

NZ Government, 2016



THE TREASURY
Kaitohutohu Kaupapa Rawa

STATE

Te Kōwhirihi o Ngā Tari Kōwhirihi



2017 Four Year Plan Guide

June 2016

ISBN: 978-0-478-43458-3

New Zealand Government

Crown copyright ©

ISBN 978-0-478-43458-3 (Online)



This copyright work is licensed under the Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>. Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way which infringes any provision of the Flags, Emblems, and Names Protection Act 1981 or would infringe such provision if the relevant use occurred within New Zealand. Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

Contents

1.	About this Guide.....	1
2.	Key Things to Know	3
2.1	What has changed?	3
2.2	What are the timelines?.....	4
2.3	What are the bottom-lines?	5
3.	Background to Four Year Plans.....	6
3.1	What is a Four Year Plan?	6
3.2	How are they used by Ministers and the Corporate Centre?.....	7
3.3	How do they fit in with other processes and documents?	8
4.	Strategy development and medium-term planning.....	13
4.1	What should the process involve?	15
4.2	What conversations should be had?.....	16
5.	Producing the Four Year Plan	20
5.1	What is the scope of Four Year Plans?	20
5.2	What Does a Good Four Year Plan Look Like?	22
5.3	Key organisational elements of a Four Year Plan.....	23
5.4	How will these be reviewed?	31
6.	Where Do I Go to Find Further Information?	32
	Supporting Financial Information Template	34

1. About this Guide

This guidance, refreshed from last year, is a core resource available to assist departments in their strategic planning process and producing a 2017 Four Year Plan. This guidance is intended to be used by those responsible for the strategic planning process in departments. Separate material is provided for Ministers and senior leaders on Four Year Plans.

All material on Four Year Plans can be found here: <http://www.ssc.govt.nz/four-year-plans>.

This guide has been written by the Treasury, State Services Commission (SSC), Government Chief Information Office (GCIO) and Ministry of Business, Innovation and Employment (MBIE) procurement team (collectively known as the Corporate Centre).

Structure of this Guide

The structure of this guide has been revised from last year (the content has been refreshed but not significantly changed, see page 4 for what's changed) as follows:

Key Things to Know	<p>This section sets out what's changed, the timeframes and key definitions.</p> <p>It is useful to those who are experienced at strategic planning and producing a Four Year Plan.</p>
Background to Four Year Plans	<p>This section sets out the purpose of Four Year Plans, what is a Four Year Plan, how it is used and how it fits in with other processes and products.</p> <p>It is useful for those new to Four Year Plans and can be used to explain to senior leaders the overall context for Four Year Plans.</p>
Strategy development and medium-term planning	<p>Four Year Plans should be a product of a department's strategy development and medium-term planning process.</p> <p>This section provides guidance on this process and the key thinking and decisions that should happen as a result of this process.</p>
Producing a Four Year Plan	<p>There is no template for a Four Year Plan, but there are certain requirements and expectations on what they should include. This section sets these out.</p>

Key definitions

Corporate Centre team	The department's Vote analyst, Vote manager, EPMG analyst, Deputy Commissioner/Assistant Commissioner, SSC workforce representative, GCIO Strategy and Investment Advisor and other representatives from the Treasury (eg, regulatory, investment and asset management teams), SSC, and Functional leads as appropriate.
-----------------------	--

CBA / CBAX	Cost Benefit Analysis. CBAX is tool to help agencies undertake cost benefit analysis. CBAX is a spreadsheet model that contains a common database to help agencies monetise impacts and do return on investment analysis.
FTEs	Full Time Equivalent. For the calculation of an organisations FTEs add together the number of FTEs and the number of FTE vacancies as at the Human Resources Capability (HRC) Survey date.
Functional leads	The three functional leaders of Property, Procurement and ICT. Further information can be found at: http://www.ssc.govt.nz/bps-functional-leadership .
Employee	An individual who has an employment agreement with the chief executive, and to whom the usual conditions relating to being employees apply (eg, the organisation can specify hours of work, place of work, supervision arrangements).
ICT	Information and Communications Technology. This spans information management, technology infrastructure, and technology-enabled business processes and services.
Interventions	Interventions are the externally facing actions and products that the department delivers to achieve its strategic intentions. These include policy advice, service provision, contracted outcomes/ outputs, funding provision, regulation, and asset provision.
Medium-term planning	The process of determining what a department will do and how it will organise itself and allocate resources to achieve its strategic intentions over a period of at least four years.
Operating model	How the department organises itself to achieve its strategic objectives, how it deploys its resources and delivers value to its customers.
Responsible Minister	The Minister responsible for the performance of the department as defined in the Public Finance Act 1989.
Strategic planning	The process of determining a department's strategic intentions and making decisions on what it will do and how it will organise itself and allocate resources to achieve these over the medium and long term.
Vacancies	Roles in an agency that are unfilled.

Questions and feedback

Any questions should be addressed to a member of your Corporate Centre team.

2. Key Things to Know

2.1 What has changed?

The feedback from departments and lessons learnt from last year's Four Year Plans have led to some changes to the expectations for the 2017 Four Year Plans. We have minimised the amount of change to promote a focus on improving the process for developing Four Year Plans and the quality of the plans themselves, and on spending more time working together (internally and externally) to achieve the strategic direction set.

The key changes in this year's Guide and to the process, expectations and requirements are:

- The guidance has been restructured to make it easier for people to access the key information they need at different points in the process (see page 3 for an explanation of the new structure).
- The guidance clarifies that there is flexibility in how the department tells and sets out its four year plan story but identifies what are the bottom-lines that must be part of a Four Year Plan (see section 2.3).
- The guidance clarifies that final Plans are due on 30 November and there is an option to update these in May should the Plan be significantly impacted by the Budget process (see section 2.2).
- One of the three core questions in the guidance now relates to customers to highlight the importance of applying a customer-centric view to strategic planning (see page 5).
- The guidance highlights that Four Year Plans need to reflect your department's role in and contribution to the System Direction and Priorities agreed by CEs (see page 10).
- The guidance highlights the importance of Four Year Plans in the Budget process (see page 12) and initial thinking about the 2017 Budget process (subject to Cabinet decisions on the 2017 Budget Strategy).
- The Workforce section has been revised, questions have been made more specific and elements of Leadership and Diversity and Inclusion have been added (see pages 24-28).
- The guidance clarifies that Four Year Plans need to set out a department's four year financial story and this should not be told solely through the supporting financial template which is considered to be supplementary information.
- The cost pressure and strategic responses templates have been combined and a due together by 30 November 2016 alongside the Four Year Plans (see page 35).

Other changes have focused on improving clarity in areas where there appeared to be some confusion.

2.2 What are the timelines?

This timing is designed to align with most departments' planning cycle, where strategy and medium-term plans are set / confirmed by the end of the calendar year and the focus shifting in the New Year to the annual planning processes.

Date	What
July	Engagement with your Corporate Centre team on the priorities and expectations for your strategic and medium-term planning process over 2016.
July - November	No formal drafts are required to be submitted. However, you should be engaging with your Corporate Centre team throughout the process around key milestones, discussing key elements and sharing material.
30 November 2016	Final Four Year Plans submitted (uploaded to CFISnet ¹). These must be final even if they reflect a snapshot at a point in time. Where there are uncertainties, these can be highlighted along with the actions to resolve. This needs to be approved by the Chief Executive and endorsed by the responsible Minister.
December - January	Review of Final Four Year Plans by your Corporate Centre team (see section 5.4).
February	Feedback on your Final Four Year Plan by your Corporate Centre team.
May – by Budget day (optional)	<u>Option</u> to update your 2017 Four Year Plan (uploaded to CFISnet, once approved by the CE and endorsed by the responsible Minister). This provides you with the opportunity to ensure that your Four Year Plan is up-to-date for communicating with key stakeholders if decisions made during the Budget process have had a <u>significant impact</u> on your Plan. Departments are expected to treat their Four Year Plan as a living document to ensure it remains relevant for decision-making. You are not expected to formally resubmit your Four Year Plan if you update it during the year.
Budget day (recommended)	Proactive release of your Four Year Plan (redacted as necessary)
Day after Budget day	[anticipated] Submission of Four Year Plan as part of Standard Estimates Questionnaire

¹ CFISnet is the Crown's Financial Information System. It is a secure web site designed by The Treasury to collect forecast and actual information from Government Departments, Crown Entities (CEs) and State-Owned Enterprises (SOEs). As access to CFISnet is restricted you will need to liaise with your finance team to upload the document.

2.3 What are the bottom-lines?

Four Year Plans are the key medium-term planning document for departments. What your Four Year Plan looks like is up to you to determine in terms of what works best for your organisation.

Regardless of how you structure your Four Year Plan, it must provide insight into **how the department plans to create increasing value for its customers and New Zealanders over the medium-term with the funding and balance sheet it has available**. It should provide insight into how the department is addressing these core questions:

- What are the department's strategic objectives and who are its customers (why does this department exist)?
- What interventions (outputs, services, funding, asset provision and regulation) does the department plan to deliver over the next four years to achieve its strategic objectives?
- How will the department organise and manage its people and other resources to achieve these interventions?

For each of these, the Four Year Plan should set out where the department wants to be in four years' time, what will / needs to change, how it intends to get there and how it will know whether or not it is on track. It should set out where the department has clarity on direction and actions, where there is uncertainty and how it intends to resolve the uncertainty.

The Four Year Plan should provide insights into how the department's baseline funding (operational and capital) will be used over the next four years; the value that will be created by this; the opportunities, challenges and pressures facing the department in achieving its strategic objectives; and the options for addressing these. It should provide insights into the key strategic choices and trade-offs facing the department and when these choices and trade-offs need to be made.

While there is no template for a Four Year Plan, there are certain requirements and expectations on what they should include. Section 5 sets these out in more detail. In particular the Four Year Plan must cover the key organisational elements of a Four Year Plan (as set out in section 5.3) and the supporting financial template must be attached as an annex.

The Plan must show year-on-year progress building on the last Plan, moving forward in the strategic planning cycle and addressing previously unanswered questions. The Corporate Centre will be looking to see highlights demonstrating the department is delivering against its current and previous Plans.

3. Background to Four Year Plans

3.1 What is a Four Year Plan?

The purpose of a Four Year Plan is to provide a medium-term perspective of a department in the context of its: longer-term vision, the sector it works with or is responsible for and how it will get there. Four Year Plans are a key strategic planning document for departments.

Four Year Plans should be the senior leadership team's document, but are provided to Ministers and the Corporate Centre in order to give assurance that departments are fulfilling their stewardship obligations², are sustainable³ and operate in an integrated way (both internally and externally). The primary user of the Four Year Plan is the senior leadership team (who are also the on-going user), the department's Minister and the Corporate Centre. This should determine the level of detail included in this document versus supporting documents.

To effectively lead their organisations a Chief Executive and their Leadership Team need to be managing for the short, medium and long-term. The strategic planning process and resulting Four Year Plan are where the leadership team can communicate the team's vision for the department and how it will achieve this. The Plan enables the leadership team to set out where the department is heading, what it will look like and how it intends to get there. It helps the department to stay on track and puts it in a position to respond to the changing environment it operates in. It then provides the basis for a department's business planning processes.

The provision of Four Year Plans helps inform government resource allocation and decision-making (including Budget decision-making) by demonstrating the value created with existing baseline expenditure and resources; and by identifying the strategic choices, trade-offs and decisions, including around scaling and phasing of interventions, facing departments. They also enable the identification of system-wide opportunities, tensions and risks.

The main question that a department's medium-term planning should answer is **"how will the department create increasing value for its customers and New Zealanders over the medium-term with the funding and balance sheet it has available?"** A Four Year Plan answers this question in an integrated way.

There are **three inter-related core elements** to this question:

- What are the department's strategic objectives and who are its customers (why does this department exist)?
- What interventions (outputs, services, funding, asset provision and regulation) does the department plan to deliver over the next four years to achieve its strategic objectives?
- How will the department organise and manage its people, other resources and funding to achieve these interventions?

Strategic planning should be integrated, connecting the individual components of the organisation together to create a clear direction and set of priorities for the department. It

² Under the State Sector Act 1988 "stewardship" means active planning and management of medium- and long-term interests, along with associated advice.

³ Under the Public Finance Act 1989 Chief Executives are responsible for the financial sustainability of their department. Sustainability in the Four Year Plan context covers all elements of organisational sustainability as well as financial sustainability.

should build off previous strategic thinking, the existing Plan, how the department is tracking against this and what is happening that would impact the delivery of this.

In addressing these questions the senior leadership team will inevitably have to make some strategic choices and trade-offs, identify changes to what and how the department delivers and potentially stop doing some existing interventions. Not all of the options a department has considered will necessarily be outlined in the Four Year Plan itself, but the Corporate Centre wants to have visibility of these. In addition, if you are reluctant to include the strategic choices and trade-offs your department is considering in the Four Year Plan document please discuss this with your Corporate Centre team.

Four Year Plans should be living documents with progress being made against the actions and intentions set out in the Plan. The strategic planning process should include maintaining a watching brief on the factors which could affect the delivery of the Plan, and continuing to work through any areas of uncertainty. As such, the Final Plans submitted on 30 November will reflect a point-in-time. You are encouraged to expose areas of uncertainty and what steps you intend to take to clarify these. In some instances, agencies may have alternate delivery paths in part of their Plan, reflecting a significant decision point. Departments are expected to keep their Four Year Plans updated as necessary to keep them relevant for internal decision-making and management purposed.

There is an option of updating the Plan in May although this should only be considered where there has been decisions made during the Budget process which have a significant impact on you Four Year Plan.

3.2 How are they used by Ministers and the Corporate Centre?

Aside from their use by the department, Four Year Plans have a range of uses for Ministers and for the Corporate Centre.

Four Year Plans are used by Ministers:

- to confirm that departments are clear on their strategy and to understand how departments are planning to use their baseline funding to achieve their strategy and the Government's priorities
- to understand the priorities, performance, pressures (including cost pressures) and risks of departments
- to understand the strategic choices, options and opportunities that Ministers can progress and to determine when these might need to be addressed, and
- to understand the value that existing funding seeks to achieve, including to inform Budget decision-making.

Four Year Plans are used by the Corporate Centre:

- to get insights on the quality of the thinking and decision-making in a department's medium-term planning process as an insight into organisational, sector and system performance (which will inform other performance management and maturity indicators used by the Corporate Centre)

- to understand what departments will do individually and collectively to achieve Government priorities and objectives (including the System Direction and Priorities and in functional areas) in order to support departments to deliver on these priorities and to ensure a coordinated and connected view of delivery priorities and resourcing
- to inform advice to Ministers at a department and whole-of-government perspective on strategic issues and choices, operational and capital sustainability, workforce numbers, trade-offs and priorities (for example during the Budget process)
- to inform advice and decisions at a whole of system level (such as workforce interventions when a number of departments identify similar workforce pressures) and identify opportunities for shared capabilities
- to develop an understanding of how Chief Executives are meeting their Public Service Performance Expectations, including those in relationship to Ministers, People, Core Business, Financial Management and System-wide Stewardship, and especially the Delivery of Results, and
- to help PIF Lead Reviewers build a picture of an agency; including strategic challenges, budget and trend information; when preparing for and undertaking a PIF review, especially to help an agency's CE and senior team build its Four-year Excellence Horizon, which is then a key input into their next Four Year Plan.

Are they required to be published?

There are no legislative requirements for these to be published. We recommend proactive release of non-sensitive elements of your Four Year Plan in order to:

- generate understanding of what you are trying to achieve and how you intend to achieve it among both internal stakeholders and with key partners, and
- anticipate requests by Parliament select committees as part of their Estimates consideration.

If you are planning on publishing your Four Year Plan, you should not publish it prior to Budget day as Four Year Plans are used as an input into the Budget process. This is in line with the requirement not to publish strategic intentions in the three months prior to Budget day. Not publishing before Budget day should not restrict you from using and sharing your Four Year Plan internally or with other agencies.

3.3 How do they fit in with other processes and documents?

Four Year Plans are just one element of the wider State sector performance management system. Below is an explanation of how they fit with other elements of this system.

Sector or system strategies and plans

Four Year Plans need to be firmly grounded in the wider government and sector picture, showing how a department fits within the wider system and how it is responding to government priorities.