Commonwealth of Virginia
Executive Branch Strategic Planning, Service Area Planning, and Performance-Based Budgeting

A briefing for cabinet officials and agency heads

April, 2005

Office of the Secretary of Finance
Department of Planning and Budget

Introduction and History

Virginia's budgeting system is evolving

Current State

CHALLENGES

- Variation – expectations, planning language, metrics, plan formats…
- Outcomes not precisely defined
- Multiple planning/reporting requirements and calendars
- Little or no formal assistance or training for effective performance management

Management Scorecard
Executive Agreements
Leadership Communiqué

DPB Planning & Budget
IT Planning
Workforce Planning
Capital Planning

Various Improvement (Efficiency) Efforts

Outsourcing Legislation
Competition Council

Virginia Results
Virginia Excels
Budget Document & Bill

NEW REQUIREMENTS
Strategic Planning
Performance-based Budgeting
Revised Service Structure

<u>Results</u>

Performance management Activities are primarily:

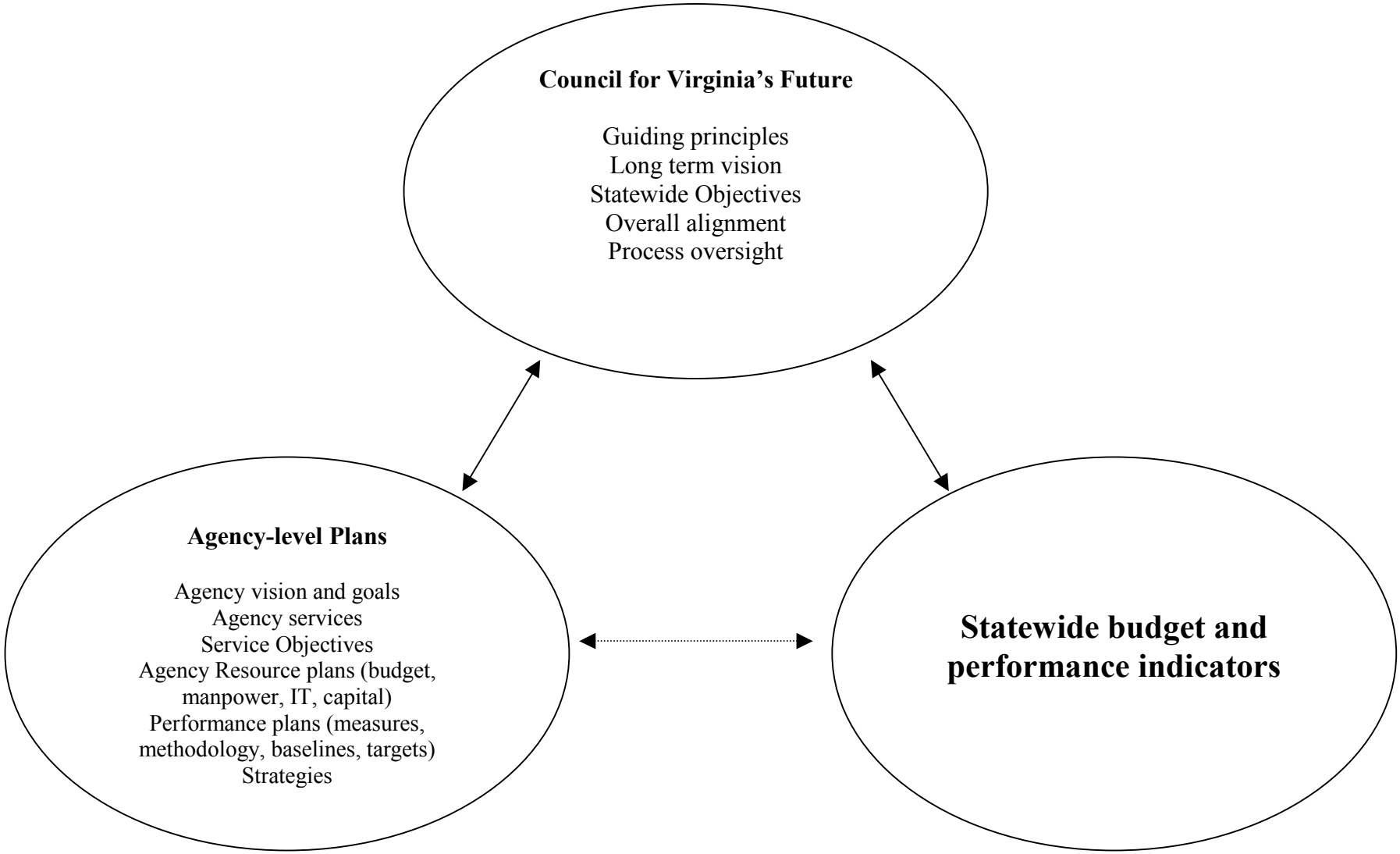
- administrative in nature
- targeted to stand-alone reporting requirements
- not integrated to support enhanced performance.

Introduction and History

The Council for Virginia's Future

Impaneled by Code of Virginia 2.2-2684 to advise the Governor and the General Assembly on the implementation of the Roadmap for Virginia's Future process, which is:

(i) developing a set of guiding principles that are reflective of public sentiment and relevant to critical decision-making;
(ii) establishing a long-term vision for the Commonwealth;
(iii) conducting a situation analysis of core state service categories;
(iv) setting long-term objectives for state services;
(v) aligning state services to the long-term objectives;
(vi) instituting a planning and performance management system consisting of strategic planning, performance measurement, program evaluation, and performance budgeting; and
(vii) performing plan adjustments based on public input and evaluation of the results of the Roadmap.


Council for Virginia's Future
Guiding principles
Long term vision
Statewide Objectives
Overall alignment
Process oversight
Agency-level Plans
Agency vision and goals
Agency services
Service Objectives
Agency Resource plans (budget, manpower, IT, capital)
Performance plans (measures, methodology, baselines, targets)
Strategies
Statewide budget and performance indicators

Why Change?

A Mandate for Change

HB2097(03) *(affecting §2.2-2681 - 2.2-2687)* *"…each agency shall develop and maintain a strategic plan for its operations"* defined in the legislation as *"the systematic clarification and documentation of what a state agency wishes to achieve and how to achieve it. The objective of strategic planning is a set of goals, actions steps, and measurements constructed to guide performance."*

HB1838(03) (affecting §2.2-1508)
The Executive Budget Document is to include a statement of "major goals, objectives, and specific outcomes related to expenditures for programs" in each agency.

Compelling Reasons for Change

- Good 'business'
- Sets the stage for significant, positive changes in societal outcomes
- Continuation of improvement efforts
- Right timing (Opportunity to leave a legacy)
- Establishes a system that can transcend administrations

What has been done to date

- Input received from Council on Virginia's Future
- DPB developed draft service area structure
- Advisory group of state employees convened to shape process
- Prototype model developed for strategic plans and service area plans that ties service areas to the budget
- Agency heads from every secretariat advised, modified, and approved (Performance Leadership Steering Group)
- Chief of Staff Bill Leighty convenes Cabinet and agency heads to initiate effort

Process Design – Service Area Structure

DPB has worked with each agency to rationally match current budget programs/subprograms and planning activities to form a joined service area structure. Each service area forms the basic unit of budgeting and of planning. DPB has distributed copies of new service area structure to each agency's chief budget officer, along with a crosswalk from the current program structure to the new system. Feedback has been solicited and incorporated.

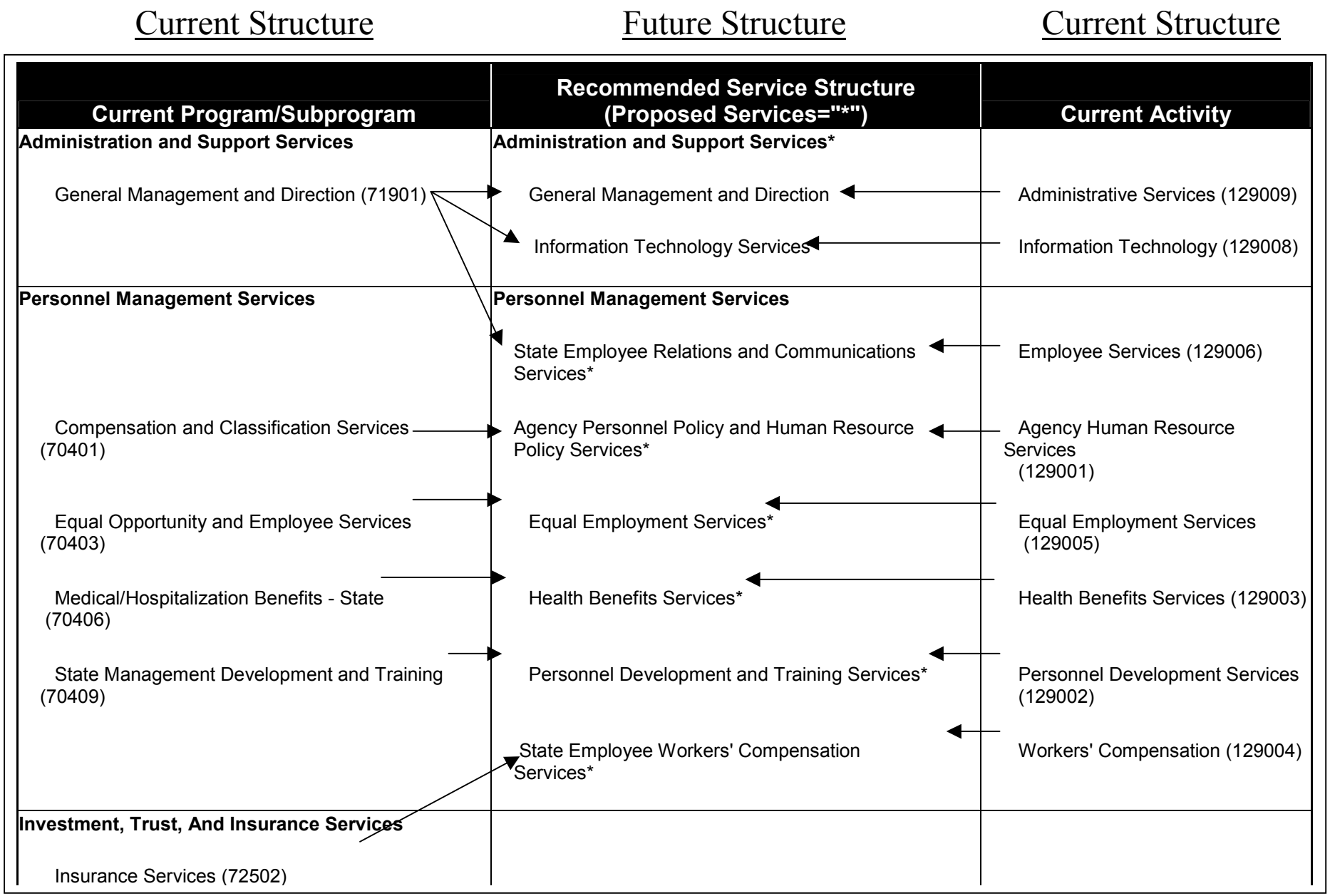
Current Structure

- Programs/Subprograms=
  - Budgeting
  - Accounting System
- Activities =
  - Strategic Planning
  - Virginia Results

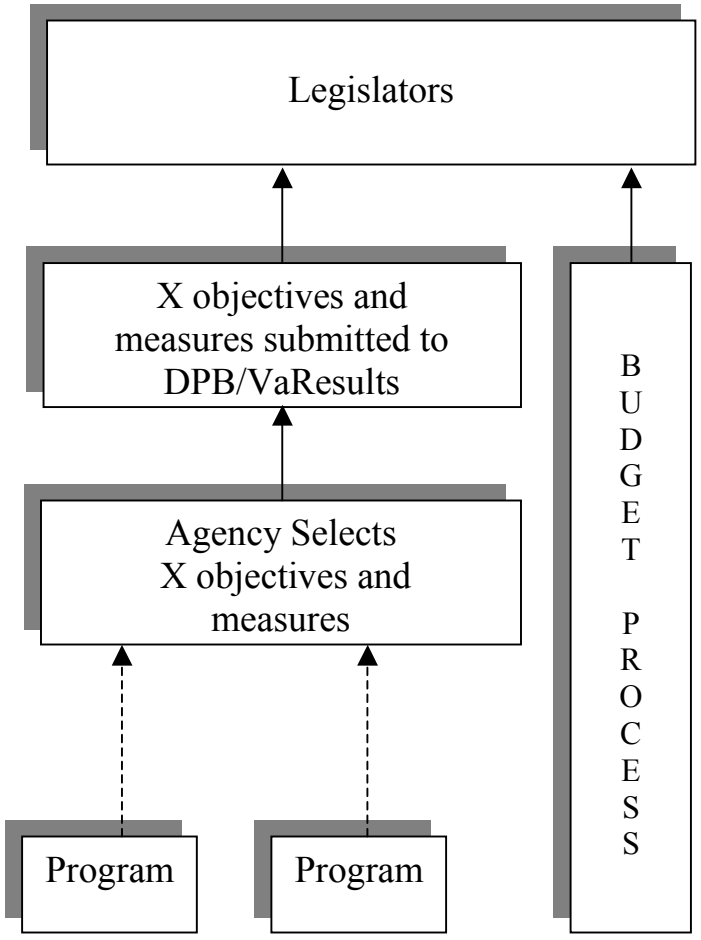
Future Structure

- Service Areas =
  - Budgeting
  - Accounting
  - Strategic Planning
  - Performance Measurement

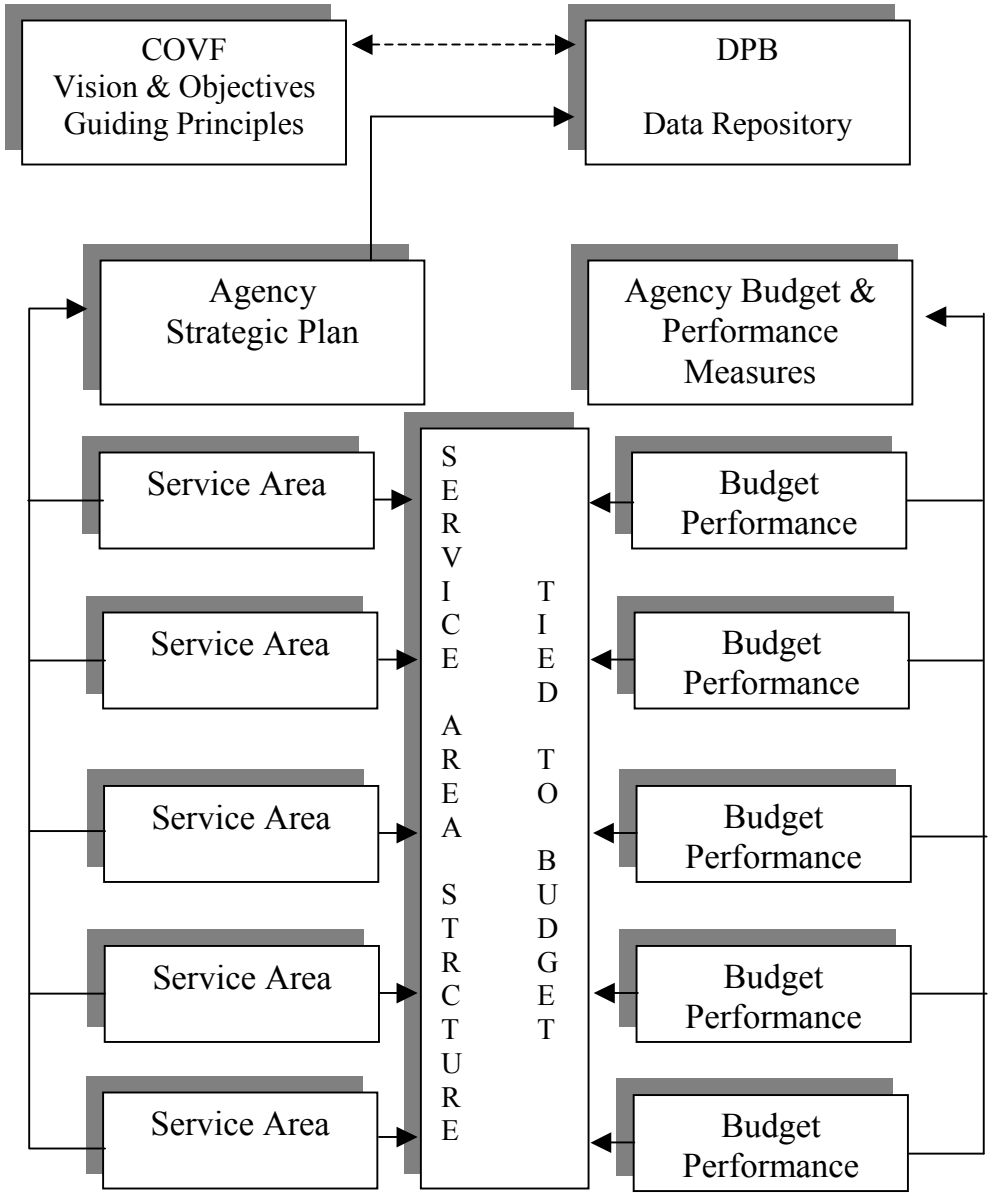
Example: Partial Service Area Structure for Department of Human Resource Management



Current


Legislators
X objectives and measures submitted to DPB/VaResults
Agency Selects X objectives and measures
Program
Program
BUDGET PROCESS

New


COVF
Vision & Objectives
Guiding Principles
DPB
Data Repository
Agency Strategic Plan
Agency Budget & Performance Measures
Service Area
Service Area
Service Area
Service Area
Service Area
SERVICE AREA STRUCTURE
TIED TO BUDGET
Budget Performance
Budget Performance
Budget Performance
Budget Performance
Budget Performance

Process Design – Strategic Plan

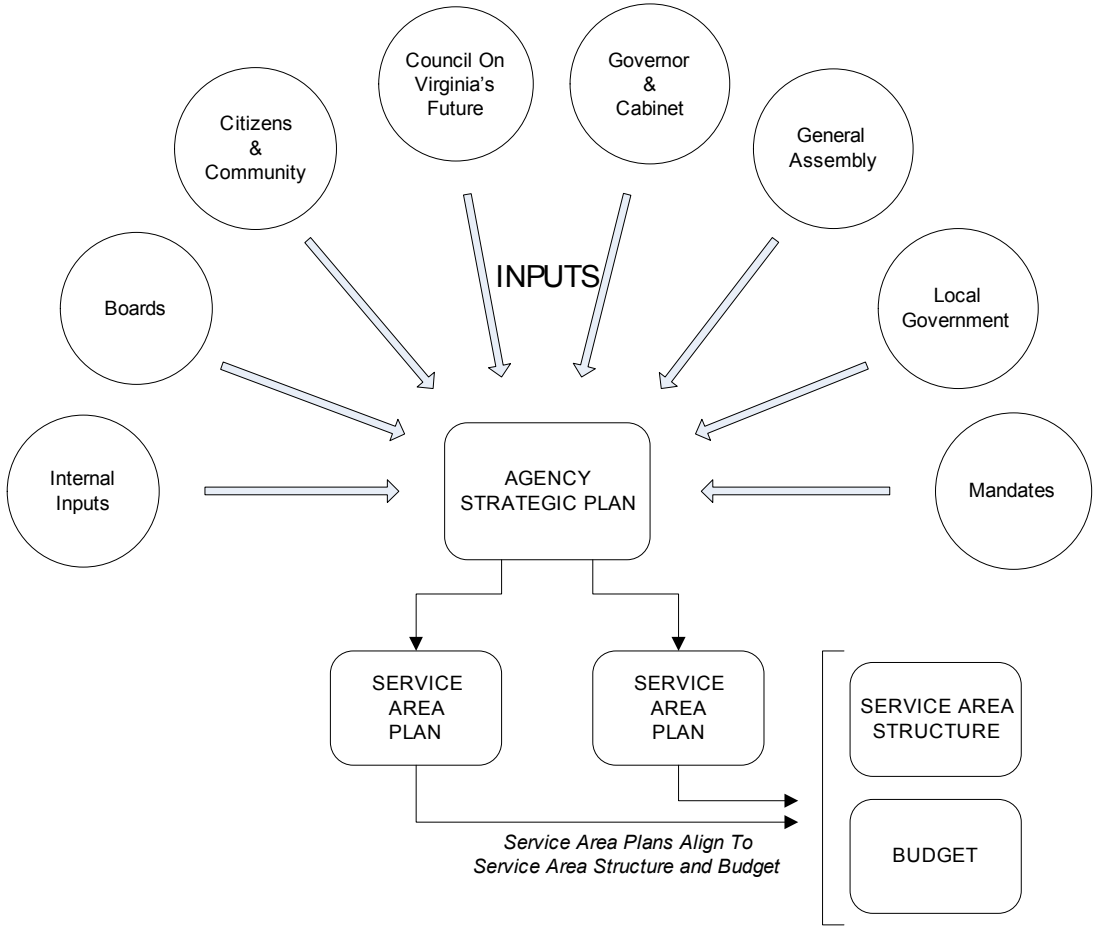
Service area structure is key

- Generally, "service areas" are what agencies do for the citizen or for other agencies
- They consist of allocations of resources toward a specific objective
- Each service area forms the basic unit of both budgeting and of planning

Principal objectives of these plans are

- To provide agencies with a tool to assist them in self-management
- To give decision makers uniform and dependable data for budgeting and accountability
- To link state resources to results
- To eliminate current fragmented processes of strategic planning, budget development, workforce planning, capital planning, and technology planning

Process Design



Agency Strategic Plan Content

- AGENCY STRATEGIC PLAN STRUCTURE
  - MISSION:
  - VISION:
  - VALUES: (Optional)
  - EXECUTIVE PROGRESS REPORT:
    - Current Service Performance
    - Productivity
    - Major Initiatives & Related Progress
    - Virginia Ranking & Trends
    - Customer Trends & Coverage
    - Future Direction, Expectations & Priorities
    - Impediments
  - BACKGROUND INFORMATION:
    - Statutory Authority
    - Customers:
      - *Customer Base*
      - *Anticipated Changes in base*
    - Partners: (Optional)
    - Products and Services:
      - *Current Products and Services*
      - *Factors Impacting Products and Services*
      - *Anticipated Changes to Products and Services*
    - Resources:
      - *Financial Summary*
      - *Human Resource Summary*
      - *Information Technology Summary*
      - *Capital Investments Summary*
  - GOALS:
    - Goal
      - Goal Summary & Alignment
      - Objectives, Measures & Strategies (Optional)
        - Measurement Information
          - Measure
          - Measure Type
          - Measure Frequency
          - Data Source & Calculation
          - Baseline
          - Target
        - Strategies
  - APPENDICES:
    - A. Information Technology
    - B. Additional Statutory Authority Information (Optional)
    - C. Organizational Structure (Optional)

- SERVICE AREA PLAN STRUCTURE
  - BACKGROUND INFORMATION:
    - Service Area Description
    - Alignment to Mission
    - Statutory Authority *(Roll up to Agency Strategic Plan)*
    - Customers: *(Roll up to Agency Strategic Plan)*
      - *Customer Base*
      - *Anticipated Changes in base*
    - Partners (Optional) *(Roll up to Agency Strategic Plan)*
    - Products & Services: *(Roll up to Agency Strategic Plan)*
      - *Current Products & Services*
      - *Factors Impacting Products & Services*
      - *Anticipated Changes to Products & Services*
    - Resources: *(Roll up to Agency Strategic Plan)*
      - *Financial Summary*
      - *Human Resource Summary (Optional)*
  - OBJECTIVES and MEASURES:
    - Description
    - Alignment
    - Priority
    - Measurement Information
      - Measure
      - Measure Type
      - Measure Frequency
      - Data Source & Calculation
      - Baseline
      - Target
    - Strategies
  - APPENDICES:
    - A. Additional Statutory Authority Information (optional)
    - B. Service Area Structure (optional)

Process Design – Strategic Plan

Once the agency head and the executive team establish the strategic direction, each service area within the agency starts the process of developing a service area plan. The service area plan is a tool to assist directors, managers, and supervisors in planning and resources allocation.

While an agency's strategic plan documents its overall strategic direction, giving general guidance, the service area plan is more specific. It covers strategic issues as well as mandated and operational issues.

Process Design – Service Area Plan

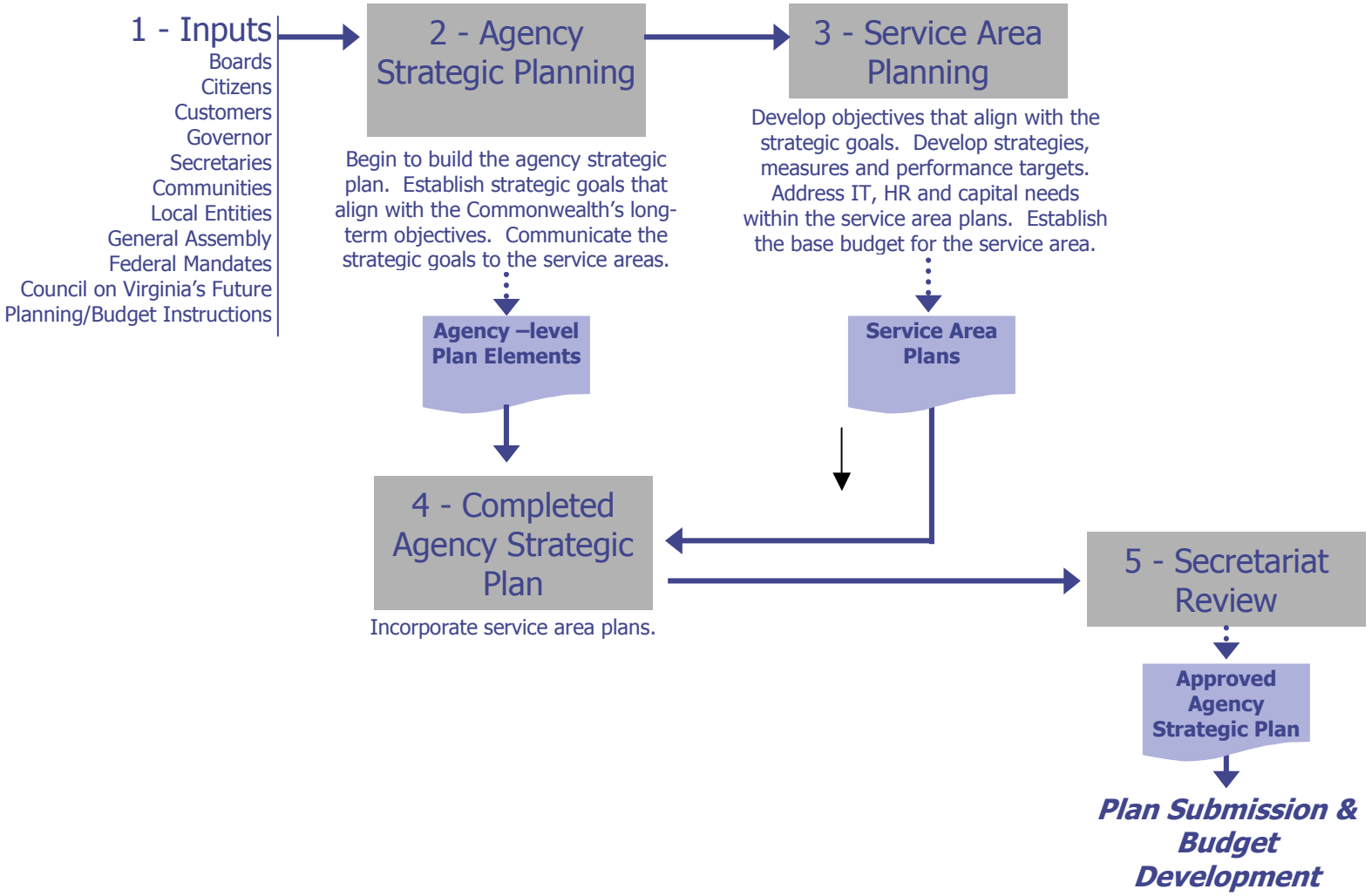
The service area plan consists of objectives that describe the activities (strategic or mandated) in which the service will be engaged. The objectives are accompanied by the following:

- Information about how the objective aligns with the strategic plan or mandates
- Measures to allow management to monitor progress
- Strategies to be implemented to achieve the objective
- Financial resources to be invested

The Objectives and Measures section of the service area plan will document the objectives the service area wishes to achieve, the alignment of the objective to a mandate or to the strategic direction of the organization, the measures that will be used to ensure the supporting strategies are having the desired effect and the ultimate level of success achieved.

Every Service Area Plan will have at least one objective. Every Objective will have at least one Performance Measure.

Strategic Planning Process



Gradual Initial Submissions

DPB will train agency personnel in a "two step" process and assist agencies by reviewing base budgets before moving on to the next area.

Chapters:

(i) Service Area Structure and Base Budget Development
(ii) Agency Strategic Plans and Performance Measures

Agencies will have several weeks to prepare and deliver each section, with assistance from DPB as needed throughout the development process.

It will be necessary for agency heads to establish agency workgroups including key budgetary, program, and planning management

Training Calendar / Next Steps

- April 5 - 11: Briefings for agency heads by secretariat (1-2 hours in length)
- By April 18: Selection of key agency personnel for in-depth training
  - Mid-level managers
  - Planning staff members
  - Budget staff members
- April 25 – May 23: In-depth training (4-8 hours in total length)
  - Designated key agency personnel and DPB budget analysts
    - Overview of planning and budget requirements
    - Development of model service plan
    - Establishment of base budget for services areas
- May forward: Ongoing support to agencies from DPB
- May 12 – Briefing for Council on Virginia's Future

Calendar For Agency Strategic Plan Submissions

- July: Initial submissions
- September/October: Technical updates to align plans with budget submissions
- January: Technical updates to align plans with the introduced budget
- May: Technical updates to align plans with Appropriation Act
- May forward: Monitoring, reporting, and coordinating with efforts of Council for Virginia's Future