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The Strategic Management Framework

The Strategic Management Framework (SMF) has been developed as a guide for the Victorian Public Sector outlining the key elements of a better practice management cycle. It draws upon some stages of the earlier approach to business management, the Integrated Management Cycle (IMC). However, a key difference between the two frameworks is that the SMF can be applied to any entity, regardless of its size.

The framework is structured around six core elements: Analyse, Plan, Allocate Resources, Implement and monitor, Evaluate and Report. Many of the elements are closely linked or dependent on each other, and in some cases, may overlap. This is particularly the case with the Report element, which features at each stage of the management cycle. The SMF highlights the connections between the elements, where relevant and it is not envisaged that the stages will necessarily be followed in a sequential order.

After reading the SMF, entities should have a clear idea of:

- the key activities that should be completed for each element of the management cycle;
- questions that should be considered before progressing to the next element;
- core products or reports that occur within each element, noting that some, like the State Budget, incorporate information from a number of elements including planning, evaluation and resource allocation; and
- examples of activities within each element which are currently occurring.
Analyse

Analyse processes gather, review and analyse existing information to draw conclusions and inform future approaches to activities. These processes can occur at anytime in the cycle but are particularly important before planning. Reflection, innovation and reform are central to the Analyse element.

Key activities

• Gather information about the business environment from internal and external sources including data from past evaluations and consultation with stakeholders.
• Analyse the information and identify key short, medium and long-term trends, risks and opportunities.
• Determine strategies to address the key reform areas taking into account government outcomes.

Key questions

• What are the lessons learnt from past evaluations and from comparisons with other similar projects or organisations, and how can these be addressed in future plans?
• What can be learnt from interstate and overseas jurisdictions in terms of trends and better practice approaches?
• What are the social, economic, technological and environmental changes that have occurred in the recent past or that are anticipated in the future and their impact on the needs of Victorians?
• What is the capacity and capability, now and in the future, to deliver services including to respond to any changes identified above?
• What are other stakeholders doing to achieve the same outcome – are activities complimentary or conflicting?

Key products/reports

• Environmental scans;
• Department’s Service and Asset Strategy; and
• Research papers including options for future reform.

Government

The Government relies on Parliamentary committee reports and debates, local information from the communities that members of Parliament represent, and research and advice from departments to support its analysis of what Victorians need now and into the future and how this can be achieved. This analysis influences decision-making on planning and resource allocation. It also helps the Government to determine what outcomes or community impacts it wants to achieve and to continue to assess whether these remain relevant to the community.
The Government holds departments and entities to account in undertaking effective analysis. Government requires rigorous and forthright analysis to support sound decisions that will ensure Victoria is at the forefront of innovative and value for money service delivery, capital investment and adoption of market-based solutions where appropriate in the longer term.

Departments and entities

Analysis occurs as part of departments’ and larger entities’ routine operations. Systems are in place to collect benchmark and performance data, indicators and risk information. This information is analysed regularly and findings discussed. Studies are also commissioned on strategic issues that may impact on the achievement of goals, such as changes to demographics and technology, as well as continued analysis of the client base and key stakeholders.

In this way the organisation retains an awareness of their environment including potential changes that will impact on its effectiveness. This allows the organisation to prepare for these changes and to be ready in advance of when they occur. It also means the organisation is better equipped to influence change, for instance through implementing reforms to service delivery approaches, including adoption of market-based solutions. Effective analysis will also ensure existing partnerships are maximised and appropriate partnerships created.

Each year, departments update their Service Strategy which is designed to anticipate changes to the environment over a 10 year timeframe and set out a plan to respond. One of the main outcomes of this exercise is a more disciplined and strategic approach to the maintenance of relevant organisational capacity (including physical assets, services, people, facilities and equipment). Service Strategies inform strategic and corporate planning and asset management plans developed under the Asset Management Framework.

The need for constant scanning and analysis of the operating environment is equally important for smaller entities. Given these entities have less available resources, the processes employed may be less formal such as completing relevant research into better practice approaches and leadership teams allocating time to innovation and strategic thinking.
Plan

Planning processes articulate desired goals and objectives and how these will be achieved, as well as develop the criteria to assess success. These processes draw upon the outcomes of the Analyse element to ensure available data and information informs future action. Planning occurs for the short, medium and long term and includes strategic, business and individual performance planning.

Key activities:

- Determine the desired goals and the services or capital investment that will best achieve these goals.
- Consider how these services or capital investment will be delivered.
- Confirm measures of success including key performance indicators and identify the systems and processes necessary to effectively measure and report on performance.
- Determine individual performance learning and development objectives in the context of the skills and capability necessary in the organisation to achieve the desired goals.

Key questions:

- What are the vision and goals of the organisation and are there clear links to the objectives that government is seeking to achieve?
- What is the output mix with the highest potential impact on government objectives, taking into account the activities of other groups?
- What needs to be planned for now to ensure that medium to longer term goals are achieved?
- Are sufficient systems and processes in place to monitor and report on success and has an evaluation been factored into the plans?
- How will the services or capital investment be provided to achieve the best value for money taking into account different models of delivery, and what funding and resources are required? Is a market-based solution available?

Key products/reports:

- Government outcome or policy statements;
- State Budget;
- Strategic/business/corporate plans linked to service and asset strategies; and
- COAG agreements (including National Partnerships).
Government

Ensuring that the Victorian Public Sector remains focussed and aligned with government’s objectives is a key aim of this element. Success requires clear leadership and communication from government. This is delivered through documents such as government outcome or policy statements and the Government’s election platform which guide priority setting and policy choices. The government also articulates their whole of government short to medium-term strategic directions and budget priorities as part of the annual budget process.

In formulating their plans, the Government relies on support from departments and central agencies in providing assessments of the economic outlook, confirmation of forward estimates, briefs on policy issues and an updated assessment on progress towards the achievement of their goals. The plans also reflect community values and concerns. A large proportion of this information will have been gathered as part of the Analyse element.

For each portfolio, the relevant minister, assisted by the departmental secretary, ensures the Government’s plans are effectively communicated and made relevant for each entity. This information will in turn inform that entity’s planning, which the Minister may also be involved in, depending on its size.

Departments and entities

Departmental and entity planning processes link government objectives to the organisation’s strategic priorities. Planning processes will also take into account specific requirements from other groups, including the Commonwealth Government. Effective planning requires identifying the mix of services with the greatest potential to positively contribute to government objectives, as well as the assets (existing, new or modified) necessary to support delivery.

To do this, organisations consult with stakeholders and related entities on their priorities. They may also seek out partnerships with other organisations, including the not for profit and private sectors, in order to deliver a coordinated activity. This enables the organisation to leverage existing relationships and approaches, and may encourage more innovation within the public sector.

Effective planning also demands the development of clear and rigorous performance measures by which success can be determined. These measures typically relate to efficiency, effectiveness and value for money. The ability to measure performance is critical to all elements of the SMF, but particularly the Evaluate element.

Once resources have been confirmed (see Allocate Resources element), the organisation’s priorities and how they link to the Government’s vision may be communicated through a department’s service and asset strategies, and a department’s corporate or business plan. Individual performance planning ensures that the person’s capability and development are aligned with the organisation’s priorities and needs, in order to support a department’s contribution to government objectives.
Allocate resources

Allocate Resources involves allocating available resources (funding, equipment and labour) to achieve the goals outlined in plans. This element includes allocating new resources and reallocating existing resources. At the whole of government level, this process primarily occurs via the State Budget. At other levels, these processes will occur throughout the year.

**Key activities**
- Determine budget capacity and short, medium and long term financial targets.
- Consider whether existing resources can be reallocated (see Evaluate element).
- Allocate available resources to best meet the organisation’s goals and objectives (see Planning element).
- Identify funding for unforeseen risks or emerging needs (i.e. contingency) and for business case development/feasibility studies for potential future bids.
- Confirm and communicate budgets.

**Key questions**
- Where resources should be allocated to best contribute to the Government’s objectives?
- What different funding options are available?
- Have productivity gains been achieved over time such that resources could be freed for use elsewhere or services increased?
- Which activities are no longer relevant to achieving government objectives and what resources will be made available if they are stopped?
- Does the organisation have the capacity to deliver in light of its other activities?

**Key products/reports**
- State Budget;
- Appropriation Bills;
- Internal budgets; and
- Strategic/Business/Corporate Plans (i.e. these plans may include references to the allocated resources).

**Government**

The Government allocates funding through the State Budget and related processes. Finite resources are available to the government each year and central agencies support the Government by assessing budget capacity and developing parameters based on estimates and economic forecasts. The Government therefore selects which proposals for funding will have the greatest positive impact on the community within the parameters agreed to by government while also considering whether those initiatives receiving ongoing funding should continue or if this funding should be reprioritised.
Parliament scrutinises the State Budget on behalf of the community before authorising that funds be made available. The money authorised in the Appropriation Bills is used to fund (or purchase) outputs from departments and some entities. These outputs are delivered in order to contribute to outcomes or objectives. For entities, the State Budget will also impact on resource allocation, through grant funding and through the processes involved in approving fee and charges variations.

Departments and entities

As part of the Planning element, Departments will develop funding bids for consideration by the Government, which reflect the Department’s preferred mix of outputs. Central agencies provide recommendations to government on the funding proposals including the appropriateness of the performance measures, mix of services and assets, and the cost of proposals. Reprioritisation and savings options are also presented.

Once the budget allocation has been confirmed, departments undertake an internal budget allocation process. Department budgets include State funding as well as third party and own source revenue. In some circumstances, departments can reallocate funding during the year and may also seek additional or new funding from government for unforseen circumstances or new initiatives.

Entities not included in the State Budget prepare budgets using the same principles. This may involve a process of work groups or divisions preparing bids for funding for new initiatives or to cover cost pressures which are then considered, prioritised and approved by senior management, with sign off by the Chief Finance Officer.

A number of frameworks support the Allocate Resources element. These include output price modelling which ensures that the price government pays for the delivery of the output is appropriate for the agreed standards of quality and quantity. The Departmental Funding Model (DFM) recognises that cost pressures impact on outputs (e.g. wage and salary increases, CPI increases) and provides options for dealing with these pressures. The Base Review framework also ensures the price paid for outputs is appropriate taking into account similar goods or services provided by others (including non-government suppliers), that delivery of the output is efficient and effective and recognising any productivity gains (see Evaluate element).

The Asset Management Framework (AMF) includes guidelines on the preparation of each department’s Service and Asset Strategy, specifications on what needs to be included in the Multi-Year Strategies and Business Case preparation guidelines. These components of the SMF help ensure that the future asset investment responds to an established service need, is appropriately planned and has been rigorously analysed.
Implement and monitor

The Implement and monitor element involves the implementation of plans using allocated resources and monitoring progress against these plans. This includes tracking and reviewing finances, service delivery and capital projects to ensure they are meeting their targets and objectives are being or likely to be met. This information is used in the Evaluate element to ensure services continue to be effective and are being delivered as efficiently as possible, and that assets are appropriate and sustain current service delivery.

Key activities

- Implement approved services and capital projects.
- Implement medium to long term plans for the maintenance and or enhancement of the organisation’s capacity, including physical assets.
- Monitor and manage finances including the balance sheet, phasings and forecasts.
- Measure performance regularly against key performance indicators and identify and manage risks.
- Adjust activities to improve efficiency and effectiveness and to ensure objectives will be met.

Key questions

- Are there clear communication channels and accountability in terms of identifying, understanding and managing risks?
- How does actual performance against financial and non-financial measures compare to the original plan and are these measures still meaningful and relevant?
- Is performance adequate, and if not, what can be done to ensure annual targets are met?

Key products/reports

- Budget Update;
- Output and asset performance reports;
- Monthly and quarterly annual financial reports;
- Gateway reviews; and
- Risk registers.

Government

The Government requires departments to implement their plans to meet the quality, cost, timeliness and quantity that was agreed with the Government when funding was provided. Monitoring of performance occurs formally through half yearly reports on output performance, financial reports, and quarterly reports on the performance of the Government’s capital investment program (see also Reporting element). Central agencies prepare these reports based on information from departments which is gathered as part of the Implement and monitor element.
Emerging risks, including changes to cashflow or economic forecasts, are also brought to the attention of the Government. This may result in a change to the budget during the year, which is reflected (subject to timing) in the Budget Update.

Departments and entities

Departments and entities use allocated resources to implement their plans. At one level, this will relate to delivering outputs and associated capital projects as agreed with the Government, including the Commonwealth Government. At another level, it also includes implementing business plans and individual performance plans.

Monitoring of financial, output, asset and people’s performance requires effective systems and processes. These systems and processes must capture relevant information on progress against agreed performance measures or KPIs and also present this data in a timely and useful manner. Departmental outputs, in particular, must be delivered and accounted for in terms of the achievement of performance measures and targets established in the budget process and publicly released. Depending on the size of the entity, this performance information may be relied on solely by senior management or required to be reported to government, through central agencies (see Report element).

Risk management is critical to the Implement and Monitor element. This involves ensuring all risks, including financial, reputation, physical safety, and business continuity, are explicitly and effectively managed. This involves identifying and implementing mitigation strategies and taking corrective action where risks eventuate, including where key performance indicators are not met.

The Financial Management Compliance Framework, managed by the Department of Treasury and Finance, provides accountable officers with a guide to governance, system and process requirements that apply to their organisation as a consequence of the relevant legislation, regulations and ministerial directions. The Framework includes a checklist of requirements, and entities must attest annually that these requirements have been met.

Gateway Reviews are another mechanism used by government to support effective implementation of projects. This process relates to high-risk capital projects and results in detailed information (gathered by an independent group) being provided to departments on performance and risks at set stages of a project.
Evaluate

Evaluate processes objectively review and evaluate the success of the policy, program or project in achieving the stated goals, including their impact on achieving outcomes, and recommend appropriate actions. To a large extent, the evaluation will use the success measures that are established during the Planning element.

Key activities
- Complete an evaluation of performance against measures or in depth evaluation of efficiency and effectiveness.
- Identify recommendations for future action.
- Communicate the evaluation findings and agreed recommendations.
- Store relevant lessons learnt for the purposes of Analysis and Planning.
- Implement changes in order to improve performance for the future.

Key questions
- What is the most appropriate method or form of evaluation?
- Does the evaluation include information from key stakeholders?
- Was the activity a success and was it delivered as intended?
- What are the key lessons for the future?
- Are the organisation’s activities having an impact on the achievement of stated goals and objectives?
- Are the activities the right mix to achieve the greatest impact?

Key products/reports
- Base Review reports;
- Internal department or entity evaluations;
- Performance and financial audit reports;
- Annual reports for Departments and entities;
- Mid Year Financial Report and Annual Financial Report; and
- State Budget and Budget Update.

Government
The Government is accountable to the public for the achievement of outcomes for the community. It must therefore ensure that the outputs being delivered on its behalf by departments and entities are contributing to these outcomes. To evaluate this, the Government relies on in-depth reviews of outputs to understand whether they are efficient, effective and appropriately priced. These reviews are called Base Reviews and are either routine reviews or are requested specifically by government. The reviews are conducted by central agencies, with the Department of Treasury and Finance (DTF) typically taking a leading role.
Parliament has a role in undertaking its own evaluation of the Government’s efforts to progress outcomes through conducting Public Accounts and Estimates Committee (PAEC) hearings, debates and question time. The Victorian Auditor-General’s Office (VAGO) also conducts financial statement and performance audits of the Victorian public sector. PAEC can advise the Auditor-General on audit priorities for the year. The reports of the Auditor-General are tabled in Parliament.

Departments and entities

Departments and entities conduct their own internal evaluation programs. These may relate to projects, programs and people and include assessments of risk, efficiency, effectiveness, and appropriateness. At an operational level, routine evaluation is also undertaken of the adequacy of assets, equipment, facilities, financial and human resources available to each output, program or activity. In some organisations, evaluations are supported by a community of interest or work group, which also conduct research on trends in evaluation and new methods available.

The availability of data is crucial to a successful evaluation. Ensuring that the evaluation is planned for and that systems and processes are in place to collect relevant data (see Planning element) will have a positive impact on the quality of the evaluation product and the reliability of the findings. Some organisations will use consultants or people from different areas of an organisation to complete the evaluation as a means of ensuring the findings are considered objective.

The information from internal evaluations may be used to feed into other reviews or be solely for internal purposes. For example, data collected by departments may be requested as part of Base Reviews, Auditor-General reviews or reviews conducted by the State Services Authority. Departmental evaluations may also be used to support requests for further funding by government of lapsing or sunsetting initiatives. Departments and entities must participate fully in external reviews.

The findings of the evaluation must also be communicated effectively. This includes advising stakeholders of the outcome which can also assist in driving the organisation’s commitment to implementing change. Findings are taken into account in the Analysis element and reflected in new or updated plans.
Report

Report processes provide relevant information to stakeholders. This may range from reporting on decisions, the success or progress towards achieving goals and key issues or risks. These processes occur in conjunction with the other elements of the SMF (see core products/reports for each element). Reporting processes support transparency and accountability of government. Good reporting involves information that is targeted, clear, concise and understandable.

Key activities

- Gathering of relevant data by set timeframes.
- Quality assurance to ensure that data is accurate, comprehensive and comparable.
- Reporting on performance including an analysis of key trends and issues.

Key questions

- Is the information clear, accessible, timely and in a form that can be easily understood?
- Are assumptions clearly outlined and any gaps in data or variances explained?
- Are conclusions supported by facts/evidence?
- Is the report available to all relevant stakeholders?
- Are systems in place to manage data security and integrity risks?
- Are there opportunities to reduce duplication of reporting processes?

Government

The Government reports to Parliament on its performance, and financial targets. This includes the State Budget, Budget Update, Quarterly Financial Report, Mid-Year Financial Report, Annual Financial Report and individual annual reports of departments and entities. This allows public scrutiny and feedback on government’s performance. Based on this information, and other information from the community, Parliament is able to make (usually non-binding) recommendations to government, to commission further reviews by parliamentary committees or recommend specific audits by VAGO.

Government also relies on reports from central agencies on performance and emerging risks. Central agencies collect and consolidate information from departments and entities on performance, often as part of the Implement and Monitor element. Once this is complete, central agencies prepare reports to government using this information and include analysis and recommendations as to how performance could be improved or risks better managed. These reports include output and asset investment reports which are internal to government.

Government, through departments and entities, also reports to defined sections of the community with information specific to their interests – for example, Melbourne Water reports daily status of water storage levels to the community and the Department of Health reports hospital access statistics in a quarterly public report.
Departments and entities

Guidance is provided to departments and entities on the format, content and timing of any information used in reports to government on performance. Departmental secretaries (and their senior management team) are responsible for ensuring that the department or entity meets its reporting obligations.

The Department of Treasury and Finance (DTF) is principally accountable for the completeness and accuracy of published financial reports, and for ensuring that they are easy to read and interpret, faithfully represent the position, and are produced on time. It discharges this responsibility in partnership with departments and entities.

Departments and entities will regularly report to their relevant minister, whether through formal reports or written or verbal briefings. Internal reporting will also occur throughout the organisation and will be driven by the specific needs and size of that organisation with larger entities requiring more formal and systematised collation and reporting arrangements.