The use of Activity-Based Planning (ABP) in the UK Crown Prosecution Service (CPS): a longitudinal study

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By

Dr. Lana Yan Jun Liu
University of Newcastle upon Tyne
Executive summary

Overview of project
This project, as an extension of a part of the author’s doctoral research, has observed the implementation process of the Activity-Based Costing (ABC) technique in resource planning at the UK Crown Prosecution Service (CPS) 1, covering the period from 1995–2005. The actual adoption of Activity-Based Planning (ABP) has taken place since 2001. The original doctoral research and this research project were undertaken during the period 1999 to 2003 with ongoing reviews up to October 2005.

Key issues
The key issue underlying the research project is whether and how ABP can be successfully used in the UK public sector. The root of ABP is the ABC technique which was originated in a manufacturing environment and initially adopted in the private sector. With the popularity of ABC, some government organisations have explored the use of ABC in advanced management processes (Brimson & Antos, 1994).

ABP is a technique that is referred to by practitioners as the use of ABC information in a planning process (Hansen & Torok 2004; Brimson & Antos, 1999). Currently published empirical ABP evidence, particularly in relation to the public sector, is relatively limited.

This research reviews an ABP model developed and successfully implemented by CPS. The background to CPS’s pursuit of ABP was partly driven by the UK government’s ‘value for money’ policy initiative, which resulted in the introduction of rigorous performance measures to improve the accountability of public sector organisations. In an attempt to establish links between resource utilisation and performance management requirements, CPS has developed an ABP system.

Research project objectives
The objectives of the research project were as follows:
• To explore the adoption and implementation of an ABP model in the UK CPS.
• To examine the appropriateness of the ABP system in achieving a ‘fairer’ performance-related resource allocation.
• To evaluate the effectiveness of the ABP system in meeting organisational and divisional objectives and external requirements (e.g. accountability of public money and government’s performance improvement targets).

The outcome of this project has also shed some light on how the adoption of the ABP system has stimulated innovative management, business process re-engineering and continuous improvement in CPS.

The research is based on a longitudinal case study investigation of the UK CPS for the period from 1995 to 2005. Two rounds of interviews were undertaken in 2001 and 2003 respectively, amounting to a total of 40 interviews. Interviewees were selected so as to represent a wide spectrum of opinions.

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1 The CPS is a governmental law enforcement agency which undertakes legal justice services relating to criminal acts in England and Wales.
The interviewee profile included five members of the top management team (including two consecutive chief executive officers), 20 area managers from 10 of the 42 CPS areas (including area chief crown prosecutors and area business managers), six branch/unit managers, and three members of the ABC implementation team. In addition, attendances at regular ABC steering group meetings and dialogues with ABC team members took place on an ongoing basis.

Subsequently, interview data, together with internal and external documentations, was analysed in detail.

Findings

1. Pre-requisite for an ABP implementation – an up-to-date ABC system

   The CPS ABP system stems from its ABC system, which was implemented in 1995. It was revalidated and extended in 2002 to capture more than 90% of CPS activities and processes, as well as to provide measures on activity timings, case load/workloads and resource utilisation. It models the following main prosecution activities:

   1. Advising the police authority on possible prosecutions and
   2. Reviewing prosecution cases submitted by the police to the ABC implementation team. In addition, attendances at ABC steering group meetings and dialogues with ABC team members took place on an ongoing basis.
   3. Preparing cases for court.
   4. Prosecuting cases at magistrates’ courts.
   5. Prosecuting cases in crown courts and higher courts.
   6. Prosecuting cases in higher courts.
   7. Working with other agencies to improve the effectiveness and efficiency of the criminal justice system.

   Three elements of the timings for the above activities, called ‘should take ABC timing’, are measured:

   (i) Timings of activities directly related to the above prosecuting processes.
   (ii) Relaxation allowance timing on the basis of a 5-minute break in each working hour.
   (iii) Travelling time which refers to the length of time required by legal staff to travel to the courts and police stations.

   CPS has committed resources to keeping this ABC system up-to-date. A dedicated ABC implementation team, consisted of 2 full-time members of staff with ABC expertise was formed in 1995. With assistance of seconded staff from area offices, the ABC team have been constantly reviewing and refining its ABC model in keeping with the evolution of CPS business processes.

   In light of evolution both in terms of organisational structure (i.e. reorganisation of 14 to 42 CPS area offices in 1999) and business processes (e.g. the streamlining of case handling and management processes into Trial Unit (TU) and Criminal Justice Unit (CJU)), a major revalidation of the ABC system was undertaken in 2002. At this point, external consultancy support was engaged to measure prosecution activities and to revalidate the ‘should take ABC timing’.

   In addition, two groups, an ABC steering group committee and an ABC advisory group, were also formed. The purpose of the former, comprising members from the ABC team, business managers from area offices, Chief Crown Prosecutors (CCPs) and senior executives, was to oversee the entire ABC project and provide top management with opinions for strategic decision making. The latter group, comprising ABC team members and business managers from area offices, focused on issues/changes in area offices that may have had impacts on the ABC model.

2. ABP process in CPS

   The ABP process begins by allocating annual area running cost budgets on the basis of a 36-month moving average ABC ratio. This ABC ratio is the percentage that an individual area office’s ABC earnings represent of the total ABC earnings of 42 areas. ABC earnings are deduced from the multiplication of standard activity costs and actual caseloads. The standard activity costs are based on ‘should take ABC timing’ measures and resource costs (e.g. staff salary and travel costs etc.).

   Area offices recorded actual caseloads (e.g. number of advice to police and number of crown court cases) on a monthly basis. This information was then input to its Corporate Information System (CIS)4, which related the types of cases to relevant standard activity timing measures. This eventually gave rise to an ABC earning report for each area office (see Exhibit 15).

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2 ‘Should take ABC timing’ refers to ‘standard timing’, which is derived on the basis of a rolling sample of CPS Area offices. Data collection methods adopted include (a) self-record logs; (b) a quality audit of case files; (c) random activity sampling; (d) process mapping of each Performance Indicator (PI) category; (e) proof studies of selected work activities; (f) detailed analysis of magistrates’ and Crown Courts’ files; (g) determine absence, staff turnover, training needs and numbers of court sittings; (h) short interview/discussions with members of staff to update localised issues.

3 Travelling time represents around 6% of the resource utilisation in an area. Some significant differences in travelling exist. For instance, areas located in inner cities with courts just at the opposite, it could take a lawyer only 10 minutes on foot to attend a court session. Consequently those areas can utilise lawyer time more cost-effectively thus save resources. However, for some areas in counties, it could take up to 2 or 3 hours by car for a lawyer to get to a court thus consumed more resources. Timing for travelling was based on an annual questionnaire survey issued to Areas, concerning the previous year’s actual travelling time and cost data.

4 During the time of this study, CPS has undergone a major change in its internal computer system, CIS, has been integrated into a centralised database system called COMPASS.

5 For the purpose of confidentiality, the figures shown are not the actual figures.
Exhibit 1 A sample of CPA ABC report (December 200X)

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<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>ABC ratio</td>
<td>Available on provision allocated on ABC basis (£)</td>
<td>Indicative budget (£)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(B)</td>
<td>(C)</td>
</tr>
<tr>
<td></td>
<td>(A)</td>
<td>(D)</td>
<td>(E)</td>
</tr>
<tr>
<td>Area 1</td>
<td>3%</td>
<td>364,000</td>
<td>381,600</td>
</tr>
<tr>
<td>Area 2</td>
<td>8%</td>
<td>131,000</td>
<td>143,700</td>
</tr>
<tr>
<td>Area 3</td>
<td>0%</td>
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<td>0</td>
</tr>
<tr>
<td>Area 41</td>
<td>5%</td>
<td>320,000</td>
<td>342,000</td>
</tr>
<tr>
<td>Area 42</td>
<td>2%</td>
<td>205,000</td>
<td>227,000</td>
</tr>
</tbody>
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* *No. of finalised cases* represents the cases that have been finalised in that month. The cases include all types of cases (e.g. shoplifting, motor offences, murder trial etc.) being prosecuted at the Crown Courts and the Magistrates’ Courts.

This ABC ratio is then used to inform budget distribution across 42 CPA area offices. For the purpose of illustration, a sample of CPS budgets is shown in Exhibit 2. To enhance long-term resource planning, CPS also provides ‘indicative budget’ for the next two years on the basis of available ABC ratios.

Exhibit 2 A sample of CPS budget based on the ABC information

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<tbody>
<tr>
<td></td>
<td>Available on provision allocated on ABC basis (£)</td>
<td>Indicative budget (£)</td>
<td></td>
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<tr>
<td></td>
<td>(A)</td>
<td>(B)</td>
<td>(C)</td>
</tr>
<tr>
<td></td>
<td>(D)</td>
<td>(E)</td>
<td>(F)</td>
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<tr>
<td>Area 1</td>
<td>3.41%</td>
<td>80,000,000</td>
<td>82,000,000</td>
</tr>
<tr>
<td>Area 2</td>
<td>0.96%</td>
<td>2,728,000</td>
<td>2,796,200</td>
</tr>
<tr>
<td>Area 3</td>
<td>0.72%</td>
<td>576,000</td>
<td>579,200</td>
</tr>
<tr>
<td>Area 41</td>
<td>5.12%</td>
<td>4,096,000</td>
<td>4,198,400</td>
</tr>
<tr>
<td>Area 42</td>
<td>1.15%</td>
<td>920,000</td>
<td>93,000</td>
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* Same as those shown in Exhibit 1.

For reason of confidentiality, the figures used in Exhibit 2 are not the actual figures used in CPS.
3. The use of ABC information in resource planning
   - At HQ level, CPS uses ABP in the following two areas:
     a) Fairer internal budget allocation across 42 area offices
        CPS re-organised from a 14-area office to a 42-area-office structure in 1999. Budget negotiation and participation became increasingly lengthy and less cost-effective. Subjective criteria created in allocating annual budgets were far from satisfactory. According to the budget manager, ‘I used to create a number of assumptions in order to allocate the budget. During the budgeting period, I would receive a lot of phone calls asking me to consider their difficult situations. After the budgets were allocated, a lot of complaint letters were sent to me and our finance director, complaining how unfair their budgets were.’
        It was often a typical case of ‘who shouts the loudest gets the most.’ With adoption of an ABP, budget allocations were perceived to be more cost-effective and ‘fairer’ by both budget managers and area budget holders.
     b) Effective identification of funding gap in external spending review.
        Following the 2000 and 2002 government Spending Reviews and subsequent discussions with the Treasury, increased funding has been allocated to CPS. The ABP information was one of major factors in achieving this, as it effectively demonstrated performance improvement and activity trends, and resource implications of delivering the government’s new initiatives (e.g. tackling anti-social behaviour). Extra funding has been made available to the CPS, who have been designated to lead performance improvement processes across the Criminal Justice System (CJS).
   - At a local level, CPS uses ABP information to deploy human resources.
        The use of ABC ratio in ABP also assisted area managers to deploy staff resources within each area more effectively. When comparing ABC earnings amongst units in an area, an area manager could determine the staff surplus or shortage situation. She could then make an informed decision on staffing.

4. Stimulus for continuous performance improvement
   - Performance improvement via horizontal process mapping. As an agency in the CJS, CPS’s performance is inevitably influenced by some uncontrollable external factors, such as the quality of criminal case files prepared by police and the arrangement of hearing sessions by courts. Since 2001 some area offices have initiated joint process mapping exercises with local police and courts. The outcomes of this exercise have been encouraging, (e.g. reduced throughput time between different agencies and increased efficiency through elimination of duplicated processes) and have contributed to significant CJS resource savings.
   - Better strategic decision making.
        ABP has provided a clear, causal link between organisational objectives, resource utilisation, performance, and future resource allocations. This has enabled senior management to take a holistic view of effective deployment of resources. One of the changes made was relocation of caseloads from a large CPS area office to a neighbouring CPS area office. This resulted in a substantial improvement of both areas’ ABC performance in the league table. Area managers began to make more informed strategic decisions. For example, an area experienced serious shortage in administrative staff and excessive case backlogs, as indicated in its ABC report. So instead of hiring a new lawyer when a lawyer retired, the area manager would hire one or more administrative staff to help clearing backlogs thus improving performance.
        ABP also promoted the optimal utilisation of each area’s existing resources. For example, in the past areas would outsource external barristers to handle cases even though they had their own qualified lawyers. However cases handled by external barristers were not counted as part of individual areas’ ABC earnings. The introduction of ABP has made areas more cautious in making outsourcing decisions.
   - Promotion of best practice.
        Area performance is measured against a set of standard ABC timings. This has formed a fairer basis for benchmarking performance across 42 area offices, which has led to a so-called ‘league table’. This benchmark has proven to be a useful incentive to seek out best practice amongst area management teams. CPS areas have learnt lessons from those better performing areas in better ways of delivering services and improving performance.
Validation of re-engineered process.

After the introduction of ABP, CPS has been using ABC information in a more objective way, particularly in assessing re-engineered processes. This can perhaps be best illustrated by an example. In 1998, CPS embarked on a re-engineering initiative aimed at utilizing resources more cost-effectively. This initiative entailed passing some of the legal work dealing with lower-level offences to ‘designated case workers’. These case workers, who were not qualified lawyers but possessed considerable legal knowledge, were given power to attend initial or administrative court hearings and deal with straightforward guilty plea cases. This re-designed process significantly reduced the lawyers’ workload to allow them to concentrate on more complex cases. A resultant study of six pilot sites, assessing the effect of this re-engineered process, indicated that efficiency of prosecuting has been significantly improved.

Conclusions and recommendations

This study has reported a successful experience of implementing ABP in the UK CPS, a largely labour-based organisation with a developed ABC system. The core of the ABP system is the use of an ABC ratio to distribute resources amongst 42 CPS area offices. It is a fairly simple way of using ABC information for planning purposes thus can be adopted by any organisations with an up-to-date ABC system.

The success of CPS’s ABP implementation was symbolic in the resultant performance improvement initiatives, as ABP has established a causal link between performance measures and resource utilisation. The two key influencing factors in the success of the ABP process have been sustainable top management support and the commitment of dedicated interdisciplinary resources to maintaining and updating the ABC system.

However, some caution has to be exercised when interpreting these results, as they are based on a single case study and CPS’s ABP implementation coincided with external pressure to develop ‘value for money’ processes and internal pressure for a fairer budget allocation system. Moreover, ABP informs resource planning on the basis of quantifiable past activities but not on predication of future activities. Thus, further research would be necessary in order to evaluate the effectiveness of ABP in informing CPS’s future resource needs and to more clearly demonstrate the extent to which improvements in the value for money of CPS services can be attributed to the implementation of ABP.

References


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Contact details

Accounting and Finance
University of Newcastle upon Tyne Business School
Armstrong Building
Newcastle University
Newcastle upon Tyne NE1 7RU
E: y.j.liu@newcastle.ac.uk
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