1a-Copyright Year Budget Planning and Forecasting (OS1)
Followed by: 2-PM Pre-Assignment (PM2)

Why: *The Operations Department is keeper of the "checkbook." Operations Specialists set budgets at several points throughout the year for the fiscal and copyright years in accordance with input from the Business Managers. The Operations Specialist is then responsible for monitoring, updating, and re-forecasting these numbers on a calendar basis, as determined by PHHE. The Operations Specialist creates budgets using several tools and processes, depending on the stage of the product and the time of year. An Operations Specialist creates purchase orders and passes invoices for all work related to plant and edition costs, unless specifically listed in the following procedures.*
Who: *Operations Specialists; Acquisitions Editor*
Skills Needed: *Financial analysis skills; general production knowledge*
Knowledge Base Needed: *PIMS, CES, Microsoft Excel*

TASK: Initial Business Plan 1 Budgeting
The Operations Team is responsible for establishing the first budget proposal Business Plan 1 (BP1) due to CEO (Will Etheridge) by October 1. This process should start by June 1, or sooner, if all <u>Blue Forms</u> have been approved by the President and Business Manager.

Step 1: On June 1, Senior OS should send an e-mail to their team Acquisitions Editors (AE) informing them that the yearly budget process is beginning. The e-mail should include milestones:

o   Meeting schedules
o   <u>Family Budget</u> form or "accepted cheat sheet" completion date
o   Final PPS input date and others as determined by Director of Operations and Business Manager in the budgeting process.

The latest budget and instructions on how to use the <u>Family Budget</u> form or cheat sheet created/maintained by the Operations Specialist (OS) should also be included.

NOTE: The <u>Family Budget</u> form is not required but is a tool that OS should encourage AE to use when budgeting A through AAA titles. This form allows AE to communicate specs and costs for work commissioned by AE that do not flow from PPS to PIMS. The use of this tool can greatly reduce the amount of time spent at the Budget Review meeting.

PIMS

Step 2: OS pulls PIMS records for copyright year and compares to PPS Project Summary Report (PSR) for each discipline for which they are responsible.

Step 3: Once compared, and when the <u>Family Budget</u> forms have been received from Editorial, the list is reviewed with the **Senior Managing Editor (SME)** and their Editor in Chief (EIC), AE, and Supplement Editors (SE) for accuracy of specs and planned plant spending. For titles with media product, the **Media Project Managers (MPM)** must be involved in meetings.

Step 4: OS prepares a preliminary plant budget based on the information provided, including print and media supplements, and enters the budget totals into PIMS BUDGET >Overview >BP1. These initial budgets become Business Plan 1 (BP1). Budgets for media supplements are created based on the budgets provided to the OS by the **Media Project Manager (MPM).** Individual budgets for printed products are created in one of two ways:

PRODUCT	PRODUCTION	DESIGN	VISUAL	TEAM	SCHEDULE	**BUDGET**	MANUFACTURING	MEDIA	REPRINTS	PO

• Overview	• Create/Modify Budget	• Budget Details	• Product Level Info	• Group Level Info	• Budget Estimates	Printing No. [1] (Go)

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PLANT BUDGET:

PPS:	26200.00		LATEST BUDGET	54082.00
PPS(REV):			LATEST ESTIMATE	
BP 1:	32800.00			
BP 1 (REV):	54082.00			

ESTIMATED COST: / **ACTUAL COST:**

LAUNCH (PS):	54082.00		COMMITTED:	21223.04
REVISED (PS):	43408.02		YEAR TO DATE ACTUAL:	35537.56
CCE:	43408.05		WIP:	48914.62
			ACTUAL COST:	

PROJECTED FISCAL PLANT SPEND

COPYRIGHT -3		COPYRIGHT -2		COPYRIGHT -1	
COPYRIGHT		COPYRIGHT +1		COPYRIGHT +2	

PREVIOUS ISBN DETAILS

Prev ED. ISBN:		Prev ED. WIP:	

CALCULATED COST:

LD per page:	0.00		PLANT COST PER PAGE:	160.96
HT per page:	0.00		ACTUAL PAGE COUNT:	336

TOTAL MANUFACTURING COST:		GRAND TOTAL:	11919.21	PER UNIT:	3.97
FINAL QUANTITY:	3000.00	PRICE FORMULA:		SAP ION:	
NET PRICE:	60.00	LIST PRICE:	80.00		

BUDGET COMMENTS:

per emily at carlisle the alterations are at 37.7 % due to author revisions. CP

(save) (reset)

1. By *modeling,* when an average plant cost per page for a segment of work can be determined. OS multiplies that average cost per page by the page count supplied by AE. OS adds to the total any additional costs that were not part of the model. This method is primarily for B and C level titles. When possible, average cost per page should be broken down into the 11 "buckets"*.

2. Line item budgets where budgets are created at the General Ledger (GL) code level at a minimum of the 11 buckets*. If there is time or the title warrants it, the buckets can be broken down into further detail. This method is primarily for A, AA and AAA titles.

> Sales Categories of Books
> >= $1,000,000 = AAA
> $500,000 - $999,999 = AA
> $250,000 - $499,999 = A
> $100,000 - $249,999 = B
> < $100,000 = C

NOTE: *The 11 buckets are groups of similar GL codes that are rolled into one bucket. The 11 buckets are:

Art	Permissions
Comp	Prep,
Design	Production
Development	Proofs
Management	Research
Misc.	

If the product, (such as a print or media supplement) do not warrant all 11 buckets, only those needed should be created.

Step 4: OS gives the cumulative copyright year (c/r) plant spending to **Director of Operations** for review, then, passes it to Business Manager by August 30 (2.5 months from start).

Step 5: Business Manager provides feedback, and OS works with AE and/or Editor in Chief (EIC) and **In-house Project Manager (PM)/Liaison** to make necessary revisions to meet divisional plant spending goals.

Step 6: OS must complete the review and revision of the plant budgets for BP1 no later than September 15 (3.5 months from start)

TASK: Business Plan 1 Revised Budget
Business Plan 1 Revised (BP1 (Rev)) budget is the adjusted budget after the PE president sets divisional goals.

Step 1: The budgeting of plant cost spending for the upcoming copyright year is an ongoing process, and budgets must be revised as new information is obtained and titles are launched. OS must complete an overall review of the BP1 budget and year-to-date spending by March 1 of the following year (9 months from start) to ensure that the budget is still in line with divisional goals. After discussing the budget with the Business Manager, AE, and SME, the OS enters the approved BP1 (Rev) totals into PIMS BUDGET> Overview> BP1 (Rev). This becomes the Frozen Budget for the copyright year. If during the course of production money needs to be moved from one title to another, the BPRev can change to reflect this IF the RTP budget has not been done. Remember to change ALL titles affected by the budget shift.

Step 2: After March, OS reviews the c/r spending monthly and reports quarterly to Director of Operations. (See policy on Monitoring Plant Budgets using the Dashboard) This review will include initial Release to Production (RTP) cost estimates and Confirming Cost Estimate (CCE)/ Presswork and Binding (P&B) budget costs, when applicable.

Step 3: Director of Operations monitors c/r spend and generates reports for the00 Director of Production for PHHE and group Business Managers.

TASK: Preplanning Plan Spend (Blue Form)
To aid editorial with planning plant spending before most work begins on a project.

Step 1: In February (8 months from start) OS reviews and revises (if necessary) the Budget Worksheet (aka "Cheat Sheet" or Family Budget Form) that is to be used by AEs in the creation of their Blue Forms.

Step 2: OS participates in monthly List Review meetings called by **In-house (PM)/Liaison** and attended by AE, Media Editor, and EIC (optional) as well as **SME**, **Art Director (AD), Media Project Manager (MPM),** to discuss future titles, overall status of the list, specifications, and plant spending prior to submission of Blue Forms to senior management for approval.

Step 3: As Blue Forms are being prepared for AAA and AA titles, the EIC and AE should meet with OS and the **SME** to review all budgets within the product family prior to the Blue Form being submitted for approval.

Step 4: OS must keep a record of the budget that was created at this stage for future reference and use it for planning the fiscal year and copyright year budgets. Maintaining records of what was planned vs. what was actually launched/produced is also helpful in identifying budget discrepancies. The OS can use the Create/Modify Budget feature of PIMS to record this preliminary line-item budget for historical reference. The Latest Estimate feature will allow the **In-house PM/Liaison** to update the budget and capture the latest budget info. Suggested line-item budget labels are as follows:

PPS Budget	Launch (RTP) Estimate
PPS Budget Revised	Launch (RTP) Estimate
BP1 Budget	Launch (RTP) Revised
BP1 (Rev) Budget	CCE (P&B)

TASK: Projection of Fiscal Year Spend

A key element of the budget management process includes projecting spending in the fiscal year (Jan-Dec) while applying it to the current copyright year (Sep-Aug). Predicted spending in the fiscal year must include carryover spending from past copyright products well as current and anticipated spending for future copyright product within a fiscal year

Step 1: Each OS should determine the historical average of all copyright year spending relative to fiscal year spending. (e.g., Team 14 has historically spent 85% of its fiscal year budget on the upcoming copyright year. Thus, fiscal 2007 spending consists of 85% of the copyright 2008 budget.) This information can be obtained from the reports issued by Ron Chapman. If the copyright year budget is on target, barring any unusual manuscript turnover trends from editorial, the fiscal year budget should also be on target. **SME** and OS should discuss any anomalies in volume of manuscript turnover (more or less than average), or any anomalies in the timing of manuscript turnover (earlier or later than anticipated). Either of these trends could affect the plant spending for the fiscal year.

The OS also needs to determine how much carryover spending from previous copyright years will occur in the current fiscal year as well as how much spending will occur in the current fiscal year for future copyrights.

Tools to determine plant spending include:

Monitor Plant Budget Using the PHHE Budget Dashboard:
OS must be able to provide information to AE/EIC and Business Managers as to status of plant spending vs. the budget on demand and on a monthly basis during the last half of each calendar year in order to enact a strategy to keep actual spending for the year within budget. The Dashboard can be reached by: http://phheproduction.pearsoned.com/ -> Plant Dashboard

LATEST NEWS
- August Ice Cream Social
- September begins intensive review of all procedures by the director team. Some drafts are available here for reference.
- Committees are continually being formed, check for updates

LINKS
- Staff Contact List
- PIMS
- PAL
- HEPM
- Radar
- Vendor/Invoice DB
- Plant Dashboard
- VARC
- CHET ERAP
- ESM ERAP

PEARSON SITES
- People Development
- Pearson Intranet
- Production Knowledge Base

Step 2: Each month, when the previous month's expenses have been posted to the dashboard (usually around the 12th to the 15th of the month), the OS will review these numbers and compile a summary report to be distributed via e-mail to the EIC, **SME**, Business Manager, Group President**, Director and Associate Director of Operations**. This summary should include:

o Total year-to-date expenses vs. final, frozen budget usually BP1 Rev (from dashboard)
o Percentage of budget left to spend for the year vs. percentage of year remaining (from dashboard)
o Other pertinent information as applicable, (to be compiled from PIMS and dashboard), for example:
    o Percentage of projects completed/in-stock vs. percentage of budget spent year-to-date
    o In the last half of year, number of titles and associated costs not yet in production that will likely be moved to next copyright year
    o Discipline tracking; (e.g., if one specific discipline is tracking to be over budget or grossly under budget; if one discipline has all manuscripts in production, or all titles complete with a substantial amount of the year and budget left; etc.)
    o Anything else that would help to explain or substantiate the year-to-date spending and budget

Step 3: If the dashboard indicates the team will be over budget by any amount or under by more than 5%, detailed analysis is required. It is essential to hold a team meeting with the EIC, SME, Business Manager, **Director and Associate Director of Operations** as early in the year as possible if projections indicate a team will exceed its budget. Products may have to be deferred to the next year, specs changed/downgraded, supplements cancelled, no additional titles accepted into production, or additional funds may be approved by the President and Business Manager in order to effectively manage the spending.

> *NOTE:* The WIP column in the Dashboard totals all spend during current and previous calendar year. If spend has occurred more than 1 year prior to production, OS needs to refer to the WIP system for more information.

TASK: Project Plant Costs from PIMS

Step 1: All budget numbers in PIMS must be accurate to provide "real time" financial information to the EIC and Business Manager. Each team's OS (in agreement with his or her Director and in relation to his or her actual plant spending vs. the budget) should review monthly budget reports for at least the last half of the fiscal year, generated from PIMS. This report, generated by Warren Ramezzana, should include title-by-title analysis of projected plant expenses as well as the PPS budget, BP1 and BP1 (Rev) budgets, Launch (RTP) Estimate, Revised Launch (RTP) Estimate, CCE (P&B) Estimate, Committed costs, and WIP costs. The OS can then subtract the WIP cost from the current/latest budget estimate to determine the balance of plant left to spend. The OS should add up columns of current/latest budget estimate and balance of plant left to be spent by discipline, and then roll up the overall disciplines by team to an overall number. This monitoring assures that plant spending is under control for the year. (See: Projected Plant from PIMS report).

Step 2: At the start of the Fourth Quarter (Q4), the OS must complete this process and discuss it with the Director and Associate Director of Operations to properly manage the plant spend through end of the year. Payment of some invoices may have to be deferred if a team is projected to be slightly over budget, or conversely, some invoice payments may have to be accelerated if the team is projected to be under budget, so no plant dollars are left on the table, and thus deleted for the next year.

Step 3: At the end of the year, the OS should also compile the PPS budget and BP1 budget columns and track them against the CCE estimate to ascertain how closely the OS BP1 budgets match actual spending projections.