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# **Integration of Strategic Planning and Budgeting to Improve Performance Management in Public Sector**

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Parts of my lecture:

- A more *theoretical* part with regard to the kind of an efficient and effective planning system in the public sector (definitions, purposes, structure etc.)
- Approaches and proceedings of the *practice* - especially of the German local government - how to link strategic planning to the annual budgeting or to enrich annual budgeting with some elements of a strategic planning system

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**1. Strategic Planning and Budgeting System as Prerequisite for Performance-based Management**

See:

Instructions for Preparing and Submitting Agency Strategic Plans for Fiscal Year 2015 – 2019, Legislative Budget Board of the State of Texas,

[www.lbb.state.tx.us/Documents/Instructions/1584\\_StrategicPlanningInstructions2015\\_2019.pdf](http://www.lbb.state.tx.us/Documents/Instructions/1584_StrategicPlanningInstructions2015_2019.pdf)

**1.1 Definition of Strategic Planning**

Long-term (>4 years), future-oriented process of goal-setting and decision-making depending on a vision of a preferred future and under careful consideration of future risks and chances

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## 1.2. Purposes of Strategic Planning

- Provide governmentwide *direction* in key policies and deliver *focused issues* to policymakers discussions and debates
- Avoid a only *crisis-driven* decision-making
- Align *resources* to the main problems of state and local government
- Create more *emphasis* on cost, benefits and results of public services
- Provide an effective *environment* to link to the annual budget process
- Improve *participation* of citizens in long-term policymaking

All these purposes represent an important part to create an effective performance management in the public sector.

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### 1.3. Structure and Elements of Strategic Planning

Structure and Elements on the level of state agencies, local government departments or divisions:

→ *Vision, Mission, Philosophy Statements:*

What's the final point of happiness in the community?

What's the main reason for the agency's existence?

What are the principles of leadership?

What's the role of citizens for the agency? Customer or troublemaker?

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→ *External and internal Assessment:*

Description of external and internal influences on the goals and objectives that determine whether targets can be reached (organizational and fiscal aspects, demographics, technological developments, economic variables, impact of statutes and regulations, evaluation and opportunities for improvement, likelihood of future risks and chances)

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→ *Goals linked to objectives:*

**Goals** = General ends toward which the government and its individual units direct their efforts without time limit

**Objectives** = Clear targets for the scheduled strategies and actions derived from the higher-ranking goals, must be measurable



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**Example:**

Goal: Shaping the public libraries to a pool of media (books, DVD, CD) for education, studying, leisure time and entertainment

Objective 1: Increase the number of visitors per opening hour

Objective 2: Increase the number of visitors per special event

Objective 3: Decrease the number of not lended media units

Objective 4: Improve the offer of media for schools and pupils

Objective 5: Increase the quota of the age group < 18 years visiting public libraries

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→ *Objectives linked to outcome measures*

**Outcome** = Degree of attainment of an objective  
(impact, effect, benefit)

to Objective 1: Average number of visitors per opening hour,  
Percent of customer's satisfaction with the  
quality and quantity of the available media

to Objective 3: Percentage of not lent media within the  
reporting period

to Objective 5: Percentage of citizens < 18 years who are  
registered as user of the library

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→ *Objectives linked to strategies and actions*

to Objective 1: Care for attractive opening hours  
(late in the afternoon, opened on the weekend)

to Objective 3: Increase the library's budget for purchasing up-to-date publications

to Objective 5: Buy more literature for youth and children,  
Go into schools to promote visiting public library

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→ ***Strategies and actions linked to output, efficiency and explanatory measures***

***Output*** = Actual workload with regard to strategies and actions

***Efficiency*** = Cost or expenditure per unit of output

***Explanatory*** = Internal and external conditions for the agency to achieve its objectives

to Objective 1: Cost per opening hour,

Total number of visitors within a period

to Objective 3: Trend of the appropriated expenses in the last three fiscal years

to Objective 5: percentage of child and youth population (< 18 years)

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## 1.4. Integrated Planning

*Horizontal* perspective of Integration → *Coordination*

*Vertical* perspective of Integration → *Deduction*

- *Coordination* between

→ goals and objectives,

→ strategies and actions,

→ and financial and staff resources

for all spheres of public activities and public functional areas including decision-making about *priorities* with regard to the budget implementation

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### - *Deduction*

Deduction of the operational plan - the *annual budget*- from the long-term strategic plan

#### Strategic Plan

Agency Goals



Objectives



Strategies  
and Actions



Outcome Measures



Outcome Targets



Output Measures



Output Targets

Efficiency Measures



Efficiency Targets

Explanatory Measures

After implementation and evaluation of the annual budget  
→ *Feedback* for updating the strategic plan

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## **2. Approaches of Local Government to Implement an Integrated planning system (Germany and Switzerland)**

It is very difficult and expensive to build and implement an integrated and performance-based planning and budgeting system in the manner described above. But when it runs it is very useful for performance management.

I will take a glance at the efforts in Germany to improve performance by implementing strategic plan elements in the Budget. There are different solutions.

Then I will look at a very sophisticated system of an integration of strategic planning and budgeting, the Canton Zuerich KEF.

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## 2.1. KOMPASS-Project

See: [www.bertelsmann-stiftung.de](http://www.bertelsmann-stiftung.de)

Some years ago the German Bertelsmann foundation - a daughter of the Bertelsmann media group (television transmitter, publishing companies) - in cooperation with a lot of local communities implemented a project called **KOMPASS** (local government project to build a strategic steering system).



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This project generated the following *results*.

→ Definition of five general accepted *strategic goals*.

- (1) Strengthen the *social cohesion* and the *identification* with the community
- (2) Foster the *economic development* and the number of workplaces
- (3) Ensure safe *social*/general living conditions and enable attractive *cultural*/general living conditions
- (4) Ensure *education* and support *lifelong learning*
- (5) Protect a healthy sustainable *environment*

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→ A map containing *indicators* to describe the *structure* of the local government:

Development of population, population density, age structure of population, quota of capital investment, tax revenues per capita etc.

→ A *strategy map* for each of the five goals containing a lot of indicators for measuring the performance (output, outcome, efficiency, explanatory measures):

- Definition of the indicator (the formula)
- Short description of the importance of the indicator
- The data sources for calculating the indicator

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→ Examples:

to (1) Voluntary participation of the citizens doing public works,  
Voter participation in the last ballot

to (2) Number of employed in the different branches of economy,  
Start-ups and deletions in the register of companies,  
Business taxes per capita

to (3) Citizen's satisfaction with the housing,  
Crime rate,  
Participation in recreational activities and cultural offerings

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to (4) Percentage of graduates with higher education entrance qualification,  
Percentage of dropouts,  
Offerings of adult education centers

to (5) Consumption of electricity and water per capita,  
Waste per capita,  
Quota of land consumption

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## 2.2. City of Heidelberg Budget

see:

[www.heidelberg.de/hd,Lde/HD/Rathaus/Haushalt+\\_+Finanzen.html](http://www.heidelberg.de/hd,Lde/HD/Rathaus/Haushalt+_+Finanzen.html)

There is no separate strategic planning. Rather the strategic dimension of public activities is part of the annual budget.

Therefore the annual budget for every department consists of two parts: a strategic and an operational part.

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→ ***Strategic part*** of the annual budget, the so-called Produkt- und Leistungsplan (product and achievement plan). It is composed of:

- Department s ***trategic goals***, but without measures
- Multi-level structure of the ***department's functions***.  
main function → function groups → individual functions
- For each individual function: Person responsible,  
Short description of the function,  
Labour contract,  
Strategic goals of the function  
but without measures,  
Target group for the function

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→ *Operational part* of the annual budget

(accrual based: revenues and expenses including full depreciation):

- *Total budget* for each department of the local government

- *Partial budget* for each function of the department:

Objectives for the function, but no link to strategic goals

Strategies and actions

Targets for outcome, output and efficiency

Financial and personal resources to fulfill the targets

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## **2.3. Agenda-Setting**

See:

[www.soest.de/buergerservice\\_politik/Zukunftsprogramm/2015\\_10\\_21\\_Strategisches\\_Zukunftsprogramm\\_2015\\_Stand\\_HH\\_Einbringung.pdf](http://www.soest.de/buergerservice_politik/Zukunftsprogramm/2015_10_21_Strategisches_Zukunftsprogramm_2015_Stand_HH_Einbringung.pdf)

### ***Strategic Program of the Future:***

It is a completely verbal description of a desired future without any measures and without information about necessary resources.



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It has a four-level structure:

→ Vision till the year 2030

→ Spheres of Public Activities:

(1) Education and Social Welfare

(2) Urban Development, Economy and Environment

(3) Cultural Living

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→ Strategic goals to each of these spheres:

Example:

to (1) Provide sustainable educational infrastructure

→ Concretized Goals to each of the strategic goals:

Example:

to (1) Provide networking of schools (internal and external to businesses)

These concretized goals form the basis for the deduction of medium-term objectives and annual objectives for the budgeting.

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## **2.4. Canton Zuerich / Switzerland KEF (Consolidated Development and Finance Plan)**

See:

Konsolidierter Entwicklungs- und Finanzplan 2015-2018 und Entwurf Budget 2015, Finanzverwaltung Kanton Zürich/Switzerland,

[www.fv.zh.ch/internet/finanzdirektion/finanzverwaltung/KEF\\_2015-2018.html](http://www.fv.zh.ch/internet/finanzdirektion/finanzverwaltung/KEF_2015-2018.html)

The KEF is a fully integrated strategic planning and budgeting system at the Canton level:

→ There are two kinds of strategic goals:

- strategic goals of the Canton (no time limit)
- strategic goals of the Canton's government (temporary restricted to the legislation period (4 years))

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→ The Agencies of the Canton adopt the goals according to its field of responsibility

→ The agency goals will be concretised by functions the agency has usually to fulfill

→ Strategies and actions to achieve the agency goals are concentrated in focal points of development

→ The resources necessary to realize the focal points will be given by a lump-sum budget (steering by the difference between revenues and expenses)

→ The performance of the realized strategies and actions will be controlled by output, outcome and efficiency indicators

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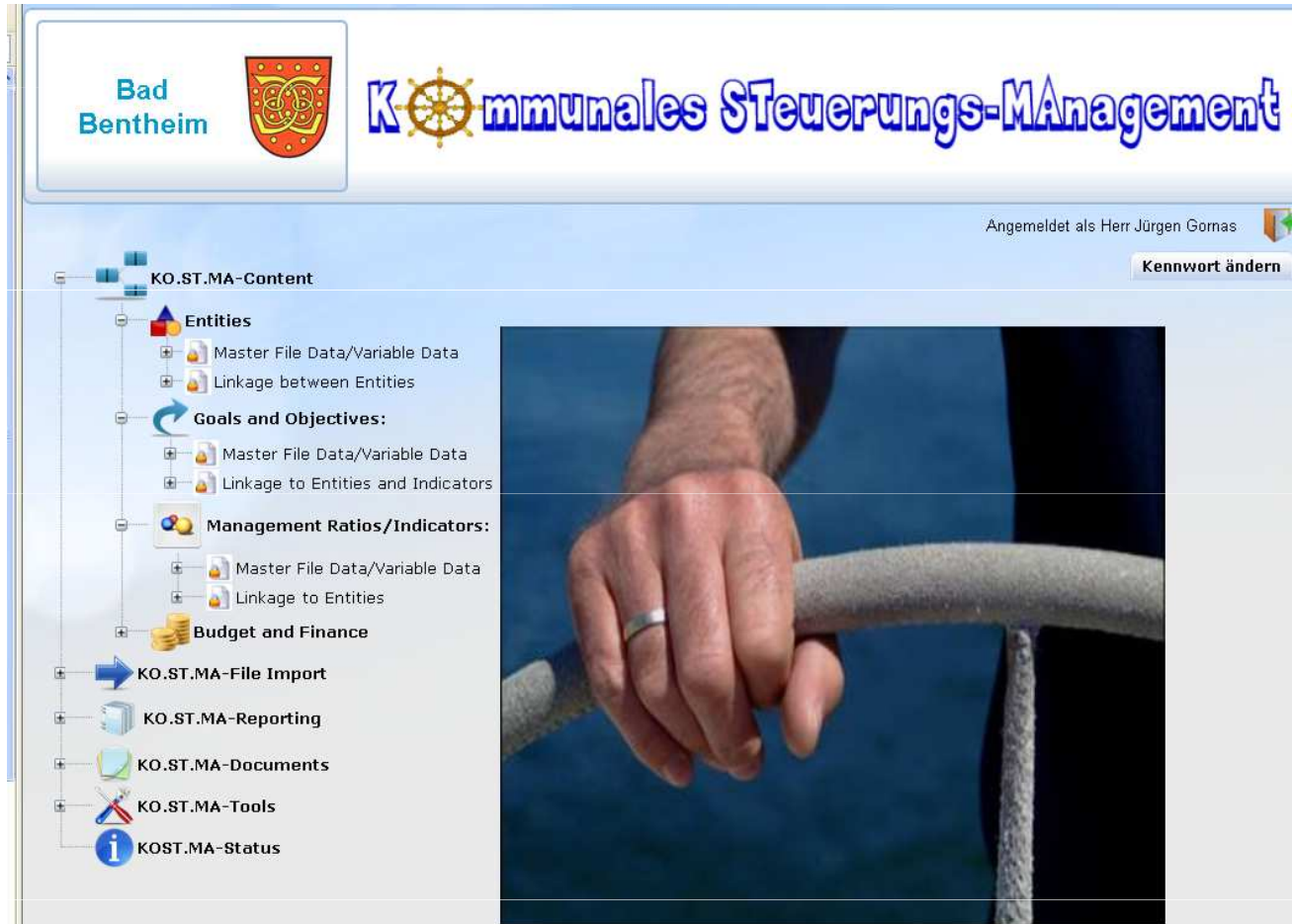
## 2.5. Internet-based Software-System KOSTMA

See:

KOSTMA = local government performance steering management


[www.kostma.de](http://www.kostma.de)

This System enables a performance management for a lot of different objects of local government. The objects can be linked to strategic goals, the strategic goals to objectives and the objectives to performance measures for output, outcome and efficiency. A powerful reporting system allows the user to get individual performance reports.




**Bad Bentheim**


# Kommunales Steuerungs-Management

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**Kennwort ändern**

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    - Linkage to Entities and Indicators
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- KO.ST.MA-File Import**
- KO.ST.MA-Reporting**
- KO.ST.MA-Documents**
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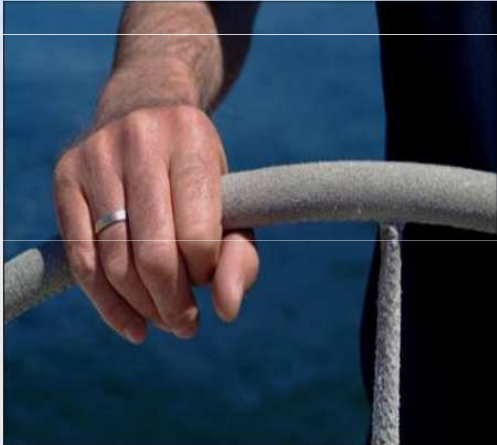


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- Budget and Finance







Bad Bentheim  **K**ommunales Steuerungs-Management

Angemeldet als Herr Jürgen Gornas  [Kennwort ändern](#)

- KO.ST.MA-Content**
  - Entities
  - Goals and Objectives:
  - Management Ratios/Indicators:
  - Budget and Finance
    - Income Budget
    - Cash Budget
    - Balance Sheets
    - Master File Data/Variable Data
    - Company's Planning and Budgeting
    - Real Accounts Analysis
- KO.ST.MA-File Import**
  - Import CSV Files
  - Import Excel Files
- KO.ST.MA-Reporting**
  - Carry out existing Reports
  - Change existing Reports
  - Add new Reports
- KO.ST.MA-Documents**
  - User Manual
  - Table Descriptions
- KO.ST.MA-Tools**
  - Calendar
  - Plausibility check
- KOST.MA-Status**



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**THANK YOU FOR YOUR ATTENTION !**