
Management Board

Strategy and business planning 2012-15

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Purpose

1. This paper is intended to provide the Management Board with a platform for discussion about the future of business planning. A further paper will be brought to the October Board meeting inviting decisions on a number of specific points.

Action for the Board

2. The Board is invited to:
 - (a) Consider the issues raised in the paper, consult with departmental colleagues and provide feedback to the Office of the Chief Executive by Friday 30 September.
 - (b) Decide whether they wish to hold a workshop in early November to consider the objectives and key milestones for 2012/13 and beyond (see paragraph 27).

Consultation

3. The following people have been consulted in the development of this paper:
 - Head of OCE
 - Director of Internal Audit
 - Director of Finance
 - Director of Savings
 - Head of Central Communications, OCE

Background

4. OCE continually seeks to improve the business planning process. The recent Internal Audit report on business planning (ref: GRM 10/11:3 – copy circulated) is a catalyst for such change. This paper forms part of the management action plan that OCE has committed itself to implement by the end of March 2011.
5. The starting point for this work is to agree what an effective business planning process should be. This will enable OCE to define and document the end-to-end planning process, outlining the links between strategic, corporate, departmental and financial planning, and the roles and responsibilities of key stakeholders. Operational guidance will also be produced for those directly involved in the process. Work has started on this, but input will be required from the Management Board before it can be completed.

6. During the audit a number of risks and challenges facing the House Service generally and the OCE in certain specific areas were identified. The most significant of these was “insufficient engagement in the planning process, at senior levels, to enable the development of the level of certainty and detail needed to create effective plans to direct the House Administration”.
7. More generally (and related to the above), there are other reasons to articulate the House Service’s approach to business planning more clearly:
 - (a) The Board’s decision in February 2011 to postpone work on the interim strategic plan until later in 2011, which is due to be revisited.
 - (b) The development of the medium-term financial plan and progress with the Savings Programme.
 - (c) A desire for greater clarity about the business planning process from departments, so departments better understand the value it adds.
 - (d) To address the perception (in some quarters) that “corporate activities” can be burdensome, or that the business planning process adds little value.

Why do we do business planning?

8. The aim of business planning is to ensure that the House Service meets its objectives, and delivers its desired outcomes, within the parameters it has set itself, by planning the prioritisation and optimal use of its resources.
9. More explicitly, this means having a business plan that:
 - Is effective in providing direction and optimising resource allocation.
 - Reflects key assumptions underpinning the operation of the House Service.
 - Is consistent with other strategies, and most importantly with the emerging medium-term financial strategy for the House Service.
 - Is sufficiently robust to be translated into lower-level objectives.
 - Is flexible enough to respond to unforeseen events.
 - Engages managers and staff.

Why do we produce departmental business plans?

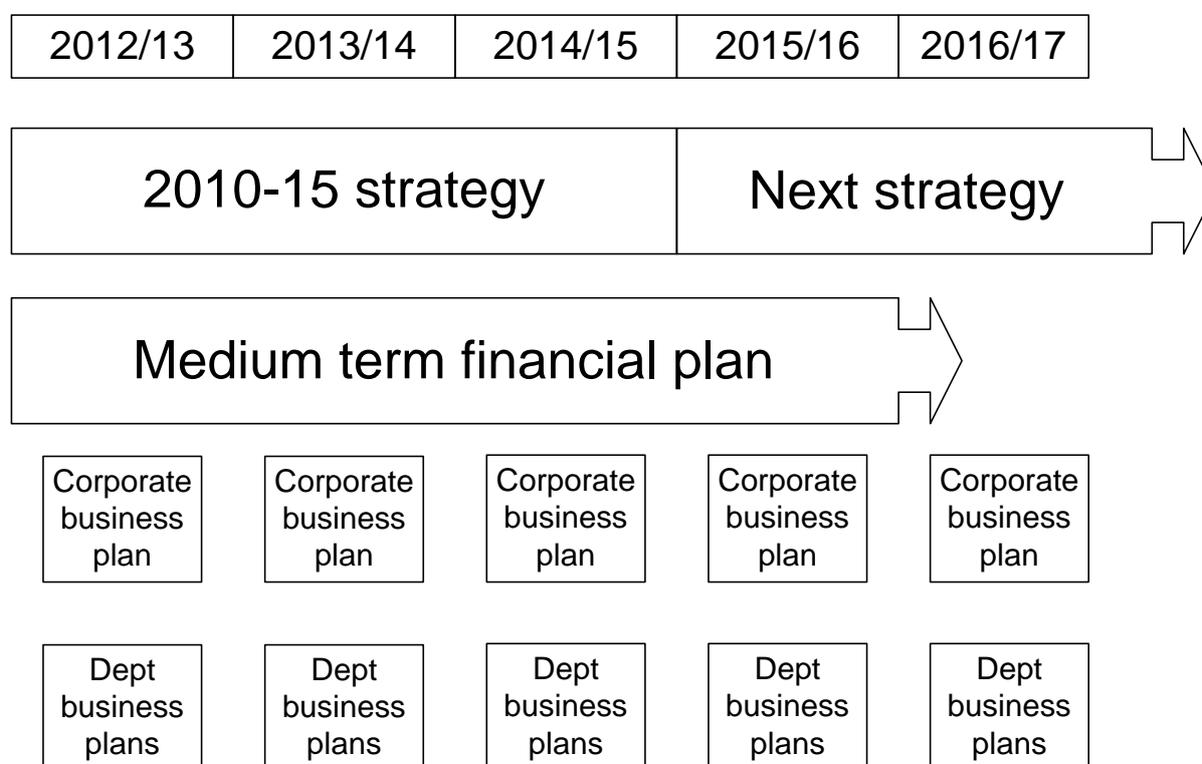
10. In simple terms, departmental plans translate money (budgets) into activities. They provide a mechanism for Heads of Department to indicate how they intend to spend the budgets delegated to them and, more generally, how they will discharge the functions outlined in their Letters of Delegation. As such they form part of the system of corporate governance. They also form a key link in the chain between corporate objectives and the objectives of individual members of staff in their PDMs, creating a “line of sight” from the top of the organisation to the bottom.
11. Feedback received by OCE suggests that staff think the business planning process has improved, and this is noted in the Internal Audit report.

Nevertheless, there is still scope to improve the departmental planning process and the communication surrounding the plans. The Board is invited to consider how their purpose, scope and format could be more clearly defined than hitherto.

Should business planning be more strategic?

12. The Board agreed in February 2011 to “postpone work on the interim strategic plan until later in the year, by which time the scope and direction of the next phase of the Savings Programme would be clearer”. There is now more clarity on the direction of the Savings Programme; it therefore seems appropriate to revisit this issue.

13. The current planning model is shown in the diagram below:



14. The House Service has a five-year strategy (2010-2015) and produces annual corporate business plans. These are supported by departmental business plans. There are, however, some anomalies with this approach:

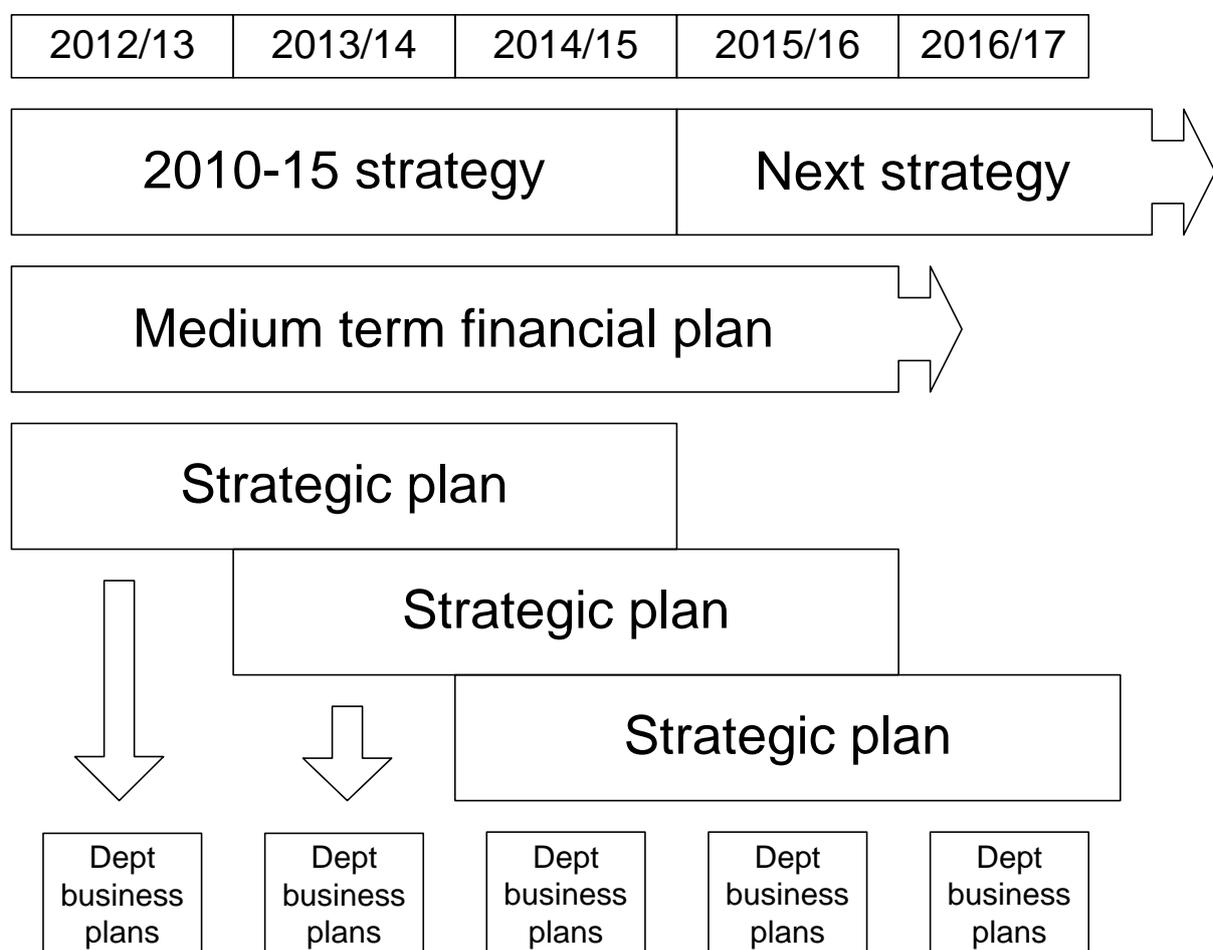
- The emerging financial plan now extends beyond the lifetime of the current strategy.
- Estates and accommodation planning necessarily operate over a longer timeframe.
- There is arguably a gap between the strategy and the annual business plan: the former is high-level, forward-looking and aspirational; the latter is more operationally focused and only covers a single year. This means that there is

no “road-map” to show where we are going and how we might achieve our strategic goals.

15. A change in emphasis might help to overcome the anomalies listed above. Key to this is the need to bridge the gap between the high-level strategy and operational plans. The OCE suggests replacing the current annual corporate business plans with rolling, multi-year strategic plans. Some of the benefits of this approach are as follows:

- Making the plans multi-year would help to address the perceived weakness that the strategy focuses on “where we want to be” in 2015 but does not provide the detail of “how we will get there”.
- Currency and relevance would be maintained by updating the plans on an annual, rolling basis.
- There would be a more explicit look ahead than is currently the case. (The plans would provide certainty for the first year but would necessarily be more indicative for years two and three.)
- There would be no increased burden in terms of additional work, since strategic plans would replace (and not supplement) annual corporate plans.

The proposed model is shown in the diagram below.



16. There is also a potential downside to this approach, in that there would be a period when the plan would relate partly to the current strategy and partly to a new (as yet unknown) strategy. For example, a three-year plan for 2014/15 to 2016/17 would cover the final year of the existing strategy and the first two years of the new strategy. In practice, as rolling plans develop, it may be that the strategy is reviewed and adjusted on a regular basis rather than the current approach of setting a fixed course for a five-year period. This raises questions about the timing for developing a new strategy; when it might be endorsed by the Commission (e.g. before or after the next general election); and the risk of changing the strategy from the bottom up rather than it being a top-down exercise.
17. The Management Board would need to consider the appropriate timeframe for multi-year strategic plans. The diagram above shows strategic plans covering a rolling three-year period, but this could equally be extended to four or five years. Factors which might affect the duration of each plan include determining the most appropriate linkages with financial planning; the length of parliaments, and how/when the overall strategy might be revisited.

Role of supporting strategies

18. A number of supporting or thematic strategies currently exist, including an Estates strategy, an ICT strategy, and a public engagement strategy. These have an important role to play in articulating the House Service's intentions in each area. The extent to which they explicitly relate to and complement the overarching corporate strategy varies, as do the timeframes they cover. In considering our business planning process we should look at how these can provide the best utility:
- Do we have the right set of supporting strategies? Are there any gaps? For instance, do we require a human resources or people strategy?
 - Do the supporting strategies cover the appropriate timeframes? Estates and accommodation planning will necessarily cover a longer period, but could there be greater consistency here?
 - Do we have the right balance between supporting strategies feeding up into the corporate strategy and the corporate strategy flowing down?

Relationship between business and financial planning

19. The House Service is moving closer towards integrated business and financial planning. However, more can be done to achieve real integration and to incorporate workforce planning. A series of challenge meetings was held in June with each department attended by the department's management team, their finance lead, and the Director of Finance. Discussions covered the 2010/11 outturn, forecasting performance, issues for 2011/12, the medium term plan, and major contracts. Pressures, savings opportunities and risks

were also discussed. Unfortunately time was limited, and it was not possible to build in elements relating to business planning this time round. However, these sessions provide a good platform for future development of the challenge process.

20. The Management Board considered a draft medium term financial plan at its meeting in July 2011 and agreed that it should be further developed. It was acknowledged that creating a plan to support the delivery of the strategic vision and goals and clearly demonstrated that the House Service would become increasingly efficient over time was vital. The Savings Programme will fit into this plan as one of the ways in which the House Service will achieve its agreed target of reducing the Estimate by 17% by 2014/15.

Relationship between business planning and investment decisions

21. The Director of Finance has proposed the establishment of a medium-term investment plan (MTIP) – see MB2011.P.77. This is intended to be a joint document for both Houses covering a four-year period and will set out, among other things:

- The planning cycle for the investment plan and the use of planning totals
- Prioritisation criteria
- The planned levels of investment in key areas such as estates and IT
- The process for agreeing any changes to the plan in year.

22. For this approach to be effective there need to be close links between business and financial planning in terms of a shared understanding of strategic goals, the external drivers affecting the House Service, and the resources available.

Role of the Management Board

23. Documenting the end-to-end business planning process includes defining roles and responsibilities. Central to this is defining the Management Board's role. The Internal Audit report makes the following observations/recommendations:

- The Board's role should be one of owning, championing and demonstrably leading by example in the planning process and continuing review of the strategy leaving others to collate the detail.
- The Board should undertake periodic analysis of internal and external drivers influencing the House Service's planning process.
- It would be beneficial for the Management Board to consider including an element of scenario planning. This could be used to model the more significant uncertainties facing the House Service.
- Consensus is required about the scope and level of detail in both corporate and departmental business plans.
- The role of the Management Board in prioritisation is to provide a strategic view and link decisions to the four strategic goals. This strategic link can be

made explicit by integrating the business planning and business case processes.

- The Board's involvement in strategy development and business planning should be formally incorporated into the Board's future programme so that their involvement in key stages is linked to the planning timetable and planned well in advance. This will include defining specific points at which Board decisions are required.

The Board is invited to consider these proposals about its role in business planning.

Engagement with Member committees

24. While there is a statutory obligation for the House of Commons Commission to produce an annual report each year there is no statutory requirement for it to produce a business plan. However, it is established practice that the Corporate Business Plan is presented to the House of Commons Commission for endorsement prior to publication. This can provide useful "cover" for the House Service on matters that may prove sensitive or controversial with Members. Consideration should be given as to whether this is the appropriate level of engagement.

Engagement and communication with staff

25. In recent years the OCE has promoted awareness and understanding of business plans through a range of channels: features in *CAPS News* (and its predecessor publications); news items on the intranet and via departmental communications. Guidance on Personal Development Management (PDM) forms encourages staff to link their individual objectives to corporate goals. Departments have also promoted both corporate and departmental plans to their staff. Greater clarity about the purpose and nature of the business planning process should help to increase understanding of corporate goals among staff. The Board should consider the effectiveness of the current approach and what – if any – changes could be made to improve understanding further.

Next steps

26. The Board is invited to consider the issues raised in this paper, consult with departmental colleagues and provide feedback to the Office of the Chief Executive by 30 September. A further paper will be brought to the October Management Board inviting decisions on a number of specific points.

27. As a first step to developing business or strategic plans for 2012/13 the OCE proposes that the Board convene a strategy workshop in early November. It is anticipated that such a workshop would cover the following areas:

- A review of progress against the 2010-2015 strategy so far and the current Corporate Business Plan;
- A review of the internal and external drivers affecting the House Service over the next two to three years (possibly by means of a “PESTLE” analysis);¹
- Early consideration of the priorities and key milestones for 2012/13 and beyond.

[s.40]

September 2011

¹ PESTLE (Political, Economic, Social, Technological, Legislative and Environmental) analysis is a tool for examining the external factors an organisation needs to take into account in developing its strategy.