

CONTINUOUS PROGRAMME PLANNING

IMPROVING ECONOMY,
EFFICIENCY AND
EFFECTIVENESS



TABLE OF CONTENTS

MANAGEMENT SUMMARY	3
WHAT IS CONTINUOUS PROGRAMME PLANNING?	4
WHY IS CONTINUOUS PROGRAMME PLANNING IMPORTANT?	5
WHAT ARE THE KEY PRINCIPLES BEHIND CONTINUOUS PROGRAMME PLANNING?	6
HOW DOES CONTINUOUS PROGRAMME PLANNING WORK?	7
WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF CONTINUOUS PROGRAMME PLANNING?	9
WHAT CHALLENGES CAN CONTINUOUS PROGRAMME PLANNING HELP TACKLE?	10
WHY COGNOS?	11
CONCLUSION	11
TO FIND OUT MORE: CONTACT INFORMATION	12

MANAGEMENT SUMMARY

Continuous Programme Planning (CPP) is a broad financial management strategy to help policy makers achieve more cost-effective delivery of public services and improve decision-making. It is based on the application of traditional Zero-Based Budgeting (ZBB) and modern Corporate Performance Management (CPM) techniques.

CPP enables Public Sector organisations to prioritise Programmes of Work (PoWs), plan each holistically, and monitor, measure and manage actual outputs to ensure that the required outcomes are achieved. By basing planning on a PoW, CPP inherently links financial and operational plans to optimise organisational outputs/outcomes.

CPP reverses traditional budgeting and introduces new financial processes and disciplines for strategic planning, business planning, forecasting and financial modelling. It also introduces performance management based on the prioritisation of competing Programmes of Work.

CPP takes away the implied right of activities or PoWs to receive a continued allocation of resources. Instead, each budget request has to be justified in detail by each departmental and programme manager starting from a zero-base – irrespective of whether the total budget is increasing or decreasing.

Continuous Programme Planning results in the efficient allocation of resources as it is based on needs and the benefits derived. It provides a flexible management tool that responds to changes in the political, economic and general operating environment, and also improves communication and co-ordination within the organisation. However, it requires training in good financial management practices, and forces managers to justify every detail related to expenditure, which can be time-consuming.

CPP can help organisations tackle a number of challenges, including a lack of integration between planning and performance management processes, poor data quality and multiple technology tools.

Cognos continues to work with an ever-increasing number of Public Sector organisations starting their CPP implementations, delivering a flexible, user-focused planning environment that can adapt easily to changing needs. The software's ease of use drives the required cultural change, helping organisations to realise the full financial value of CPP quicker and more comprehensively.

WHAT IS CONTINUOUS PROGRAMME PLANNING?

Continuous Programme Planning (CPP) is a broad financial management strategy to help policy makers achieve more cost-effective delivery of public services and improve decision-making. It is based on the application of:

- **Zero-Based Budgeting (ZBB)** principles to strategic planning, business planning, budgeting, forecasting and financial modelling.
- **Corporate Performance Management (CPM)** to monitor translation of inputs to desired outputs and outcomes with particular bias on efficiency and effective measures.

Implementing CPP is a considerable undertaking that, for most organisations, requires significant changes to existing financial management practices. Furthermore,

for its full cultural and financial value to be realised, CPP needs to be adopted by the organisation as a whole. As a result, Public Sector organisations are only now starting to adopt CPP.

“It was clear that the department needed a step change in financial planning and performance management.”

John Codling, Finance Director General,
Department for Work and Pensions¹

¹ Capability, capacity, reform; Insights from public sector leaders on delivering transformational government; Government Industry, IBM Global Business Services; Eassay 6 – ‘The future of finance’; www 935. ibm.com/services/uk/bcs/html/govbook3.html?cntxt=a1006899

WHY IS CONTINUOUS PROGRAMME PLANNING IMPORTANT?

CPP is an important strategy as it can change the traditional culture and practices around financial management. In particular, it enables organisations to:

- Monitor, measure and manage actual outputs, against those planned for each Programme of Work (PoW), to ensure that the required outcomes are achieved. Each PoW is managed with a particular bias towards monitoring and measuring efficiency and effectiveness. See diagram below (HM Treasury²).
- Drive objective methods for the prioritisation of Programmes of Work and the associated resources required to deliver the desired outputs/outcomes.
- Change their planning and performance management practices using techniques such as ‘driver-based planning’, where simple operational metrics are used to drive plans. This also drives accountability.
- Directly link financial and operational planning. This encourages collaboration, drives ownership, provides accountability, improves transparency, increases timeliness and improves accuracy.

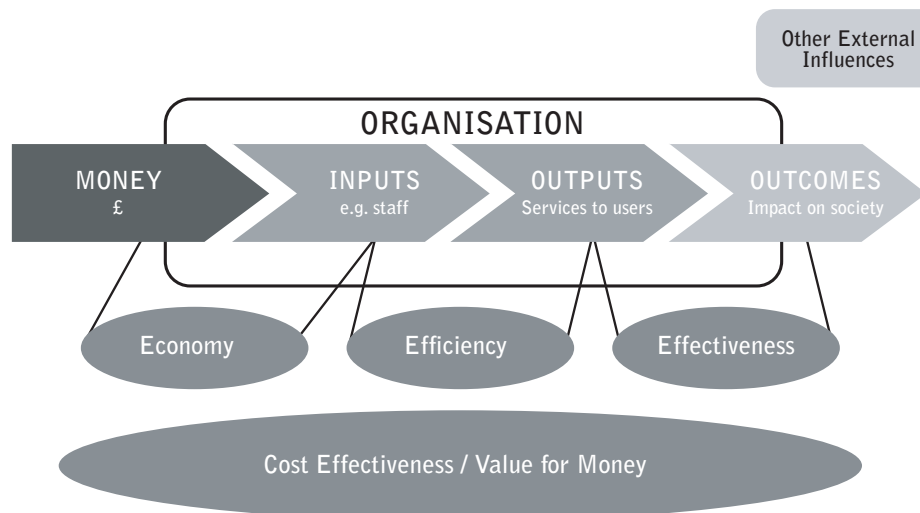
Ultimately, it transparently links inputs with desired outputs/outcomes. Failure to link financial and operational planning can lead to situations such as:

“...we aggregated the first of the strategic health authority plans and it demonstrated a 6% increase in workforce planning which we said did not make sense in the financial environment.”

Andrew Foster³

- Plan each PoW holistically; in other words, plan the inputs and outputs for its entire duration. This is radically different from existing practices where planning of different resources is done by different departmental owners, independently of the Programmes of Work which consume these resources. This makes cost/benefit analysis of individual PoWs significantly more difficult.

² HM Treasury, Outcome Focused Management in the United Kingdom; www.hm-treasury.gov.uk/documents/public_spending_and_services/publicservice_performance/pss_perf_index.cfm ³ House of Commons Select Committee, Uncorrect Evidence 1077, Q53, page 21; www.publications.parliament.uk



WHAT ARE THE KEY PRINCIPLES BEHIND CONTINUOUS PROGRAMME PLANNING?

CPP is based on a number of key principles. It is essential that these principles are adhered to as much as possible in order to realise maximum cultural and financial value.

- CPP links inputs (i.e. resources) with outputs/outcomes by showing what inputs should be deployed for particular outputs/outcomes. Since planning is based on a PoW it inherently links financial and operational plans, thus ensuring consistency. PoW performance is measured in terms of both efficiency in translating inputs to outputs and then effectiveness on outcomes.

“The 2007 Comprehensive Spending Review will include a set of zero-based reviews of baseline expenditure in Government departments, aimed at assessing their effectiveness in delivering the Government’s long-term objectives, and contributing further to the Efficiency Programme.”

Chartered Institute of Public Finance and Accountancy⁴

- CPP includes strategic planning, business planning, budgeting, forecasting, financial modelling and performance management. Plans must include ‘business as usual’ and ‘change’ Programmes of Work. Including all of these within a zero-based planning approach makes it possible to understand linkages and reallocate resources to optimise organisational outputs/outcomes.

- CPP must be aligned across the organisation. Plans relating to individual business units (e.g. divisions, departments, etc) must be consistent across the organisation. Furthermore, they should be supported by plans relating to cross-cutting functional initiatives.

This approach can be shown to be effective at joining up the organisation.

- Plans must be driven by a clear business strategy. This provides confidence that all plans are consistent with the organisation’s overall business direction.

- CPP must operate as a single, continuous multi-year planning cycle. Planning processes cover multiple years, and all planning processes are linked by business strategy from strategic planning to business planning, budgeting, forecasting and financial modelling. Although these planning processes may be distinct, they must be clearly defined and linked. Furthermore, a well-defined change process would be required for varying plans outside this cycle. This should be backed by a clear understanding of how these changes may impact inputs/outputs and outcomes.

- All planning must be aligned with performance management. Plans must be owned by accountable managers and performance assessed against the targets set during the planning cycle.

- All plans must be generated by a co-ordinated team, with clear roles, responsibilities and reporting lines defined for those involved at all stages of the planning process.

- CPP relies on consistent, trusted assumptions and data. All plans must be based on consistent, transparent planning assumptions. Data must come from reliable and auditable data sources.

⁴ Chartered Institute of Public Finance and Accountancy – Zero Based Budgeting Briefing; www.cipfa.org.uk/pt/download/zero_based_budgeting_briefing.pdf

HOW DOES CONTINUOUS PROGRAMME PLANNING WORK?

CPP works on the concept of a Programme of Work, which is essentially the sum of all the discrete activities that must take place to deliver a desired output/outcome.

A PoW can be assessed based on:

- Cost.
- The output/outcome it delivers.
- Whether a PoW is necessary to achieve the desired output/outcome.
- How it is measured to quantify progress and successful delivery.
- The consequences of not going ahead with either the entire PoW or one or more discrete activities within the PoW.

Each activity within a PoW should be stand-alone. A good test is whether a decision could be made to sub-contract or even abandon an activity altogether, without materially affecting the delivery of the whole PoW. CPP reverses traditional budgeting and introduces new financial processes for strategic planning, business planning, forecasting and financial modelling. It also introduces performance management based on the prioritisation and optimisation of competing Programmes of Work.

In traditional budgeting, departmental managers budget independently of programme owners and only needed to justify increases over the previous year's budget. This meant that what had been already spent was automatically sanctioned.

In the case of CPP, no reference is made to the previous level of expenditure. Indeed, the total duration of a

PoW is considered in its entirety by both departmental managers and programme owners. Every PoW is reviewed comprehensively and all expenditures, rather than only increases, are approved.

In practice, organisations would not plan from zero, but rather start from their current level of expenditure, by PoW, and work downwards. They would then question the effect of any particular aspect of current expenditure being removed from the PoW. At each stage, a cost-benefit analysis is carried out on every aspect of a PoW. Essentially, alternative levels of provision for each activity are identified, costed and evaluated in terms of benefits to be gained toward the overall output/outcome.

Most importantly, each activity within a PoW is planned as if it was being performed for the first time. CPP takes away the implied right of activities, indeed a PoW, to receive a continued allocation of resources. Organisations are forced to think about different delivery mechanisms, as well as different levels of activity and their associated incremental costs.

Ultimately, key activities within a PoW – and indeed several Programmes of Work as a whole – can be ranked. Those activities or Programmes of Work relating to critical outputs/outcomes (e.g. those relating to legal obligations) would receive much higher priority than other more discretionary activities. This process of ranking concentrates an organisation's attention on fully evaluating optional activities.

CPP is a technique by which the budget request has to be justified in detail by each departmental and programme manager starting from a zero-base. The zero-base is indifferent to whether the total budget is increasing or decreasing.

HOW DOES CPP DIFFER FROM ZERO-BASED BUDGETING?

CPP differs from traditional Zero-Based Budgeting practices in four distinct ways:

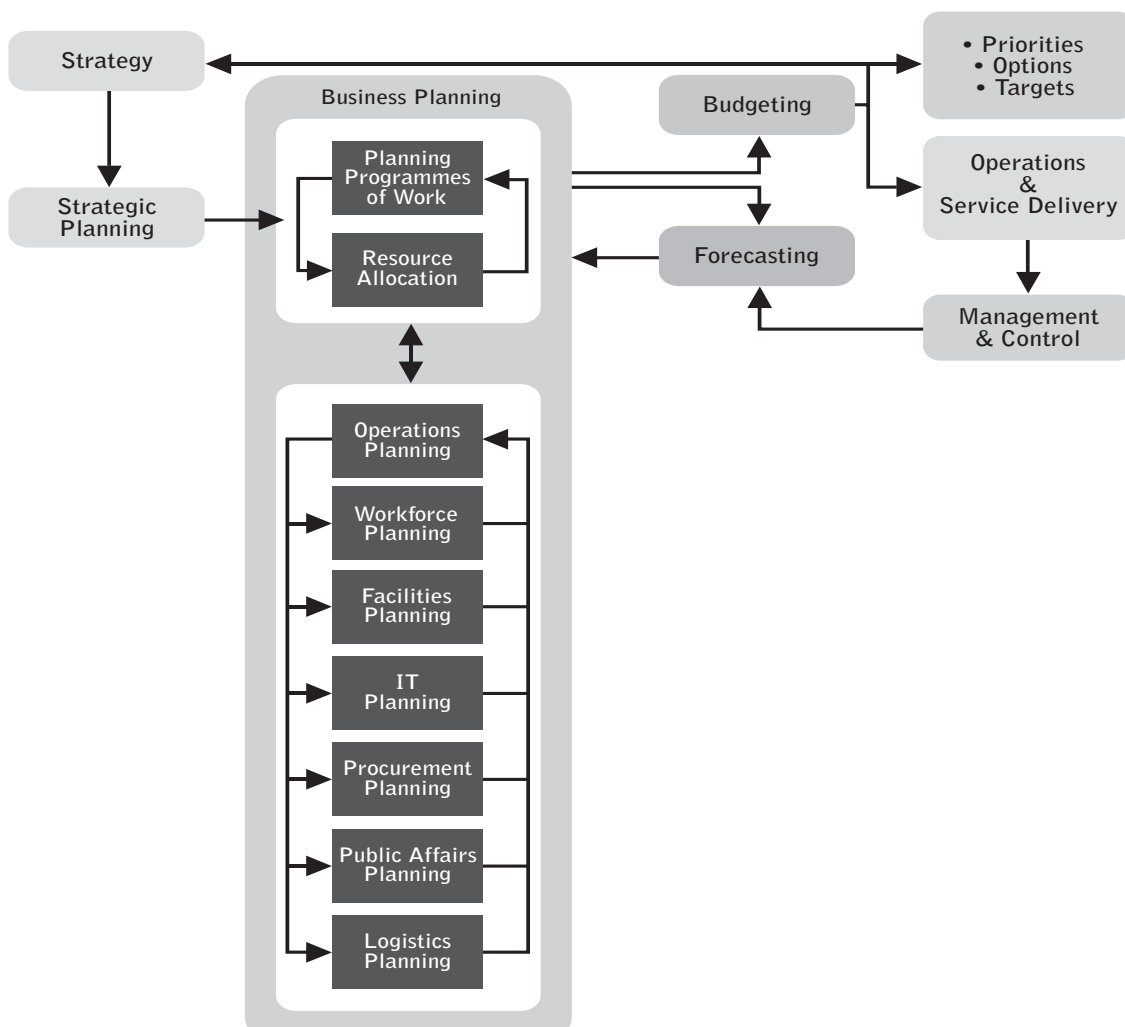
- Unlike ZBB, it applies to all aspects of financial management from strategic planning, business planning to budgeting, forecasting and financial modelling. It is not restricted to budgeting as a discipline.
- CCP looks at the cost/benefit analysis during the entire duration of a PoW. It is not merely restricted to an analysis of an activity within the current fiscal year.

- CPP emphasises holistic planning. You plan for inputs (i.e. various resources), processes and associated outputs/outcomes.

- Finally, CPP emphasises the need to continually monitor and measure progress against planned outputs and outcomes. Each PoW can then be prioritised and optimised to maximise delivery and minimum utilisation of scarce resources.

An illustration of the planning workflow for an example implementation is provided below, (Cognos, UK Public Sector Business⁵).

⁵ Cognos, UK Public Sector Business, Continuous Programme Planning 05102006.pdf



WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF CONTINUOUS PROGRAMME PLANNING?

CPP offers numerous advantages over traditional approaches to financial and performance management. Continuous Performance Planning:

- Reinforces good financial management discipline by incorporating best planning and performance management practices.
- Incorporates strategic planning, operational business planning, budgeting, forecasting and financial modelling.
- Provides a tool for management that responds to changes in the political, economic and general operating environment. It also improves communication and co-ordination within the organisation.
- Results in the efficient allocation of resources, as it is based on needs and the benefits derived.
- Drives managers to identify cost-effective ways to improve operations, terminate obsolete operations and eliminate wastage.
- Obliges an organisation to look very closely at its cost behaviour patterns, in order to decide the effect of alternative courses of action (i.e. it is necessary to identify fixed costs, variable costs, mixed costs, step costs, directly attributable costs, etc). It is therefore useful for detecting inflated budgets for Programmes of Work.
- Increases staff motivation as it requires greater initiative and responsibility in decision-making whilst also adding a psychological impetus to avoid wasteful expenditure.

However, like any approach to financial and performance management, CPP also has some disadvantages. Continuous Performance Planning:

- Can lead to additional work. Firstly, it can be time-consuming and exhaustive to define each PoW. Secondly, assumptions about costs and benefits within each PoW must be continually updated. Finally, Programmes of Work may also need to be developed as soon as new activities emerge.
- Makes it necessary to train managers in good financial management practices. CPP should be clearly understood by managers at various levels otherwise they cannot implement it successfully.
- Can encourage the false idea that all decisions have to be made through the plan. Management must not feel restricted from carrying out new ideas simply because they were not approved within a PoW or through cost-benefit or ranking analysis.
- Makes accurate quantification of incremental costs verses benefits difficult and forces managers to justify every detail related to expenditure, which can be time consuming. Thus, it can be hard to sell to managers as a useful technique.
- Supports the use of a ranking process. Poor implementation of transparent ranking criteria can result in an emphasis on quick-wins/short-term benefits, to the possible detriment of long-term gains.

WHAT CHALLENGES CAN CONTINUOUS PROGRAMME PLANNING HELP TACKLE?

Typically, organisations face a number of challenges with their planning and performance management processes. These include:

- Poor and unmanageable integration between planning processes and subsequent performance management of outputs/outcomes.
- Unclear, poorly defined planning processes giving the perception to the planning community that the process is developed on an ad-hoc basis.
- Poor integration between strategic planning, business planning, budgeting and forecasting processes, leading to a lack of control and manageability.
- Cumbersome planning processes that lack the agility to respond to both internal and external factors.
- Planning based on incomplete objectives, especially where they relate to relationships between input and outputs/outcomes.
- A disconnect between financial and operational plans leading to inconsistent target regimes, that are not synchronised with appropriate resource allocation plans.
- Poor quality and inconsistent data upon which plans are based. This is especially true when several technologies are used for different parts of a planning process.
- Poor definition and communication of planning roles and accountabilities.
- Poor training is provided for users both on the planning process itself and also the technologies used to support the processes.
- An unclear framework for choosing between Programmes of Work, partly reflecting a lack of a well-defined and communicated strategy and the absence of agreed criteria upon which choices can be made.
- Multiple technology tools to support individual planning processes leading to poor integration and inconsistent plans.

WHY COGNOS?

Cognos continues to work with an ever-increasing number of Public Sector organisations starting their CPP implementations.

CPP requires considerable cultural change throughout its implementation, and this aspect should not be underestimated. However, Cognos software can help ease much of this pain by:

- Driving cultural change through ease of use, achieving high levels of adoption of both the software and the processes underlying CPP.
- Delivering a flexible, user-focused planning environment that can adapt easily to changing needs. Specific plans are created for specific processes at different levels of granularity over time, and then aggregated together as needed. This simplifies planning to only those processes that a user is involved in.
- Managing the planning process both efficiently and effectively. Advanced workflow and collaborative capabilities allow planning managers to:
- Quickly identify where they are in the process.
- Check who has submitted their plans and who has not.

- Assess what the current numbers for a given plan look like, even in an incomplete state.
- Quickly communicate assumptions to other users.

The transparent nature of the workflow also produces a positive psychological effect as peer pressure to complete plans improves efficiency.

- Improving the integrity of the planned numbers – and the trust placed in them. Cognos uses concepts such as ‘driver-based planning’ to minimise data input and regulate assumption entry.
- Providing users with flexible modelling of options. With Cognos, users can very easily try numerous ‘what-if’ questions to derive plans they are comfortable with. This is particularly important in rapidly changing organisations where plans are often complex and span multiple years.

“In addition we have implemented a corporate planning system, Cognos, to support multi-year planning and scenario planning.”

John Codling, Finance Director General,
Department for Work and Pensions⁶

⁶ Capability, capacity, reform; Insights from public sector leaders on delivering transformational government; Government Industry, IBM Global Business Services; Essay 6 – ‘The future of finance’; www-935.ibm.com/services/uk/bcs/html/govbook3.html?cntxt=a1006899

CONCLUSION

CPP promises cost-efficient and effective delivery of public services through improved financial management and operational delivery, supported by better information provision and accountability in decision-making. However, significant effort is required

across an organisation for its full cultural and financial value to be realised. Software from Cognos can help your organisation to realise this value, quicker, more comprehensively and with high levels of adoption of both the software and processes supporting CPP.

TO FIND OUT MORE

For further information
please contact:

Public Sector Business Unit
Cognos Limited
Westerly Point
Market Street
Bracknell
Berkshire
RG12 1QB
Tel: 0800 056 5610
www.cognos.com

COGNOS®

WWW.COGNOS.COM