

SOE Board Talk

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SOE Board Talk is an SOEMU initiative to engage with SOE boards and share important information and developments on SOE reform.

Please feel free to comment and provide feedback on Board Talk and to share your director experiences.

It is now June and SOEs should be well into preparation of business plans for the period FY20 – FY22.

Please contact SOEMU if you have questions or concerns or (better still) you wish to say, Hi and provide some feedback

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SOE boards must recognize the value of effective business planning as the key mechanism to monitor performance and progress, assess results and manage accountability.

Under section 612, SOE Act, 2015 it is required that:

- (1) The board of each State-owned enterprise must develop and adopt a business plan by the start of each financial year. The business plan must cover the financial year.
- (2) A board must not adopt a business plan unless:
 - a. It has given the Minister a draft of the plan, no later than 3 months before the start of the financial year to which the statement relates; and
 - b. It has taken into account any comments made by the Minister in relation to the draft plan.
- (3) A draft business plan must contain information on the operations, future strategic direction and financial projections of the State-owned enterprise sufficient to enable the Minister to form a view that the business plan demonstrates that the State-owned enterprise will achieve the primary objectives.
- (4) If the State-owned enterprise has a subsidiary, the business plan must include information about the operations of the subsidiary, and the operations of the group comprising the State-owned enterprise and all its subsidiaries.
- (5) A State-Owned enterprise must give the Minister a copy of its business plan within 14 days after the board adopts it.

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To satisfy the requirements of section 612 and to ensure SOEs can undertake proper and effective business planning, SOEMU has prepared detailed guidelines and a planning framework for SOEs and a comprehensive SOE business planning manual to explain and assist in how to compile business plans (and statements of corporate intent).

The business plan framework, required by SOEMU is:

- 1. Executive Summary**
- 2. Policies and Guidelines governing the development of the Business Plan**
 - a. Ownership guidelines – Directives from Minister
 - b. Obligations under the RMI NSP
 - c. Boards expectations
 - d. Mandate
 - i. Governing laws
 - ii. Charter
 - e. Purpose of the Public Enterprise
 - i. Vision
 - ii. Mission
 - iii. Values
 - iv. CORE business
 - f. Profile/Overview of the Business
- 3. Planning Inputs**
 - a. Assessment of Recent Results
 - b. External Elements
 - i. Legal & Environmental Issues
 - ii. Market & Competitor Issues
 - iii. External Business Risks
 - c. Internal Elements
 - i. People Issues
 - ii. Physical Assets/Equipment Issues
 - iii. Product / Service and supply Issues
 - iv. Business Systems and other Resources
 - v. Internal Business Risks
 - d. Summary and SWOT analysis
 - e. Leading to Specific Challenges and Focus of Planning Period
- 4. Planning Period Objectives**
 - a. Broad statement to reconcile the key challenges and risks and identifying how to overcome obstacles and the formulation of planning period Objectives
 - b. Clear Statement of Objectives to accomplish by the end of the Planning Period – usually 5 – 10 Objectives is manageable
- 5. Strategies/Actions to satisfy Objectives**
 - a. Identify 1 – 5 key strategies that aim to meet each Objective and that

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specific actions and tasks, clearly stating who is responsible and what resources are allocated to the tasks

- b. Support this by a concise statement linking other aspects of the “business as usual” approach identifying the other aspects of the business that contribute to earnings

6. Performance Measures

- a. Identify 1 – 3 SMART KPI’s that relate specifically to each strategy
- b. Some strategies will take multiple years to achieve and therefore identify progress KPI’s for the year ahead and each year of the Plan
- c. Ensure KPI’s include financial and non-financial and are consistent with the overall KPI’s developed for the business

7. Support for Government Policies

- a. Statement of compliance with relevant Government Policies
- b. Statement of Community Services, claims for CSO
 - i. Approved claims and value of CSO
 - ii. Other non-commercial activity not fully reimbursed – Tariff control impact, etc.
- c. Statement of Support from Government and / or Development Partners and details of contracts, obligations and financial impact on business
- d. Statements of Financial capacity in regard to external borrowings and dividends.

8. Financial Forecasts

- a. Prepare Profit & Loss statement, Balance Sheet and Cash Flow statements, in the same format as for the Annual Report
- b. Provide the latest audited financial results, the current year estimates and the forecasts for each of the next three years
- c. Ensure Financial forecasts reflect strategies, resource allocations, revenues, costs, assets and liabilities arising from the planned actions and strategies
- d. Add relevant, generally agreed Financial ratio’s showing for each year, e.g. RoE%, Current Ratio
- e. Provide supporting reference notes and statements of explanation and additional key assumptions
 - i. Where revenues, costs or cash flows change significantly due to the impact of new strategies
 - ii. Where revenues, costs or cash flows change significantly due to the impact of government or donor support
 - iii. Other general key assumptions
- f. Provide supporting references to other documents (e.g. Disaster management plan, HR plan) as required and ensure that Capital expenditure costs are cross-referenced to the detail in the Asset Management Plan with full analysis and explanations of CAPEX
- g. Provide a break-down of the Profit & Loss statement forecasts to show different types of revenues and expenditures suitable for the business

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- a. by department or region.
- b. Provide this break-down month-by-month for the next 12-month period

9. Summary for Statement of Corporate Intent

- a. Provide the details of items 4, 5, 6 and 8, as they will be summarized and input to the SCI.

SOEMU does not intend to prescribe in detail the exact style and presentation of the Business Plan, suffice to say that the Plan needs to present clearly all of the important information. Clear, concise statements are required, with sufficiency of detail to ensure the reader can comprehend the message. Flowery, fancy language is not required. There is no need to use meaningless clichés (“Aspire to be the best” “Revise, Reform and Revitalize”) or phrases that easily roll off the tongue! Simple, clear statements of fact and intent. Bad news does not need to be diluted – the message should be clearly stated!

It is recommended a conventional font (Calibri, Times New Roman, Ariel) is used at size 11 or 12. Graphics and color may be used but only to enhance the message. Plans should be presented in M/S Word and once finalized in pdf, format. PowerPoint is not accepted since the detail and comprehensiveness of the Plan requirements cannot be adequately explained in PowerPoint.

Further tips on planning and on the SCI will follow in the next SOE Board Talk

Best wishes for business planning and this week in the boardroom

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