CABINET OFFICE

HM TREASURY

Your delivery strategy

a practical look at business planning and risk

Modernising the Civil Service

Most people in departments and agencies have a role to play in planning for delivery, be it in setting objectives for staff, reporting on progress, or looking 10 years into the future to see what challenges the organisation may face. This is all part of the business planning process – turning aspirations, ambitions, and policies into real changes and quality services.

This guidance, produced by the Cabinet Office and HM Treasury, will help all of you, by explaining how to plan well and the benefits of getting it right.

Contents

This document is about:

> How you decide what you should be doing

> How you involve people in working towards your goals

> How you know whether you are on track to deliver the results you want

It is not designed to tell you exactly what to do and does not set down any formal requirements. It is intended to be helpful in:

> Setting out some broad principles of business planning

> Pointing you towards more detailed guidance on different aspects of the process

> Highlighting a few interesting examples of what people in other organisations have done

Summary

Hints and tips

Bold aspirations

The first step is to define and communicate a compelling and stretching aspiration for the future.

- Use your Public Service Agreement, departmental aim and objectives, and other delivery priorities as a starting point.
- Keep the language simple and motivational.
- Remember it can be as important to avoid negative outcomes as to deliver positive outcomes.
- Avoid general aspirations, which can apply to almost any organisation.

Long and short-term targets

The next step is to translate these aspirations and objectives into measurable long and short-term targets against which performance and progress can be measured.

- Set quantitative targets for the long and short term.
- Make targets stretching but achievable.
- Make sure you understand the relationship between inputs, outputs, and outcomes.
- Think about risk and your capability to deliver.
- Have a balanced set of targets.
- Identify actions to deliver each target.
- Beware of perverse incentives resulting from poorly designed measures.

Ownership and accountability

Individuals who are best placed to ensure delivery of targets should have real ownership of that delivery.

- Make sure Board members own targets and risks.
- Cascade operational targets and risk management down the organisation so that everyone is involved.
- Remember, people work best with clear delegation and freedom to manage.
- Build targets into personal responsibility plans.

Rigorous performance review

To ensure that targets are being delivered in line with expectations.

- Think about using exception reporting, perhaps linked to a ‘traffic light’ system.
- Update forecasts for the full year regularly.
- Identify probable target failures early, and do something about them.
- Try three-tier review processes to encourage team involvement and help managers see their actions in a broader context.
- Reallocate resources if necessary.

Reinforcement and incentives

Individuals need to be motivated to deliver the targeted performance.

- Recognise, celebrate and reward successes.
- Learn from and, where appropriate, address the causes of failures.
- Identify training and development needs.
- Encourage managed risk-taking and innovation.

Involving people

To get the building blocks to really work you have to engage with your people.

- Provide clear guidance so that everyone knows what they should be doing.
- Allow time for everyone to get involved.
- Don’t just tell people what the plan is, let them make a real contribution.
- Make planning part of the day job.
- Use training and development to make sure everyone has the skills and knowledge to play their part.

Assessing the planning process

Is it working?

- Look for evidence in survey results and observe how people work.
- Get an independent perspective.
- Find out what people in other organisations are doing.
- Make time to plan, implement, and review improvements to your process.

The planning cycle

Fitting it all together.

- Remember that the purpose of planning is to deliver outcomes, not produce a document.
- Prepare an annual planning timetable, linked to spending review activity.
- Be clear what information needs to flow down from the top of the organisation and what information people need to feed up or across.
- Build in enough time to involve everyone you need to involve.

- Remember, what gets measured is what gets done.
- Planning is not enough – behaviours need to change as well.

1 Context

Why is business planning important?

- Good business planning is not about filling in forms, producing glossy documents or creating a planning industry. It is about ensuring that you know what you are going to do and how you are going to do it.

> *"Where business plans should be a living document by which divisions work, they are at present seen as little more than a tedious exercise."*
> *Quote from departmental peer review*

- It is about deciding what results you want and making sure everyone in your organisation is focussed on delivering those results. It is about ensuring you have the capability to deliver.
- It helps you to understand:
  – the environment you work in and how that is changing;
  – your customers and what they want from the organisation; and
  – the risks to delivering your objectives (and how to manage them).It involves building in flexibility to respond to things you don't expect.
- It involves building in flexibility to respond to things you don't expect.
- It is about making sure you allocate money, people, time, and energy to support the results you are looking for, and avoid outcomes you don't want.

Drivers for better planning

- Robust planning will help you feed into spending reviews effectively, agree and ensure the delivery of realistic **Public Service Agreements (PSAs)**, and satisfy the requirements of **Resource Accounting and Budgeting (RAB)**.
- It is also one of the ways you can demonstrate good practice in relation to **Corporate Governance** issues like effective risk management (which is all about **controlling** risks, not **eliminating** them).
- From a wider perspective, an effective business planning system, which ensures that people know what they are there to do and how it fits into the overall objectives of the business, is one of the underlying principles of **Investors in People (IiP)**.
- And taking on clear responsibility for deciding priorities, allocating resources, and communicating these decisions to key stakeholders, including staff, is one of the ways people at all levels, but particularly at Board and senior management level, can demonstrate effective **leadership and management skills**.

- One of the results of having a good business planning system is that it should be easier to see and explain the results of **shifting priorities** or short-term **fire-fighting** on specific issues.
- This should help **manage expectations** across the department (including Ministers and Board members) of what can reasonably be achieved with a given level of resources. In other words, the possibility of having to deal with new Ministerial initiatives that you had not planned to deliver is a reason to plan **better**, rather than not to plan at all.
- The Government has put a renewed emphasis on **delivery** and has set up the new **Prime Minister's Delivery Unit** to drive and support delivery. In addition, the **Office of Public Services Reform (OPSR)** is taking forward the agenda for radical reform of public services. Business plans are key to helping everyone in the organisation know what they need to do to deliver.
- The **Public Services Productivity Panel** has said that high performing institutions all share a few common characteristics. One of the most essential is robust business planning. Some of their reports on specific aspects of the process are mentioned later in this guidance.
- The **Civil Service Reform Report** has business planning as one of its key themes. Permanent Secretaries agreed with Sir Richard Wilson that we need to breathe fresh life into business planning from top to bottom.

Office of Public Services Reform say business planning needs to be rooted in the context of radical reform of public services

The changes needed to deliver better public services will require changes in the way the Civil Service operates. OPSR's work builds on the modernising government principles (joined-up and strategic policy making, a focus on public service users, and the delivery of high quality and efficient public services) to bring about radical reform. Effective business planning is a key part of any reform process.

Office of Government Commerce say robust planning is essential to delivery

Preconditions for the success of projects and programmes include:

***Business planning** – clear strategy and direction, owned by stakeholders, which informs investment.*

***Alignment to the strategy** – continual monitoring and review of investment by top management so that it remains aligned with the strategy as the strategy evolves.*

***Roles and responsibilities understood** – unequivocal commitment from top management, partners and Ministers and a clear understanding of their continuing roles.*

Skills and capabilities in place *– access to the skills and capabilities needed, and a realistic view about abilities to manage complex change.*

Organisational learning *– processes in place to learn from experience and adopt better practice, supported by appropriate training and development.*

Framework for managing risk *– defined roles, responsibilities and processes for managing risk across the organisation, with clearly defined routes for escalating risk to senior management.*

The OGC produces guidance on project and programme management. For more information see their website at http://www.ogc.gov.uk or call them on 0845 000 4999, GTN 3040 4999.

Types of plans

- A department's business plan is typically a part of a broader suite
- of plans, which:
  - sits in between long-term strategic plans and short-term operational plans (the timescale perspective); and
  - brings together plans for individual agencies and directorates (the organisational perspective) with other department-wide plans and strategies like modernising government, e-business, diversity etc.
- Long-term strategic plans typically look 5 to 10 years out, such as the 10-year transport and defence reviews. These are largely qualitative and set the overall direction for a department. They take account of broad issues, including those beyond the control of Government, such as technological developments, demographic changes, and environmental priorities.
- Business plans typically look 3 to 5 years out and include annual financial and non-financial targets, including PSA targets. The plans will include actions to deliver the targets and assessments of risks and how these can be mitigated. There should be clear ownership of both the targets and the actions.
- Short-term operational plans are typically annual, linked with the budget allocation/bidding process, and contain enough detail for regular (eg monthly) management monitoring.
- **This guidance** is focused on short and medium-term business planning, but the principles it sets out are general enough to be used for other kinds of plans.
- It is about much more than the production of a document or plan. It provides advice on **delivery** of a plan, looking at issues of ownership, performance monitoring, and incentives.

For more information

The ***Civil Service Reform Report***, and the ***Civil Service Reform Annual Report 2000*** on the Cabinet Office website at http://www.cabinet-office.gov.uk/civilservice-reform/publications.htm

The **Public Services Productivity Panel** website at http://www.hm-treasury.gov.uk/pspp/

The **Office of Public Services Reform** can be contacted on 020 7276 3526.

Details of **Public Service Agreements** (PSAs) on the HM Treasury spending review site at http://www.hm-treasury.gov.uk/sr2000/psa/index.html

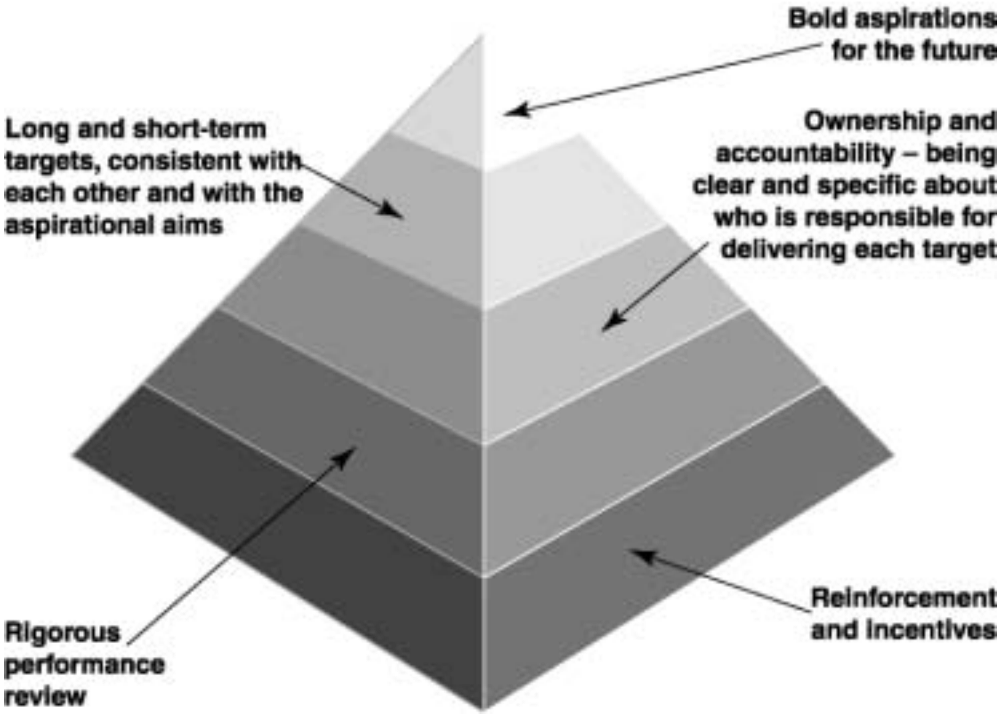
Information on **Resource Accounting and Budgeting** (RAB) on the HM Treasury website at http://www.hm-treasury.gov.uk/docs/2001/rab30_03.html. For information on good practice within Government see 'Better decision taking in departments' on the GSI at http://www.hmtreasury.gsi.gov.uk/psd/account/dectaking_intro.htm or contact Sara Solomon on 020 7270 1748.

Guidance on **Corporate Governance** in 'Dear Accounting Officer' letters issued by the Treasury, available on the HM Treasury Government Secure Internet (GSI) website at http://www.hm-treasury.gsi.gov.uk/psd/dao/dao.htm or from Mangai Rajasingham in the Office of Accounts team on 020 7270 5362. More information on **risk** is available from Gordon Adam or Chris Butler in the Audit Policy and Advice team in the Treasury (020 7270 1681 or 020 7270 1683, email Gordon.Adam@hm-treasury.gsi.gov.uk, or Chris.Butler@hm-treasury.gsi.gov.uk)

Information on **Investors in People** (IiP) at http://www.iipuk.co.uk

2 Building blocks of business planning

- As the basis for this guidance we are using an accepted model for business planning which was designed to improve public sector productivity.
- This model has five building blocks. These are set out in more detail in the Civil Service Reform Sub-Group Report on Performance Management and in the Public Services Productivity Panel report *Public Service Productivity: Meeting the Challenge*.



- The framework is based on two assumptions: that all the building blocks should be in place and working together to improve productivity and that the most essential blocks (the bold aspirations and the long and short term targets) need to be in place before other building blocks can be effective.
- Chapters 3–7 look at these building blocks one at a time, setting out in more detail how you might go about putting them in place and identifying some of the issues around them.

Bold aspirations (Chapter 3)

- The first step is to define and communicate compelling and stretching aspirations for the future. The aims and objectives which are set out in Public Service Agreements (PSAs) for all main departments must be a central part of this process. It is critical that the aspirations are clear and consistent over time. Bold aspirations are seen as the rationale for challenging targets and goals – they should take account of good outcomes you want to deliver and bad outcomes you want to avoid.

Long and short-term targets (Chapter 4)

- The next step is to translate these aspirations into measurable long and short-term targets against which performance and progress can be measured.
  - Long-term targets are specific 3–5 year targets linked to the aspirational aim and objectives. Some of these targets should feature in PSAs.
  - Short-term targets are annual, derived from PSA targets, and should be cascaded to an operational level. These must be measurable.
  - The right timeframe for elements of your plan will depend on the nature of your delivery task.
- The system should be integrated so that the achievement of short-term targets contributes to the achievement of the long-term targets, and targets contribute to the meeting of aspirations/objectives.

Ownership and accountability (Chapter 5)

- Once the overall direction and targets have been set, you need to establish organisational ownership. Every target, both long and short-term must be owned. This can be done either individually or collectively (for example by teams or other organisational units) but must result in specific responsibilities for delivering each target. You need the individuals who are best placed to ensure delivery of targets to have real ownership of that delivery. People will be more inclined to feel ownership of targets if they have helped to set them.

Rigorous performance review (Chapter 6)

- Once accountability for delivering against individual long and short-term targets has been clearly identified, a rigorous performance monitoring and review system is necessary. To be effective, performance reviews must exhibit the following characteristics:
  - personally involve all managers, including the most senior managers in the organisation;
  - ultimately report to the political leadership;
  - happen regularly.
- One of the projects the Public Services Productivity Panel undertook was to look at a framework for performance review which was piloted in part of the Department of Trade and Industry by Byron Grote of BP/Amoco. More details on this are in Chapter 6.

Reinforcement and incentives (Chapter 7)

- You must be able to reward achievement of targets and discourage people from failing to meet them. You need a meaningful system, with positive consequences for success and negative consequences for failure. Individuals should be motivated (and properly equipped through training and development) to deliver the targeted performance.

Role of Ministers

- One thing we do not look at in detail is how to involve Ministers in the planning process. In terms of both bold aspirations, and ensuring day-to-day delivery, Ministers will need to be engaged in discussing and agreeing the priorities for the department. This is not always straightforward – business planning has been described as an area where “politics meets management”, and different departments will need to take different approaches to suit their Ministers’ interests and the way they do business. Some departments have used awaydays, or invited Ministers to Board discussions, as well as sending them papers and offering presentations.
- One difficulty can be getting early and focussed engagement from Ministers and senior officials to set the strategic framework within which more detailed business planning needs to be done. Timelines recommended in business planning reviews suggest that the Board should agree strategic priorities with Ministers in May, and look at a high level business plan in August.

For more information

The ***Civil Service Reform Report*** and the ***Sub-Group Report on Performance Management*** on the Cabinet Office website at http://www.cabinet-office.gov.uk/civilservice-reform/publications.htm

The ***Public Services Productivity Panel*** website at http://www.hm-treasury.gov.uk/pspp/

The Central Government National Training Organisation (CGNTO) workforce development plan for Central Government, ***Developing 21st Century Skills*** available from the CGNTO secretariat (E-mail: secretariat@cgnto.org.uk or contact Brigid Feeny on 020 7276 1324)

3 Bold aspirations

The first step is to define and communicate a compelling and stretching aspiration for the future.

What it looks like when it works

- A focused set of key aspirations for the organisation: these can be qualitative and should focus on the outcomes the organisation wants to generate.
- The aspirations distinguish your organisation from others.
- The aspirations are stretching – driving improved performance in the organisation – but are achievable.
- All staff understand the aspirations for the organisation and how their work contributes to them.

> *“The Secretary of State and the department have succeeded in identifying, communicating and reinforcing to staff a clear vision. It is remarkable that almost all the staff we interviewed knew and understood this vision.”*
> *Quote from departmental peer review*

- All staff own the aspirations and are driven by them. But, in particular, senior management should be seen to own and take responsibility for them.

Tips

> Use your Public Service Agreement (PSA), departmental aim and objectives, and other delivery priorities as a starting point.

> Keep the language simple and motivational.

> Remember it can be as important to avoid negative outcomes as to deliver positive outcomes.

> Avoid general aspirations, which can apply to almost any organisation.

What are the benefits?

- The process of setting bold aspirations should bring different interpretations and priorities out into the open, and help the organisation to agree a set of priorities which it can aim for.

Examples of bold aspirations in practice

- Each main department has a Public Service Agreement (PSA) setting out the main aim of the department and its main objectives. These can be found on the Treasury website.
- The aim of the Lord Chancellors Department is “Justice”.

- The aim of the Department for International Development is "The elimination of poverty in poorer countries."
- Other bold aspirations are things like:
  - "Be the number one beverage, ahead of water" (Coca-Cola);
  - "Put a man on the moon by the end of the decade" (President Kennedy).

Objectives

- Underneath the aspirations you need some clear high level objectives, which give customers and other stakeholders a clearer idea of what they can expect (and also what they can't expect).
- Clear objectives help to:
  - motivate staff, as they can more easily identify success and concentrate on the most important tasks;
  - prioritise different pieces of work, as it's easier to identify what is and isn't central to the goals of the organisation;
  - prevent different, often contradictory, goals developing with no clear way of distinguishing which is 'right';
  - minimise the time staff have to spend checking 'up the line' to make sure that the right goals are being pursued;
  - provide a framework for development plans for all staff.

Issues to be aware of

- To be widely owned, the process of setting aspirations and objectives should take into account the views of the main stakeholders for an organisation – both on what the organisation should be doing and what it is practical to do. Opinions may be sought either through formal consultation (guidance is available to help you with this – see end of chapter), or other mechanisms such as user groups or line briefing for staff. Where appropriate, you should discuss emerging proposals on key delivery issues with the Prime Minister's Delivery Unit. You need to build in time for this consultation.
- Stakeholders may include:
  - customers – including customers who can't easily speak for themselves;
  - Ministers;
  - citizens – who may also be customers;
  - service delivery organisations – especially where some of the aims of the organisation are only delivered through others (eg health care services delivered through local NHS trusts);
  - staff – who need to own the resultant aims and objectives;

- other public sector bodies – especially those whose services need to join up with the organisation, which might include bodies in the voluntary sector.

- You need to understand the environment you are working in, the way the world is changing and how your organisation needs to respond (eg you must keep up-to-date with developing areas like e-delivery and the work led by the Office of Public Services Reform).
- There is a limited number of 'key objectives' that most staff will take in and be driven by. The organisation's objectives need to be clear and focussed on the most important issues. The more complex the set of objectives, the harder it is for staff to identify with them and see the link between their own work and the objectives.
- There may be business areas whose work is not obviously covered by the stated objectives – this may be demoralising for staff in these areas. One example may be support functions such as IT, where work may be needed to communicate how these areas contribute to the organisation's objectives. Setting objectives which treat areas like this as a separate business (eg looking at the IT section's customer satisfaction) may also help.

For further information

Consultation guidance available at http://www.consultation.gov.uk

Public Service Agreements (PSAs) on the HM Treasury website at http://www.hm-treasury.gov.uk/sr2000/psa/index.html

4 Long and short-term targets

The next step is to translate these aspirations and objectives into measurable long and short-term targets against which performance and progress can be measured.

What it looks like when it works

- A clear set of long and short-term targets and actions to deliver (and monitor delivery of) your objectives and gain early warning of problems: where problems are identified you then have the opportunity to reconsider priorities and, if necessary, to reallocate resources.
- These targets take account of outside influences and the environment you are working in and consider:
  - what other forces are likely to affect the outcomes you are aiming to change?
  - what factors may help or hinder you?
  - what are the risks?
- You have looked at the environment you are working in to help you set realistic targets, and help plan what actions may be needed.
- The first step in developing targets is to identify the measures which will show whether:
  - you are putting in the right inputs;
  - your processes are working properly; and
  - together these are leading to outputs and, more importantly, effective outcomes.
- A useful distinction between inputs, outputs, and outcomes can be illustrated using the following examples for the Department of Health:
  - inputs include the number of nurses and the number of beds in hospitals;

Tips

> Set quantitative targets for the long and short term.

> Make targets stretching but achievable.

> Make sure you understand the relationship between inputs, outputs, and outcomes.

> Think about risk, and your capability to deliver.

> Have a balanced set of targets.

> Identify actions to deliver each target.

> Beware of perverse incentives resulting from poorly designed measures.

  - outputs include the number of operations and waiting times;
  - outcomes include better health and life expectancy.
- Inputs and outputs are easy to quantify, but may not be as important to the public as outcomes. Outcomes are more difficult to assess but are the reason why many services, including the NHS, exist.
- The outcome you want may be outside your direct control. There may be many different bodies involved in delivering your programme. You need to understand how best to get them to deliver.
- Criteria to help you set meaningful measures are set out in *Choosing the Right FABRIC: A Framework for Performance Information*. These are summarised at the end of this chapter.
- You need to look at your capability to deliver before you finalise targets – not just in terms of money, but in terms of staffing, skills, accommodation, IT, stakeholder buy-in, etc. You should make clear decisions about priorities across the organisation and add performance measures to your objectives so that you can assess at different stages whether or not you are going to reach your targets and if you are performing to the right standard.

Performance turnaround

In the early 1990s Barnsley Magistrates' Courts Committee (MCC) bore the hallmarks of an organisation that was failing. The problem of delay at the Court was described as "chronic". Dramatic improvements have now taken place. From being as low as 101 in some performance league tables, the Court is now in the top 10. The strategy of linking performance improvements to training and development was at the heart of the turnaround. The deceptively simple target of reducing delay involved a total overhaul of administrative practices, and required a major focus on performance so efficiency could be improved. It also demanded effective inter-agency liaison with the Police, CPS, Probation, defence solicitors and other court users.

The MCC recognised that the problem of delay was linked with attitudes to performance across a range of areas. In response, the Court set itself a series of objectives: providing staff with opportunities to get nationally recognised qualifications, achieving IiP and ISO 9000 recognition, developing performance management skills, and fostering interpersonal and communication skills.

For more details go to the Central Government Beacon Scheme website at http://www.cgbs.org.uk

The new Department for Work and Pensions (DWP) is looking carefully at what it needs to deliver, the change programmes that underlie that, and the ways in which the department needs to change to achieve its objectives. All 8,000 managers in the department have recently been given a document, Creating New Services which sets out the department's priorities for 2001–2004. This looks at the department's work in terms of *client groups – working age, pensions, children – and sets out a modernising services agenda. This reflects a new focus in DWP looking at their capacity and capability to deliver.*

For more information, or a copy of the document contact Simon Briars on 020 7238 0631, e-mail: simon.briars@dwp.gsi.gov.uk

Risk

- When you are setting your targets you must analyse the risk associated with them, ie the consequences of failure, what might hinder delivery, what could mitigate the risk, and what contingency systems you have in place.
- There is detailed guidance on risk management in *Management of Risk – A Strategic Overview* and letters issued by the Treasury to Accounting Officers. These place requirements on departments to sign statements saying that they are happy with their risk management systems.
- Responsibility for managing risk will be delegated down the organisation and managers will be asked to sign their own statements certifying that they have adequate control systems in place. Auditors will check that there is no evidence to suggest problems exist, so it is important to have robust risk management arrangements in place.
- Different organisations will be able to deal with different levels of risk. It is very unlikely that it is going to be worth totally wiping out risk, even in the few situations where this might be possible. There are options for dealing with it:
  - **transfer:** by insurance or finding another way to get someone else to bear the risk;
  - **tolerate:** if you can’t do anything about the risk or the cost of doing something far outweighs the benefit;
  - **treat:** contain the risk to an acceptable level (by internal control – action taken within the organisation);
  - **terminate:** you may find the only way to deal with the risk is to stop the activity causing it. This might not always be possible in the public sector.
- A list showing the different kinds of risk an organisation might face is at the end of this chapter. The key is to produce a response proportionate to the risk.
- You will need quality information to base judgements on. Think about how rigorously you manage your budget, and look at what comparable information you have on staffing, accommodation, IT, or training.

Balanced set of measures

- You must make sure that targets are balanced between financial and non-financial measures, and between stakeholders. The work of a department is likely to range wider than the objectives identified in Public Service

Agreements (PSAs). The balanced scorecard is a good tool for organising targets and measures.

The Home Office have designed a Board level balanced scorecard to track progress across their objectives as well as giving some indication as to the health and productivity of the organisation. It draws upon analysis of business drivers to ensure that both leading and lagging indicators are monitored. The Board see a traffic light style summary, with an indication of trend as well as current levels of performance. Not all the management information that the Board would like in the scorecard is available right now, but there is clear ownership both for the current targets and the task of identifying new and better measures. Considerable efforts are being made to track what is important, rather than just what is easy to measure. The scorecard is already influencing organisational change and plans are in place to cascade lower level scorecards into individual directorates.

For more information please contact Richard Stanton at the Home Office on 020 7273 3229 (e-mail: Richard.Stanton@homeoffice.gsi.gov.uk)

Actions

- In addition to the targets, the business plan should include the actions (with deadlines and clearly allocated responsibility) needed to meet the targets. The Department for Education and Employment (now the Department for Education and Skills) work plan provides a useful example of short-term actions and targets needed to deliver their departmental aspirations.

The aim of the former Department for Education and Employment (now the Department for Education and Skills) is "To give everyone the chance, through education, training and work, to realise their full potential, and thus build an inclusive and fair society and a competitive economy".

One of the department's objectives is to ensure that all young people reach 16 with the skills, attitudes, and personal qualities that will give them a secure foundation for lifelong learning, work, and citizenship in a rapidly changing world.

There is a target is to increase the coverage of nursery places for 3-year-olds from 34 per cent to 66 per cent by 2002, focussing on the most deprived areas of the country.

Actions to support this include:

- *establishing 129 local Sure Start programmes by March 2001;*
- *providing early education places for 50 per cent of 3-year-olds by March 2001;*
- *establishing Early Learning Goals for the Foundation Stage of Learning (3–6) by September 2000; and*

– *commencing a programme of disseminating good practice on integrating early years services from the Early Excellence Centres from Autumn 2000.*

- You can use timed milestones or intermediate outcomes to see whether work is on track. These may be particularly helpful for managers in specific areas to see how they are progressing towards an outcome target. Boards may want to monitor outputs or processes which are good predictors of outcomes.

What are the benefits?

- Targets help you to plan for delivery. They provide openness and transparency to the customer and the citizen.
- Clear targets allow Management Boards to focus on a small number of key priorities that help them to see whether the business is on course.
- A major benefit of having a relatively small number of targets is that it forces the Board to identify what is more important and what (through exclusion) is less important. This can then be used to communicate priorities across the organisation.

Issues to be aware of

- You should avoid being overburdened with management information, especially at Board level. Focus on the key measures that will inform you about the state of the organisation, project, or process, enable you to see the risks and ask the right questions. This will be different for different people.
- You will need to consult stakeholders and work with staff to come up with appropriate and manageable targets. If you expect agencies or other organisations to deliver some of your objectives, they will need to be fully involved in gathering information and setting realistic targets.
- Most measures of performance will have some weaknesses. Collecting performance information is a matter of balancing the ideal information and using what is possible, available, and affordable. You should make sure that anyone using your performance information is aware of its shortcomings.
- You will need to avoid perverse incentives. On the basis that ‘what gets done is what gets measured’, a poorly defined measure can be worse than no measure at all. For example, a measure of the speed in answering letters may, in isolation, result in a reduction in quality of the responses. The more that measures can capture different dimensions of performance, or be based on outcomes, the easier it is to avoid such problems.

Criteria for performance measures

Choosing the Right FABRIC: A Framework for Performance Information sets out principles for performance information systems, and specific measures.

A good system of performance information should be:

Focussed on the organisation's aims and objectives;

Appropriate to and useful for the stakeholders who are likely to use it;

Balanced, giving a picture of what the organisation is doing, covering all significant areas of work;

Robust, in order to withstand organisational changes or individuals leaving;

Integrated into the organisation, being part of the business planning and management process; and

Cost effective, balancing the benefits of the information against the costs.

Measures should:

- be **relevant** to what the organisation is trying to achieve;
- **avoid perverse incentives** – not encouraging unwanted behaviour;
- be **attributable** – the activity being measured must be capable of being influenced by actions which are attributable to the organisation, and it should be clear where accountability lies;
- be **well-defined** – with a clear unambiguous definition so that data will be collected consistently and the measure is easy to understand and use;
- be **timely** – producing data frequently enough to track progress and quickly enough for the data to still be useful;
- be **reliable** – accurate enough for its intended use, and responsive to change;
- be **comparable** – with either past periods or similar programmes elsewhere;
- be **verifiable** – with clear documentation behind it so that the processes which produce the measure can be validated.

Categories of risk

The list below summarises the most common categories of risk and some indication of the possible effects. It is not comprehensive – some organisations may be able to identify other categories of risk applicable to their work.

External

- Infrastructure: transport for staff, power supply, suppliers, business relationships with partners, dependency on internet and e-mail
- Economic: interest rates, exchange rates, inflation
- Legal and regulatory: eg health and safety legislation
- Environmental: fuel consumption, pollution
- Political: possible political constraints like a change of government
- Market: competition and supply of goods

- 'Act of God': fire, flood, earthquake

Financial

- Budgetary: availability and allocation of resources
- Fraud or theft: unproductive loss of resources
- Insurable: potential areas of loss that can be insured against
- Capital investment: making appropriate investment decisions
- Liability: the right to sue or be sued in certain circumstances

Activity

- Policy: appropriateness and quality of policy decisions
- Operational: procedures employed to achieve particular objectives
- Information: adequacy of information used for decision making
- Reputational: public reputation of the organisation and consequent effects
- Transferable: risks that may be transferred, or transfer of risks at inappropriate cost
- Technological: use of technology to achieve objectives
- Project: project planning and management procedures
- Innovation: exploitation of opportunities to make gains

Human resources

- Personnel: availability and retention of suitable staff
- Health and safety: well being of people

5 Ownership and accountability

Individuals who are best placed to ensure delivery of targets should have real ownership of that delivery.

What it looks like when it works

- Ownership of your plan at the highest level – Ministers and the Management Board. They need to understand and sign up to the business plan so that there is collective corporate ownership.

In the Department of Trade and Industry Directors General, as the Primary Budget Holders, are asked to personally set out what they are doing in their area including ministerial priorities, a summary of the key targets and outcomes they need to achieve, key risks and a risk management strategy.

- Involvement of non-executive directors who should help your Board think strategically and corporately about your business strategy, and should be well placed to challenge and advise the executive Board members.

"The Management Board is seen internally as a collection of individual Directorate Heads over-preoccupied with their own areas, and with inadequate knowledge of those of their colleagues."
Quote from departmental peer review

- Ownership throughout the organisation. This means building the plan up from the bottom and involving staff at the same time as developing your plan from the top and setting the strategic priorities.
- A line of sight from your bold aspirations, and Public Service Agreement (PSA) objectives through the business plan to individual personal responsibility plans in people's annual staff reports. Accountability will be different for each of these. The PSAs are owned by Ministers and the Board, and by the Cabinet through the Secretary of State. The business plan is owned by the Department. Personal responsibility plans are owned by each of us. A good plan is based on cascading specific personal targets to named individuals.

Tips

> Make sure Board members own targets and risks.

> Cascade operational targets and risk management down the organisation so that everyone is involved.

> Remember, people work best with clear delegation and freedom to manage.

> Build targets into personal responsibility plans.

- There is clearer accountability and ownership not only for the targets but for **delivery** of them, so where you are relying on the wider public sector, Non Departmental Public Bodies or your executive agencies, you and they are clear about who is responsible for what. The Board will want to make sure that the right detailed plans are in place to underpin delivery.
- Ownership of risks associated with your targets is cascaded to ensure effective risk management. People with responsibility for delivering objectives have a parallel level of responsibility for managing risk. Embedding risk management is critical to success. It should be a core part of what the organisation does, not separated from day-to-day activities.
- A key to ownership is lively communication of the whole plan to all staff.
- Regular reviews of progress, perhaps in three-tier meetings like those used in the Public Services Productivity Panel work with the Department of Trade and Industry (see details in Chapter 6).
- If accountability and ownership work well, it should be possible to have constructive grown-up conversations about progress and risks during the year.

What are the benefits?

- Clear ownership and accountability, with clear lines of responsibility and regular reporting will:
  - drive performance;
  - allow glitches to be picked up early;
  - allow reallocation of resources/energy/management focus.
- Without clear accountability, confusion will happen.
- Without ownership, nothing will happen.

Issues to be aware of

- The ultimate ownership of your plan is with your Ministers, and they are held accountable to the Prime Minister and Parliament. But not all players are accountable for everything. You will need to reach agreement about the type of information you report upwards. You will also need to seek agreement that people at each layer will not breach the ownership and accountability which rests at a different layer.
- This may mean that you will develop different sets of information for different people: teams within the department; the departmental Management Board; and reports to the Treasury, Cabinet Office, Number 10, Parliament and the public.
- We know that people work at their best with clear delegation and freedom to manage. You need a clear and agreed framework of ownership and accountability to achieve this.
- Consider how you handle your business planning meetings and review sessions – face to face is often better and more honest than on paper – avoid the paper chase!

- Your Accounting Officer will retain overall responsibility for risk management in your organisation, but delegation through the organisation will make risk management a reality. The Board will need to be ready to move resources or drop lower priorities to ensure the department does not bite off more than it can chew.

In the Cabinet Office, as part of the corporate governance framework, Heads of Management Units (Directors, or Grade 3s in old-speak) are asked to sign quarterly interim statements of internal control, confirming that they are happy so far with arrangements for identifying and managing risks in their area.

- Business planning never ends – its like painting the Forth Bridge. Enjoy your progress reviews and make them real.
- Don’t assume your plan will happen – build in risk assessment and review continually.
- Don’t focus too much on finance – resource allocation has to match decisions about priorities, and the books do need to be balanced, but your strategy should be about more than money.
- Don’t forget your department is likely to have some jointly owned cross-boundary PSAs and plans with other departments. This means being even clearer about ownership and accountability, as you will have partners to work with as well as stakeholders, customers, and all the other players.
- You will need to agree who delivers which part of which target, and how this is reported. You will be jointly held to account (eg the joint appearance before the Public Accounts Committee of the Permanent Secretaries of the Home Office, Lord Chancellor’s Department, and the Director of Public Prosecutions to account for delay in the courts system), so this clarity could be put to the test.

For more information

The ***Sub-Group Report on Performance Management*** at http://www.cabinet-office.gov.uk/civilservice-reform/publications.htm

The **Public Services Productivity Panel** website at http://www.hm-treasury.gov.uk/pspp/

Guidance on risk, ***Management of Risk – A Strategic Overview*** (the Orange book) was published by HM Treasury in February 2000. For **more information on risk** (including work under way on minimum departmental standards) contact Gordon Adam or Chris Butler in the Audit Policy and Advice team in the Treasury (020 7270 1681 or 020 7270 1683, email Gordon.Adam@hm-treasury.gsi.gov.uk, or Chris.Butler@hm-treasury.gsi.gov.uk)

Guidance on the new **Senior Civil Service pay system**, including principles of objective setting at http://www.cabinet-office.gov.uk/civilservice/scs/index.htm

6 Rigorous performance review

To ensure that targets are being delivered in line with expectations.

What it looks like when it works

- Chapter 4 described how a balanced set of targets and associated actions can be included in business plans.
- Management information will enable you to monitor delivery of these targets, report progress, and take corrective action where necessary. This should happen at all levels, with the Board being kept in touch and asked to take decisions where necessary to shift resources, or review priorities.

> *"The lack of a transparent system to move resources quickly from 'cold' spots to 'hot' spots puts people under unnecessary pressure and is an inefficient use of resources." Quote from departmental peer review*

- People at all levels in the organisation will be able to see what progress is being made. Providing good, timely, clear information to staff who are directly responsible for delivery can help improve performance.
- Information will be presented in a meaningful and accessible way, so people can put it in context and identify trends. Think about using graphs or charts. Try to make it easy for people to see whether changes in performance are significant (it may be useful to include both the year-to-date performance and a latest best estimate for the full year, so the estimate can then be compared with the targets in the business plan).
- Different levels of reporting on progress. Detailed reporting may only be needed for those measures where there are significant issues or a risk of failing to meet the planned target (exception-based reporting). Appropriate decisions can then be made about reallocating resources, taking new actions, setting revised targets, etc. To make these decisions in time to influence events, managers and the Board will need to see both lead and lag indicators (ie those that give an indication of future performance, as well as those reporting on past performance).

Tips

> Think about using exception reporting, perhaps linked to a 'traffic light' system.

> Update forecasts for the full year regularly.

> Identify probable target failures early, and do something about them.

> Try three-tier review processes to encourage team involvement and help managers see their actions in a broader context.

> Reallocate resources if necessary.

- Responsibilities for new actions and revised targets are cascaded down the department. If significant reallocation of resources is needed, you will need to understand and accept the impact this will have on other targets.
- Everyone will be involved in monitoring progress. The Grote Report recommended a three-tier model for performance monitoring. This means that performance is monitored not just between an individual and their manager, but between a team, their manager, and their manager's manager. This helps individuals see their activities in a wider context and helps directors to understand the practicalities of delivering outcome targets. This approach has been successfully trialled in the Energy Directorate of the Department of Trade and Industry.

Bryon Grote of BP Amoco, a member of the Government's Public Services Productivity Panel, ran a pilot study in the Department of Trade and Industry (DTI) to see whether a performance management system used in the private sector could be applied to a policy area in the public sector. Many elements of the system were already in place at DTI, but the pilot applied them with more discipline and a different focus. A structured performance review process was introduced where instead of relying on a series of one-to-one meetings, reviews took place in teams covering three levels in the organisation. This allowed the wider context to be shared, successes and disappointments to be discussed, risks to delivery to be identified, and a direction for the future to be set. The pilot was deemed a success, the view of those who took part was that it had wider application for the public sector, and this more rigorous approach will now be used in other parts of DTI. People involved in the pilot said:

"An opportunity, on a regular basis, to discuss my vision of the objectives and the way forward… led to some extremely useful issues being followed up before crises developed."

"These kinds of exercises… are not just about setting objectives, they are about engaging people and ensuring staff are part of the greater whole."

What are the benefits?

- Monitoring performance information should be part and parcel of business planning. It needs to be done by everyone who has responsibility for delivering an output. The frequency of monitoring will depend on the information available and how it can be used to influence management or operational decisions.
- If you draw up a balanced set of measures for the Board (as described in Chapter 4), it should give you a common set of measures that you can use in business plans, budgets, and performance monitoring. This can then be cascaded (perhaps broken down into sub-sets of more detailed information) to provide a picture of performance to other staff.
- The balanced scorecard as the basis for a management information system can be used alongside the EFQM Excellence Model.

The Ministry of Defence (MOD) uses a performance management regime based on the balanced scorecard and EFQM Excellence Model, and this continues to develop hand-in-hand with the departmental planning process. The balanced scorecard is used at the MOD Corporate level (The Defence Scorecard) to articulate the Department's Strategic Objectives which reflect the MOD PSA targets. It is mandated one planning level below so that budgetary areas produce aligned plans, although many more areas are voluntarily adopting the scorecard approach. The Defence Logistic Organisation (DLO) is charged with reducing the cost of supporting the Armed Forces' equipment by 20 per cent by 2005. Key to this is target setting and continuous improvement for which the balanced scorecard and EFQM together are two important tools. The DLO balanced scorecard contains the specific high-level objectives and targets for the organisation. It allows the Board to monitor progress against specific targets to measure performance against the strategic objectives. The Excellence Model provides a comprehensive framework for improvement and change by providing the opportunity for continuous monitoring of performance in nine criteria with a periodic 'snap shot' of organisational performance.

For more information on balanced scorecard and EFQM in the MOD contact Charles Holman, dgmo-domd5@defence.mod.uk

Issues to be aware of

- The management information system described above provides early warning of problems or likely outcome failures. Boards need to avoid simply noting such problems or failures. They need to explicitly accept changed targets or make individuals responsible for actions to get back on track.

In United Utilities, in addition to having an owner for each target, they have one or more 'chasers' for each target. A chaser, typically a peer of the target owner, is not responsible for delivery but is accountable if the target is not achieved. Chasers can therefore help the Management Board to monitor delivery of outcomes and to have early warning of potential failures. This has the spin-off benefit of giving people knowledge of the business outside their own specialism.

- Once a system has been developed it needs to be reviewed annually. Some of the measures may need to be refined, some of the targets revised and some of the measures dropped to be replaced by more significant measures.
- No system is going to be perfect, so once you get most of the way there, stop designing it and start using it. People who have worked up balanced scorecards for their organisations have spent on average between six and twelve weeks on it before putting it into practice, starting after Christmas and having it ready for the beginning of the next financial year.

- Not all the things the Management Board would like to monitor will have measures readily available. You should not lose sight of what they want – just because you haven't currently got a measure it doesn't mean it isn't important or worth looking at. Pursue the measures you really want, but in the short term use other available measures as a proxy. But remember that what gets measured gets done, so ensure your proxy measures do not produce perverse incentives.
- Try to avoid creating a reporting industry. Think about who you need to provide with what information. There is a difference between information that is provided for accountability purposes (to HM Treasury for instance) and information that is used for management (those things the Board and others will be looking at and making decisions about) but there will be significant overlap. Management objectives should flow from high level targets in the Public Service Agreement (PSA) to which the department will be held accountable. Take advantage of this and cut down the amount of time you spend chasing paper. Do not produce reports just to cover your back.
- If the Management Board focusses most of its attention on those measures which are not being met, this will provide a powerful incentive for the Director(s) responsible for such measures to be active in understanding the causes of the failure and how they can be redressed. This will require detailed attention to inputs and outputs, even though the Management Board can hopefully focus its attention on outcomes.

For more information

Public Services Productivity Panel website at http://www.hm-treasury.gov.uk/pspp/

The Strategy Focused Organization by Kaplan and Norton ISBN 1578512506, published by Harvard Business School Publications

7 Reinforcement and objectives

Individuals need to be motivated to deliver the targeted performance.

What it looks like when it works

- Everyone in the organisation is clear about the value and nature of their contribution and why they are being asked to do their job.
- Managers at every level recognise their responsibility for explaining to their staff how their contribution fits in to the achievement of wider departmental objectives.
- Everyone in the organisation is clear about what they are being asked to do, the extent of their personal responsibilities, by what criteria their performance will be judged, and that their success will **matter**.
- The Board are clearly committed to the planning process so that staff have confidence in the planning process, and the ways that process:
  - generates management information for staff at all levels;
  - informs decisions on departmental priorities;
  - informs decisions on resource allocation; and
  - informs decisions on individual and team remuneration.
- Success is recognised, celebrated, and rewarded; success **and failure** are analysed to fuel learning and improvement for the future.
- You have a performance management system that:
  - motivates people to innovate, take managed risks, seek more challenging responsibilities, develop their competence, and demonstrate leadership;
  - encourages continuous improvement;
  - offers significant rewards for excellence;
  - helps confront poor performance; and
  - supports the development of a diverse workforce.

Tips

> Recognise, celebrate, and reward successes.

> Learn from and, where appropriate, address the causes of failures.

> Identify training and development needs.

> Encourage managed risk-taking and innovation.

What are the benefits?

- Everyone in the organisation is well motivated and incentivised to deliver departmental priorities.

Issues to be aware of

- There is probably no better way of letting someone know that they have done a good job than to tell them so, and explain why what they have done matters.
- The very act of gathering and presenting management information on progress can be a positive management tool locally for demonstrating to staff the progress they are making in tackling an issue.
- People at all levels and in all roles may need training in the various elements of the business planning process, from the person charged with drawing up the strategic business plan through to the individual line manager setting objectives and supplying management information.
- People may not have a shared expectation of roles and responsibilities. Given the diversity of the Civil Service it may be necessary to spend more time teasing out presumptions and clarifying expectations in order to achieve an improved business result.
- Delivery in post is important, but personal development looking to future jobs is also key – departments need to encourage managers to take measured risks in empowering individuals to stretch themselves – the opportunity to do so may be of significant value for someone seeking particular experience.
- The new pay system for the Senior Civil Service (SCS) links objective setting to business objectives, provides a new set of SCS competences, encourages the development of skills and knowledge, focusses on personal development and rewards results. This should motivate people to get more involved in business planning, and gather more hard evidence that they have delivered against their objectives.
- Public Service Agreements (PSA) and Service Delivery Agreement (SDA) measures are necessarily selective indicators – they may reflect key political priorities, but they are unlikely to capture the totality of a department's work. In explaining how an individual member of staff's contribution fits, it may be necessary to explain that the 'line of sight' from their objectives will be to the overarching departmental purpose and will not necessarily pass through a neat cascade via specific targets in the department's PSA or SDA.
- Research suggests that one of the most powerful incentives for improved performance is management recognition – a simple and sincere "thank you" for a particular effort counts for a lot.
- Find the real examples and make sure people know about them – one person helped is symbolic of the many.
- The way that bonuses are presented makes a difference – make sure staff are clear why they have earned them.

For more information

The ***Civil Service Reform Sub-Group report on Performance Management*** at http://www.cabinet-office.gov.uk/civilservice-reform/publications.htm

John Makinson's Report for the **Public Services Productivity Panel** on team reward ***Incentives for Change*** http://www.hm-treasury.gov.uk/pspp/studies.html

For details of training available for those leading the planning process and those actively involved in it, look at the **Centre for Management and Policy Studies** website at http://www.cmps.gov.uk as well as any training available in-house

8 Involving people

To get the building blocks to really work, you have to engage with your people.

What it looks like when it works

- Everyone understands and owns:
  - business planning and how to input into the process, so they accept the outcomes from it – even when their initial ideas differ from the final results;
  - the aspirations of the organisation; how their work is measured and what targets they're aiming at; how they will be held to account for what they do; and what effect this will have on their jobs; and
  - the individual targets they are working to and how these feed through to the bigger picture.

What are the benefits?

- People are more motivated, understanding what it is they are trying to do.
- Aspirations, specific targets, review, and reinforcement all have an effect. Incentives built into performance management will have no effect unless these are communicated to everyone.
- The business plan will be more realistic if the people who know the detail and will be delivering it have been able to contribute to decisions about what can be done and what the risks are.

Tips

> Provide clear guidance so that everyone knows what they should be doing.

> Allow time for everyone to get involved.

> Don't just tell people what the plan is, let them make a real contribution.

> Make planning part of the day job.

> Use training and development to make sure everyone has the skills and knowledge to play their part.

Issues to be aware of

- The simpler something is, the easier it is to communicate. If the business planning system is complex then more effort will be needed in order to explain it to people.
- There are many ways of communicating the aims, processes, and results of the business planning process through the organisation – your communications team will have ideas and should be able to help you. The most effective methods will vary, but it is often best to use several methods to engage people with different working styles (eg not everyone will read in-house newsletters). Methods of communication could include:

  – open meetings;
  – wide distribution of corporate plans (if written with staff in mind);
  – 'pledge' cards or mouse mats with the aspirations and objectives on; and
  – cascading through team briefings (although beware of the message being distorted through several layers).

- One of the best ways to ensure the process is communicated is for senior managers to be seen to live up to the spirit of the business planning system by making a full contribution and making clear to their staff that they will be expected to play their part. Without this, people will not believe that planning and its outputs are important.
- Guidance on the process needs to be written in plain English. If instructions run to more than one or two pages then some form of cascade briefing will almost certainly be necessary. In particular, managers will need to be very clear about the planning assumptions they are to make: eg about the extent to which plans are being compiled from a clean sheet or incrementally; about outcomes and performance measures and the extent to which they are being invited to set them; and about prioritisation, cutting back activity, and redeployment of resource.

The Department of the Environment, Transport and the Regions (now re-organised into DTLR and DEFRA) issued a user-friendly leaflet to all employees in April 2000 which explained the content and purpose of the Department's corporate and business plans.

They also used their in-house magazine to tell people about new developments in business planning, inviting them to feed their views into a top management-led review, and including a '60 second guide to business planning'.

- You will need to look at the skills you have across the organisation to see how easy it will be to bring people in. Some people will need training or coaching before they can make a full contribution.
- The managerial role of explaining and reinforcing planning priorities will absorb time which managers may have expected to devote to their 'personal' responsibilities. Delivery through others takes time, and itself needs to be recognised and valued. Management activity – explaining, briefing, debriefing – is an integral part of business delivery. Make time for this and make sure people know it is worth spending time on.
- Timing is key. When drawing up plans, getting an early top-down steer about the overall strategy and priorities is crucial if you are going to inform and support a proper bottom-up process of consultation about targets, organisational capability, and the risks to delivery. You can't ask people to engage with planning in a vacuum.
- A strong link to the appraisal process should help you get early engagement – make it clear that people are being asked to discuss and

agree the targets that will be in their personal performance plans next year.

- A robust monitoring system should make the plan live. The more seriously you take this year's plan, the more seriously people will engage in drawing up next year's plan. Wherever possible, share details of decisions taken in response to setting, reviewing, and reinforcing the plan, so people can see how it works in practice.

For more information

For information on training available from the Centre for Management and Policy Studies (CMPS) for those leading the planning process or from the Civil Service College for those actively involved in it, see the **CMPS** website at http://www.cmps.gov.uk

9 Assessing the planning process

Is it working?

- This section looks at some options for assessing how well your business planning is working, including independent and peer review, the use of tools like the EFQM Excellence Model, and feedback from staff.

Tips

> Look for evidence in survey results and observe how people work.

> Get an independent perspective.

> Find out what people in other organisations are doing.

> Make time to plan, implement and review improvements to your process.

What it looks like when it works

- You will see evidence that business planning is working, eg:
  - Your Board leads the business planning process, agreeing their priorities and regularly reviewing progress;
  - People across the organisation actively manage their areas of the business, reviewing risks to delivery;
  - Staff surveys and Investors in People assessments show an increasing understanding by staff of how their work fits into the 'big picture';
  - People understand how the business planning process works and how they should feed into it; and
  - Arrangements for regular independent review are in place.

Independent and peer review

- The **Civil Service Reform Report** says that departments should seek independent review of their business planning through peer groups or with outside organisations. So far people have approached this in one of three ways:
  - **Departmental peer review** – co-ordinated by the Centre for Management and Policy Studies. A senior team take a high level look at business planning and report back to the Management Board;
  - **Mutual peer review** – when two or more departments look at each other's business planning arrangements;
  - **Independent review** – when consultants come into the department and report on an area of work.
- The approach you take depends very much on the amount of time and energy you want to put in up front and the kind of result you are looking for, and there are many different ways you could approach this.

Departmental peer review

- Departmental peer review can be a powerful catalyst for re-energising an organisation's change programme. Reviews' findings are conveyed directly to the Head of Department and are based on the views of staff and stakeholders, so their credibility is high. The drive for change from the top of an organisation therefore takes on a new focus and a greater force.

Mutual peer review

- A similar process to departmental peer review can be used by departments who want to have a 'mutual peer review', ie teams from two departments review each other's business planning systems. This is a helpful way of spreading good practices on specific issues that you may have already decided you need to address.
- The former Department of the Environment, Transport and the Regions and the Department of Trade and Industry, and the Ministry of Defence and the Home Office have paired up to look at each other's business planning.

Independent review by consultants

- Several departments have had a review of their business planning systems by consultants. For example, PA Consulting reviewed the Department of Health business planning process, and consultants from PKF did similar work for the former Ministry of Agriculture, Fisheries and Foods.

EFQM Excellence Model

- The EFQM Excellence Model can be used to assess your organisation and the way it works. It is a framework for continuous improvement that:
  - has a proven track record with thousands of organisations currently using it;
  - can apply to an entire organisation or just part of it;
  - delivers continuous and measurable improvements in business performance;
  - is a powerful way of highlighting all the aspects which contribute to an organisation's success; and
  - is subject to continuous review and improvement.
- You can use the model for self-assessment, or have some form of external scrutiny.

HM Customs and Excise Eastern Region

The region has four years' experience of using the EFQM Excellence Model to measure continuous improvement, including developing business planning, and integrating improvements and assessments into the wider *departmental planning and reporting process. The office is now well placed to coach others in the use of the model.*

For more details, or to see how some other organisations have used the EFQM Excellence Model, see the Central Government Beacon Scheme website at http://www.cgbs.org.uk

- A computerised tool, tailored to the Civil Service, has been developed by the Civil Service College to help departments assess their EFQM score (‘Dolphin’ – see reference at the end of this chapter).

Staff surveys

- Carefully designed questions in staff surveys could get you useful information about people’s experience and perceptions. You could explore whether they know what the overall strategy for the organisation is and whether they can relate that to their work, or how they see the role of the Board in leading the planning process.

What are the benefits?

- Departmental peer review is not an audit but a learning process both for the department and for the team members. It lets you see yourself as others see you, and benefit from the experienced judgements of people who run or work in other organisations.
- It can also be used to complement a range of self-assessment and scrutiny tools. For example, you may have been getting progressively higher scores in EFQM Excellence Model assessment or been successful in keeping IiP status. These are good indications that your systems and processes are improving but departmental peer review can help you understand how these improvements are perceived by staff and external stakeholders. Departmental peer review can also be used to explore more fully some of the areas of concern highlighted by these assessments.
- For business planning, you may have many of the recommended features of a robust system but would like to know how well they actually work. Departmental peer review can help with this by conveying a wide range of perceptions from those affected by the business planning process as a sort of ‘healthcheck’.
- Mutual peer review offers the opportunity for an ongoing peer relationship in the sharing of good practice, which could extend beyond business planning and look at other issues. Indeed, the Home Office and the Ministry of Defence chose each other for their mutual peer review as they both felt the other department has strengths in areas they feel they have weaknesses. For example, the Ministry of Defence feel they can learn from the Home Office’s PSA target setting process, and the Home Office feel they can learn from the Ministry of Defence’s long-term planning.
- Results from reviews by consultants may be more narrowly focussed than a departmental peer review, and any recommendations made will tend to be more specific than other forms of review and concentrate more on systems and processes.

- The EFQM Excellence Model will provide information you can use to benchmark against other organisations and an action plan for improvement that you can feed directly into your business planning process.
- If you use it over a number of years, the model should show you how and where the organisation is improving, and what still needs to be done.
- Staff surveys can tell you in a reasonable amount of detail how people inside the organisation see the planning process and help to show where you need to target improvements.

Issues to be aware of

- The lead time for a departmental peer review can be several months, mainly because of the difficulties in getting into the diaries of senior people. The role of the Centre for Management and Policy Studies (CMPS) is to provide advice, guidance, and support to departments during the preparation process, throughout the review week and finally by following up and evaluating the entire process. However the department being reviewed will take the lead during the preparation process.
- For mutual peer review, it is too early to be able to assess the effectiveness of the process or to determine lessons learnt, but you may wish to consider having an independent facilitator to help you with the process. CMPS have acted in this capacity for the Home Office team in their review of the Ministry of Defence.
- A review by consultants tends to involve more up-front work for the department than a peer review, as it is likely that the reviewers coming in will need more briefing than a team containing ‘insiders’ on the context and systems underlying the department’s work.

For more information

The ***Civil Service Reform Sub-Group Report on Performance Management*** contains an annex of questions designed to quality-assure departmental business planning arrangements (annex B) at http://www.cabinet-office.gov.uk/civilservice-reform/publications.htm

A Guide to Peer Review is available on the CMPS website – http://www.cmps.gov.uk (click on the ‘what’s on’ tab and then on ‘peer review’). Further information available from Jonathan Fairclough in CMPS (tel: 020 7276 1344; e-mail: jonathan.fairclough@cabinet-office.x.gsi.gov.uk). An independent review of the peer review process is now available and will be on the peer review site shortly.

For information on the **EFQM Excellence Model** go to the British Quality Foundation on http://www.quality-foundation.co.uk, the European Foundation for Quality Management at http://www.efqm.org, or the team in the Cabinet Office responsible for the Public Sector Excellence programme (contact Susan Laskey on 020 7276 1761, e-mail: susan.laskey@cabinet-office.x.gsi.gov.uk)

The Civil Service College has launched an internet based, diagnostic tool (Dolphin) for conducting self-assessment using the EFQM Excellence Model. The website can be found at http://www.cmps.gov.uk/excellence/dolphin

10 The planning cycle

Fitting it all together.

- Business planning is a year round activity, but can be broken down into stages.
- It makes sense to have an annual planning process which:
  - starts with a review of the strategic direction, assessing to what extent it needs to be updated or amended to take account of external developments;
  - this provides the foundations for a review of the business plan, which will need to be rolled forward by a year, updated for progress in the last year, and amended to reflect changing priorities;
  - the first year of the business plan can then be exploded in detail to prepare short-term operational and financial plans.
- You may well be producing other documents like annual reports which require a backward look at the same time as you start producing a business plan looking forward. Use this backwards reflection to inform your forward look.

“We were concerned that some of the processes seemed to have got out of sync. For example, work was going on to prepare the operational plan before the strategic plan had been agreed… we were also aware of some confusion about the connection between the business plan and the budget.” Quote from departmental peer review

Tips

> Remember that the purpose of planning is to deliver outcomes, not produce a document.

> Prepare an annual planning timetable linked to spending review activity.

> Be clear what information needs to flow down from the top of the organisation and what information people need to feed up or across.

> Build in enough time to involve everyone you need to involve.

> Remember, what gets measured is what gets done.

> Planning is not enough – behaviours need to change as well.

- An example of an annual planning cycle (in United Utilities plc) is shown at the end of this chapter, with some text explaining which parts of the process are top down and which are bottom up.
- You will need to think how best to organise your planning cycle to fit in with events outside the department – in particular input to spending rounds.

The diagram included in the pocket at the back of this folder shows the timing of spending review activity and planning activity.

- You also need to make sure you make time (and have mechanisms) to consult those people who will be delivering your targets and other stakeholders at key points in the process.
- Your resource allocation must stay aligned to your priorities, so if priorities change, there should be explicit reallocation of resources. This means your monitoring of performance needs to cover resources as well as outcomes and risks.
- Planning in Government has a political backdrop. A change of administration could mean a substantial change in direction. Long-term planning needs to recognise this as part of the environment in which departments and agencies work. And medium-term plans will need to recognise points at which changes could occur.
- A sound planning process and a well considered plan could be an important tool to help inform (and impress!) new Ministers.

United Utilities plc Annual Planning Cycle

The annual planning cycle for United Utilities is in three stages:

(i) a review of the strategic direction of the group from April to June;

(ii) business planning from July to December; and

(iii) budgeting from January to March.

This timetable is illustrated in the diagram below, which also highlights the 'top-down' and 'bottom-up' information flows between the corporate centre of the group and its six businesses.

*The **strategic review** is mainly qualitative, looks 5–10 years out and is led by the Group Planning department. It involves reviewing the strategic direction of the Group in the light of external opportunities and threats. It results in strategic priorities being communicated to the businesses, such as to prepare a business for sale or flotation, to seek a joint venture partner, or to invest for rapid organic growth.*

Annual Planning Timetable in United Utilities plc

*These strategic priorities provide the context for **business planning** by each business. This is again led by planners, looks five years out and generates annual financial projections. The emphasis, however, is on strategy rather than detailed financials. Each business submits its plan to the corporate centre in October and there is then a half-day review meeting with each business, led by the Chief Executive. These review meetings typically lead to a few changes in the plans, for example as a result of capital rationing decisions. Each business then finalises its plan, which is consolidated into a group plan for submission to the United Utilities Board.*

*The final stage of the annual cycle is for each business to use the first year of their approved business plan as the basis for **budgeting**. Responsibility for the process moves from planning to finance and the emphasis is now on detailed monthly financial and non-financial targets which will provide the basis for performance monitoring and personal objective and incentive arrangements. Once again the budgets are reviewed by the corporate centre, amended where necessary, and then consolidated into the group budget.*

A common thread running through the business plans, budgets, and performance monitoring reports is a balanced set of targets for each business. These targets are financial and non-financial and address the expectations of all our stakeholders. They therefore provide a 'balanced scorecard' of measures and targets for each business.