

Policy, Capability & Funding Reviews

Focused services & balanced budgets

Most government departments and agencies are trying to restrain spending while at the same time delivering better or more focused services. However, investment decisions are often made on a case by case basis, with only a selective view of the wider context, and no structured process to make high-level trade-offs.

There is a limit to what can be achieved by ‘salami-slicing’ budgets. The attainable cost reductions diminish each time pressure is applied, and there is always the risk of service failure. The process can also create a defensive situation where each department fights to minimise its own budget cuts, and the focus on costs detracts from a balanced consideration of service outputs and value for money.



A fresh approach

Our ‘Policy, Capability & Funding’ review approach builds on best practice decision methods with a proven track record in both the private and public sectors.

Engagement is key, especially at senior levels (including Ministers where appropriate). The process must be treated as highly strategic and owned by the head of the department.

The process starts with articulating ‘purpose’ – the reason the organization exists, the value it needs to deliver to its stakeholders. This leads to a definition of the potential outcomes or ‘effects’ of the department.

The descriptions must be clear to non-experts in the field, and kept brief. The approach focuses on value (benefits) and risks, and establishes these as common currency across very different services and capabilities.

A model is built to include all these potential effects and outcomes, then a structured and transparent process is applied to support the evaluation and decision-making required. This encourages a focus on high-level criteria, enables stakeholders to be involved in the journey, and provides confidence in and ownership of the outcomes.

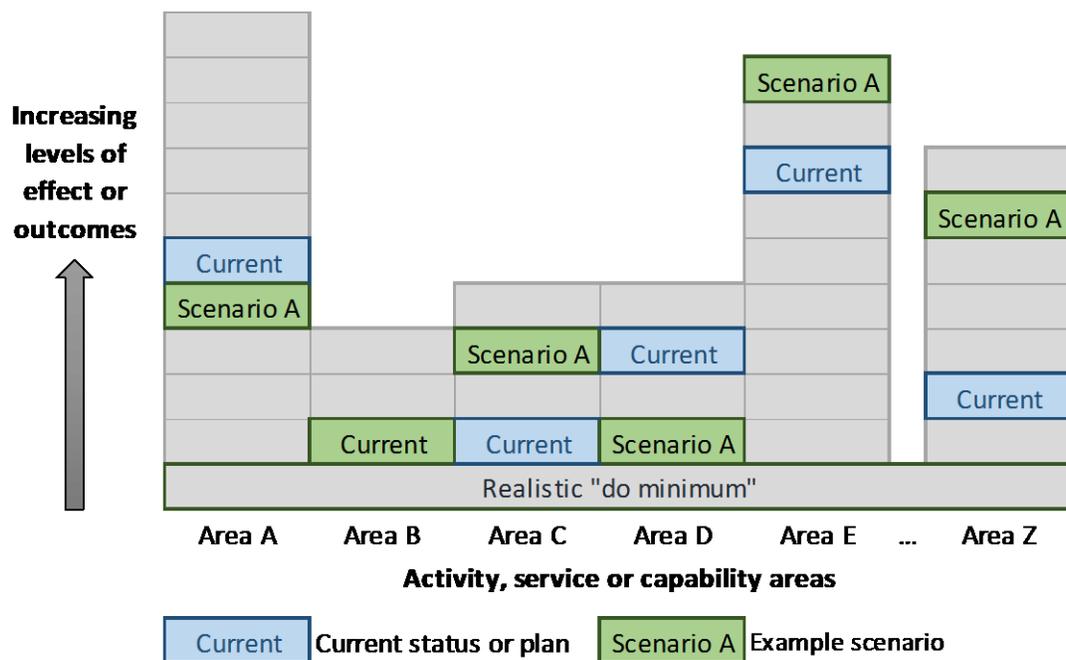
Several potential scenarios are developed, each realistic and coherent, and each with a different set of effects and costs.

Outcomes

The completed process provides a strategic plan and a springboard for its implementation. It delivers not only a decision on the portfolio of service levels (effects) that will be delivered for a specific budget, but also a clear rationale that can be used to communicate the decisions to all stakeholders, including service users. And because the right people have been involved throughout the process the scene is set for a successful implementation of the decisions.

As the strategic plan has been agreed at the level of effects (desired outcomes), the department can be delegated the responsibility for how those effects are delivered, and the detail of which activities or services will generate those outcomes. When individual business cases are subsequently put forward by the department for investment they can be tested for consistency with the plan, and further trade-offs made if necessary.

There are broader benefits. Resetting organisational purposes and strategies, clearing away inefficiencies and focusing resources to where they can deliver the most value is better for everyone both inside and interacting with the system. It can also provide the basis for a higher level of integration across departments.



The 'Plan on a Page'

The 'Plan on a Page' shows the activities of the department divided into service areas (A to Z above). Each column or area has a number of potential levels of effects, representing the committed outcomes from a set of activities and any related capital investment; each level also has an associated cost.

Scenarios can be built by selecting one level from each area - the diagram illustrates a 'current' scenario and one other example scenario. A number of coherent scenarios would be examined, each representing the best outcomes for a given level of spending.

The Catalyze software tools support the technical and social processes, for example enabling scenarios to be selected live in a workshop and then offering a range of visualisations to aid understanding, enabling informed decisions based on relative value and cost. Sensitivity analysis can be applied to ensure the conclusions are robust under a variety of circumstances.

The process often generates substantial new thinking the first time it is applied. It is then repeatable and can be applied to fit in with existing planning and budget cycles, for example a 5-year strategic cycle, mid-point review and 1-year operational cycle.

“The process was robust, analytically sound, and data-driven. It has been identified as an exemplar for other Government departments to follow”

Jonathan Coleman, New Zealand Minister of Defence and Minister of State Services

Catalyze is a strategy consultancy, helping clients to prioritise and make robust sustainable decisions. We believe the best results are delivered through effective decision-making that engages people and aligns organisations. We have an established track record of enabling our clients to achieve results, whether it's improved shareholder value, a better planet or both.

Catalyze was founded in 2001 in conjunction with the London School of Economics and Political Science, applying techniques built on robust and validated decision theory. We support global clients from offices in the UK, USA, Australia and New Zealand.

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