock of debt
\( gdp \) is the gross domestic product.

The important factor to consider here is that it is the relationship between these variables and that has been crucial in the debate during a period when deficits are not sustainable.

The policy options in this situation are:

- to increase growth
- to reduce debt or
- to reduce interest rates.

There is therefore an argument to increase debt to stimulate growth, which in turn generates additional tax revenue and reduces welfare payments. The counter argument is that when debt is too high it creates higher interest rates and crowds out the private sector.

(1 mark per point describing the inter-relationships up to 4 marks)

Total 10 marks

b)

Macroeconomic projections are not simple forecasts of trends in macroeconomic variables. Projections are based on a definition of targets and instruments in areas such as:

- monetary policy – control over interest rates and money supply
- fiscal policy – levels of government taxation and spending
- exchange rate and trade policy
- external debt management
- regulation and promotion of private sector activities, and
- reform of public enterprises.
For example, the policy objective of reducing inflation normally corresponds to targets such as:

- the level of the deficit and
- the debt to GDP ratio.

While specific instruments can include:

- changes in the balance of direct and indirect taxes, and
- credit policy measures.

A macroeconomic framework should include projections of the government accounts, which form a medium term fiscal (or financial) framework (MTFF). Projections should cover the current year and a forward period of 3 to 4 years. The MTFF should detail the broad economic categories of revenue and expenditure. Moreover, it should preferably be supplemented with expenditure estimates by main function or sector.

(0.5 mark per area to max 2, 1 mark per targets to max 2, 1 mark per instruments to max 2, up to 2 marks for MTFF explanation) (Max 8 marks)

Workbook 10 Syllabus ref C2

c)

Process for developing a business case

Business cases are important because policies, strategies, programmes and projects will only achieve their spending objectives and deliver benefits if they have been:

- scoped robustly
- planned realistically from the outset
- the associated risks have been taken into account.

The business case, both as a product and a process, provides decision makers, stakeholders and the public with a management tool for evidence based and transparent decision-making, and a framework for the delivery, management and performance monitoring of the resultant scheme.

(2 marks for why business cases are important)

The business case in support of a new policy, new strategy, new programme or new project must evidence the five ‘cases’ or ‘dimensions’ that demonstrate that:

- intervention is supported by a compelling case for change that provides holistic fit with other parts of the organisation and public sector – the “strategic case”

The likely content of the Strategic Case is:
Strategic context
  
  - organisational overview
  - current business strategies

The case for change
  
  - spending objectives
  - existing arrangements
  - business needs - current and future
  - potential scope
  - benefits and risks

  constraints and dependencies

intervention represent best **public value** – the **“economic case”**

The economic case should include the following:

- critical success factors (the attributes essential to the successful delivery of the scheme, against which the available options are assessed)

long listed options

short listed options (including do minimum. Three or four is the recommended number)

status quo; do nothing option (unless this is not credible)

economic appraisals of costs and benefits with CBA

distributional analysis (where relevant)

optimism bias adjustment

risk assessment

sensitivity analysis

the preferred option


the proposed deal is attractive to the market place, can be procured and is **commercially viable** – the **“commercial case”**

In summary, the commercial case should include:

procurement strategy

service requirements

charging mechanism

risk transfer

key contractual arrangements

personnel implications (e.g. TUPE in the UK- TUPE refers to the "Transfer of Undertakings (Protection of Employment) Regulations 2006" and protect employees'
rights when the organisation or service they work for transfers to a new employer. Note the EU basis for TUPE in the UK is the Business Transfers Directive.

accountancy treatment

the proposed spend is **affordable** – the "**financial** case";

The Financial case should include:

- public capital and revenue requirements
- net effect on prices (if applicable)
- impact on balance sheet
- impact on income and expenditure account (if applicable)
- overall funding and affordability.

what is required from all parties is **achievable** – “the **management** case”

It should include

- programme and project management methodology (PPM) and structure
- programme and project management plans
- use of specialist advisers
- change and contract management arrangements
- benefits realisation
- risk management
- monitoring during implementation (proportionate)
- post implementation evaluation arrangements
- contingency arrangements.

(2 marks importance of business case, 2 marks per case overview and explanation up to a maximum of 12 marks)

Total marks 30.

**Question 3**

*Workbook 4 Syllabus ref B3*

a) Treasury management functions should be seen as risk management providers, not profit centres. The absolute level of rates is largely irrelevant, as the main task of a treasury team is to safeguard the principal value of the organisation’s cash balances, while ensuring there is sufficient liquidity to meet operational requirements such as salaries or debt repayments.
The low interest rate environment in fact provides an opportunity for treasury functions to add considerable value to the organisation through good balance sheet management, such as identifying opportunities for internal borrowing or inter-authority borrowing.

(1 mark per point up to a maximum of 3 marks, possibly 4 if b is weaker)

b)

If the organisation is managing investments on a trust basis (including for instance a pension fund) the Chief Finance Officer must inform the Board of their fiduciary duty towards the beneficiaries of the trust to obtain the best returns possible. Therefore, ethical screening of investments, beyond the obvious criteria of legality, is only allowable if returns are not likely to be negatively affected.

The CFO should point out that good corporate governance is associated with the best long term returns, and therefore that poorly run, unethical companies are unlikely to be attractive investments in the first place.

With other categories of investment, it is ultimately the Board’s decision how balances are invested. In most public sector contexts, cash balances are either taxation, donation or borrowing proceeds received in advance of need. In such circumstances, the CFO should point out the need to balance the Board’s opinion on ethical investments against ensuring that those balances are not put at increased risk of loss or having spending power diminished by inflation as a result of lower investment returns.

Where ethical stances go beyond the prevailing law of the land, their effectiveness can be open to considerable challenge on the grounds of consistency. For instance, a local council may wish to exclude investments in businesses associated with fracking in their locality on environmental grounds, however, this might be difficult to defend if they were happy to collect business rates from the same companies. Similarly, excluding investments in financial institutions based in oil producing nations with perceived poor human rights records might be seen a hypocritical if the Board remained happy to fuel their cars with petrol from the same nations, or invest in other companies which have trade relationships in those regions.

(1 mark per point up to a maximum of 6-7 marks depending an answer to a)

Total marks 10.

Question 4

Workbook 2 Syllabus ref A2

The UK government policy is that international aid is a ‘moral duty’. This is a political decision, and until there is a change in government, the policy is likely to remain.
Governments often face criticism from their citizens regarding giving aid to other countries, whilst cutting services domestically through reducing budgets. This has certainly been the case in the UK.

The UK government policy on aid was updated in 2015. The document ‘UK Aid: Tackling global Challenges in the National Interest’ outlines the UK approach to aid, and the purpose of aid provision.

‘...our aid budget will be restructured to ensure that it is spent on tackling the great global challenges – from the root causes of mass migration and disease, to the threat of terrorism and global climate change – all of which also directly threaten British interests. We want to meet our promises to the world’s poor and also put international development at the heart of our national security and foreign policy.’

In line with that principle, the policy goes on to describe how spending will be shaped according to four strategic objectives. They are:

1) Strengthening global peace, security and governance: the government will invest more to tackle the causes of instability, insecurity and conflict, and to tackle crime and corruption. This is fundamental to poverty reduction overseas, and will also strengthen our own national security at home.

2) Strengthening resilience and response to crises: this includes more support for ongoing crises including that in Syria and other countries in the Middle East and North Africa region, more science and technology spend on global public health risks such as antimicrobial resistance, and support for efforts to mitigate and adapt to climate change.

3) Promoting global prosperity: the government will use Official Development Assistance (ODA) to promote economic development and prosperity in the developing world. This will contribute to the reduction of poverty and also strengthen UK trade and investment opportunities around the world.

4) Tackling extreme poverty and helping the world’s most vulnerable: the government will strive to eliminate extreme poverty by 2030, and support the world’s poorest people to ensure that every person has access to basic needs, including prioritising the rights of girls and women. This will build security, stability and opportunity that will benefit us all.

By stating these objectives, the UK government has been transparent about why they give aid, and being clear about why it is good for the UK, as well as the recipients of the aid.

Through these objectives too, we touch on what might be considered the main arguments for providing aid. There is some overlap in the objectives, but the moral argument is most clearly demonstrated in objectives 2 and 4.

The self-interest argument might be considered in two subsections:

Enlightened self-interest – such as dealing with overseas problems to reduce the likelihood of them becoming problems at home. For example dealing with refugees
or famine in situ to prevent unwanted immigration, or dealing with infections at source to prevent pandemic events – objectives 1 and 2

**Naked self-interest** – using aid as a lever with which to secure economic, diplomatic, intelligence or military favour – objectives 1 and 3.

**(2 marks per the 4 objectives explained, 2 marks for moral discussion)**

**Total Marks 10**

**Question 5**

**Workbook 12 Syllabus ref C4**

**Characteristics of shared management teams**

As the name suggests, this is the type of collaboration that results in sharing a management team across two or more organisations, overseeing the delivery of services by those organisations.

The management team is responsible for reporting to the Board or decision-making body at each of the organisations they manage. No new legal entity is established.

This may result in further collaboration at service level or it may be as a result of shared services or other collaborative working in the past.

<table>
<thead>
<tr>
<th><strong>Advantages</strong></th>
<th><strong>Disadvantages</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost savings through not duplicating salary costs for senior management</td>
<td>Partners may have different ways of operating so cultural conflicts may arise, including political differences</td>
</tr>
<tr>
<td>Can lead to further sharing of services and the associated cost savings through economies of scale and efficiency</td>
<td>Time between organisations may not be split fairly and lead to disputes over value for money</td>
</tr>
<tr>
<td>Greater scope for career development of middle managers</td>
<td>Increasing complexity of leadership</td>
</tr>
</tbody>
</table>

Shared management teams in the public sector are becoming popular in local government and NHS CCGs. They are less common in the other areas of public services.
Examples

**Local Authority examples**

Cherwell District Council (CDC) and South Northamptonshire Council (SNC) have merged senior management teams following the joint chief executive's appointment in May 2011. Senior manager posts reduced from 31 to 15 by October 2011.

The shared management team is the first phase in a longer process of sharing and integration between the two councils. The councils will save over £1 million a year in salary costs. The project is expected to produce net savings of £2.6 million for Cherwell District Council and £1.2 million for South Northamptonshire Council over a five-year period, once start-up costs of £1.4 million are discounted.

Both councils reviewed the experiences of other councils that had merged management teams to learn about wider risks and benefits. The process helped the two councils develop a culture of sharing expertise and good practice that should have a positive impact on organisational capacity and service quality.

An unpredicted benefit of a smaller senior management group focused on strategic issues is that junior officers have the opportunity to gain responsibility for delivering services.

The business case left open the possibility of adding other authorities in a 'confederation' that could deliver further benefits.

The heads of service first priorities were to review their services and find opportunities to share staff and activities, and to reduce duplication across the two councils. The councils agreed that not all services are suitable for sharing, and that partnerships with other councils may sometimes be more appropriate.

The process of drafting and carrying out the business plan brought teams from the two councils together even before the senior management team appointments were confirmed. This informal approach led to benefits for:

- Legal and Democratic Services Management Support
- Committee and Administration Services
- Electoral Services
- Health and Safety
- Communications
- Licensing
- Public Protection

These have provided a mix of savings, from reduced costs, and more resilience for critical services such as electoral registration and democracy.

The two councils had also started joint procurement exercises before completing the management reorganisation. For example:

- internal audit services (a joint contract for services provided from 1 April 2012)
IT Services (taking advantage of South Northamptonshire Council's need to retender services from April 2012)

financial systems (because of the two councils having the same financial systems, although different versions).

The two councils are integrating ICT with a priority of ensuring that senior managers and other officers can pick up emails and phone calls wherever they are working – including working at home.

Adur and Worthing Borough Councils started developing shared services at an operational level back as far as 2001 and were sector leaders in this field. In 2007 proposals to have a shared management team were developed to create a single, senior officer structure and shared services across the two councils and to deliver savings and efficiencies for both councils. This innovative, ground-breaking project, the first of its kind nationally, was supported from the start by Improvement and Efficiency South East who, since then, have gone on to share this approach with many other councils regionally and nationally.

The single senior officer team was created in April 2008 and since then all services (except Adur Homes, Worthing Leisure and Worthing revenues and benefits) have become joint teams, providing joint services to the people of Adur and Worthing.

Significant savings and efficiencies have been found by the reduction in senior management posts and subsequent restructures as teams have been brought together. Further savings and efficiencies have come from joint procurement initiatives, service reviews and service re-designs. Relocation of the majority of office staff from both councils to a single main site was completed in 2014, freeing up assets to be sold or used for other purposes.

NHS examples

Bracknell and Ascot Clinical Commissioning Group have a management team to support the organisation and deliver their planned outcomes. In addition to the CCG core team an executive and senior management team is shared with neighbouring CCGs (Windsor, Ascot and Maidenhead CCG and Slough CCG) to provide some essential functions, such as finance, safeguarding and quality, with many more areas of responsibility.

The Shared Medicines Management team for Nottinghamshire is hosted by NHS Mansfield & Ashfield CCG and provides a shared service across the five Nottinghamshire County Clinical Commissioning Groups (CCGs). This includes NHS Newark & Sherwood CCG, NHS Nottingham North & East CCG, NHS Nottingham West CCG and NHS Rushcliffe CCG. It is managed through the Quality and Safety team.

The CCG Individual Funding Request (IFR) Panel and supporting team is also administered by the shared medicines management team.

(2 marks for description / explanation of shared management team. ½ mark per advantage or disadvantage up to a total of 4 marks. Up to 4 marks for relevant examples)

Total marks 10
Question 6

Workbook 9

Syllabus reference C1 - Factors affecting strategy development.

a) Marketing may be defined by the Chartered Institute of Marketing as ‘The management process responsible for identifying, anticipating and satisfying customer requirements profitably.’

Marketing is more than just advertising and may also be considered to be the method by which an organisation achieves a match between what the customer expects, wants or needs and what the organisation is able or willing to provide. It is crucial for an organisation to understand what their customers actually want in a product or service so they can meet these needs.

1 mark for definition, 1 mark for expanding why.

b) Product

Are the services you offer wanted by your customers?
Have you consulted your customers?
What are the attributes your customers want?
What are your tangible factors: volume, turnaround, information, flexibility, accuracy?
What psychological factors do you offer: reliable source, help desk, query response?

Price

How sensitive is demand to changing price?
How does your price compare with those of your competitors?
What is the relationship between your price and cost?
Do you differentiate your prices for different customers?
Are you able and willing to discount to gain market entry and market share?

Place

Do you deal directly with your customers?
How are your services accessed: online, through the post?

Promotion

How do prospective customers know what you do?
Do you advertise? If so, how?
Do you use publicity: sponsorship, employee activity?
Who does your selling?
You could also apply the three service 'P's of People, Process and Physical here if you wished.

(2 marks per 'P' must be applied to the Payroll marketing campaign example, otherwise cap at 1 mark per 'P')

Total marks 10