



Treasury, 2015

Public Finance Act: Strategic Intentions Guidance

December 2015

Appendix 2

p64



THE TREASURY
Kaitohutohu Kaupapa Rawa

New Zealand Government

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What's New?

This document supersedes the following guidance documents:

- PFA: Strategic Intentions Timetables
- PFA: Strategic Intentions Content and Checklist

This guidance document:

- combines the content from the two previous guidance documents into one document
- removes references to the transitional provisions in place for 2014/15 following the amendments to the Public Finance Act 1989 (PFA) made in 2013, and
- provides more guidance than the previous guidance documents.

Intended Audience for this Guidance

This guidance document should be read by those involved in the preparation of a department's strategic intentions

About this Guidance

This guidance sets out the purpose, content and process requirements for departmental strategic intentions.

There is an accompanying checklist for this document (also set out in annex 1).

The requirements and guidance outlined here apply until this guidance is updated or replaced. There is no expectation that this guidance will be updated or replaced in the near future.

This document has been written by the Fiscal and State Sector Management team in the Treasury

Persistent URLs

This guidance document has frequent links to other guidance on the Treasury's website using persistent URLs (redirects maintained by the Online Computer Library Centre (OCLC) for bibliographic purposes) to ensure that users of this guidance document will be redirected to the current location of guidance documents if the location changes on the Treasury website.

Questions and Feedback

You should use this document as your first point of reference for issues relating to the content and process of strategic intentions.

Any agency-specific questions should be addressed to your Treasury Vote team.

Any comments about how to improve this guidance can be directed to performanceinfo@treasury.govt.nz.

Further Information

Other documents that should be considered when preparing your strategic intentions are:

- Four Year Plans:
<http://www.ssc.govt.nz/four-year-plans>
- Long Term Investment Plans:
<http://www.treasury.govt.nz/statesector/investmentmanagement/think/ltip>
- What's intended to be achieved:
<http://www.treasury.govt.nz/publications/guidance/planning/performanceexpectations-achieved>
- How Performance will be Assessed:
<http://www.treasury.govt.nz/publications/guidance/planning/performanceexpectations-assessed>

Strategic Intentions and Statements of Intent

Strategic intentions are statements of the strategic objectives that a department intends to achieve or contribute towards. *Information on strategic intentions* includes these strategic objectives and some supporting information (see page 9). These flow from a department's strategic planning process and assessment of whether the existing strategy is fit for purpose. Focus should be on the strategic planning process and this assessment rather than producing a glossy document.

Information on strategic intentions is required to be provided to the department's responsible Minister, published on the department's website and presented by the responsible Minister to the House of Representatives (the House).

Departments have a choice about the document in which information on its strategic intentions is presented to the House. Where these are published and presented on their own these are typically referred to as a Statement of Intent (SOI). Other options include publishing and presenting the department's strategic intentions in the same document as its Annual Report or in any other document. If the strategic information from the Four Year Plan is presented to the House it should be called strategic intentions or SOI rather than the Four Year Plan.

When the *information on strategic intentions* is published and presented in the same document as the Annual Report or another document, this information needs to be clearly identified both within the document and on its cover. Both Parliament and the department's auditors need to be able to identify the strategic intentions (against which the department must report progress in its Annual Report) and the information on the strategic intentions (as set out in s40 of the PFA).

When information on strategic intentions is presented to the House in any document other than the Annual Report, it must be presented as soon as practicable after the responsible Minister received it (as set out in s39 of the PFA).

Purpose of Publishing and Presenting Strategic Intentions

Departments have been provided with a mandate and funding by the New Zealand public. In response, departments need to demonstrate how they intend to increase value for its customers and New Zealanders over the medium to long term.

The publication and presentation to the House of the department's strategic intentions is a key part of achieving this.

Strategic intentions are one element of a department's overall strategic, planning and reporting documentation. Other documents include the department's Four Year Plan¹, Long Term Investment Plan², Estimates, Output Plan (if produced), Annual Report and end of year reporting on appropriations.

In a nutshell, the information on the strategic intentions part of the performance story should:

- provide a medium to long term perspective of the department [s38(2) of the PFA]
- explain the logic between what the department is intending to achieve and what it will do to achieve this [s40 of the PFA]
- outline a department's expected contribution to the government's priorities over the medium term [s39(7) of the PFA]
- be set out in a way that Parliament and the public can understand [s39 of the PFA]
- be published on the department's website and presented by the responsible Minister in the House of Representatives [s39 of the PFA], and
- provide a platform from which the department can then report progress against in its Annual Report [s45(2)(b) of the PFA].

A department's strategic intentions, Four Year Plan and Long Term Investment Plan should all be derived from the same strategic planning process (see diagram below).

¹ For more information see: <http://www.ssc.govt.nz/four-year-plans>

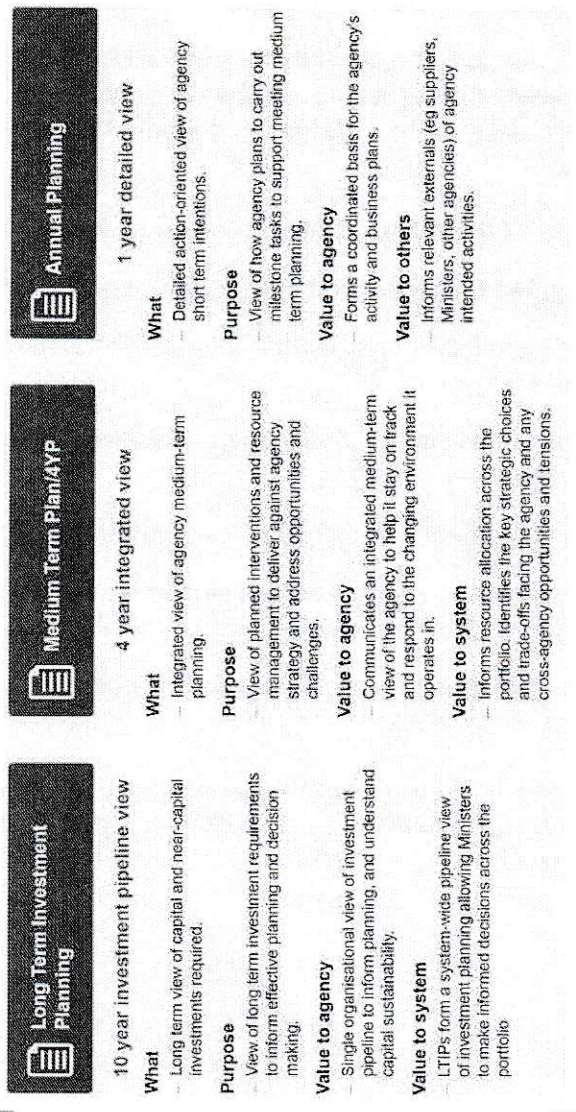
² For more information see: <http://www.treasury.govt.nz/statesector/investmentmanagement/think/ltip>

Strategic Thinking



informs

Strategic planning



informs

Detailed planning & processes (not exhaustive)

- Service Delivery
- Investment Management
- Asset Management
- Property
- ICT
- Procurement
- Workforce
- Regulatory/Policy

Providing Your Strategic Intentions

Departments are required to provide information on the department's strategic intentions to its responsible Minister [s38 PFA].

A department's strategic intentions must cover **a minimum of four financial years** – the forthcoming financial year and at least the following three financial years. It may also relate to the remainder of the current financial year [s38(2) PFA].

Investment intensive departments should consider whether their strategic intentions should cover a longer time period so that it provides the strategic direction for the Long Term Investment Plan.

A department's strategic intentions can last up to three years [s38(4)(a)PFA], but should be regularly reviewed and revised earlier if required. Earlier revisions must be provided to the Minister:

- As soon as practicable, but not later than 6 months, after a significant change in the nature or scope of the department's functions [s38(4)(c) PFA].
- As soon as practicable if the strategic intentions becomes out of date because of a material change in the departments strategic intentions or is otherwise false or misleading [s38(5) PFA].
- Any time the Minister requires the department to provide new information on strategic intentions [s38A PFA].

The three year period of a department's strategic intentions is measured from the date that the department provides the strategic intentions to its responsible Minister.

If a department does not need to and does not intend to revise its strategic intentions within the three year time period, good practice would be for the department to discuss this with their Minister on an annual basis and confirm that the Minister does not plan to require the department to provide new information on strategic intentions.

The Minister of Finance may grant the department an extension, of up to one year for when the strategic intentions must be provided, if a department is likely to have a significant change in the nature or scope of its functions. The Minister of Finance may also grant a waiver if the department is likely to be disestablished. [s41 PFA]

The Minister of Finance must not grant an extension unless the Minister of Finance is satisfied that the extension will enable the department to improve the quality of information on strategic intentions. As soon as practicable after granting an extension or a waiver, the Minister of Finance must present to the House notice of the extension and waiver and the Minister's reasons for granting it.

Newly Established Departments

A newly established department must provide its strategic intentions to its Minister as soon as practicable, but not later than six months, after the date of establishment [s38(4)(b) PFA]. Despite the maximum six month timeframe, it is good practice for a new department to have completed its strategic intentions as soon as practicable after the date of establishment.

Strategic Intentions Content

Strategic intentions can be provided to your Minister and then published and presented to the House of Representatives in different documents. Where these are published and presented on their own these are typically referred to as a Statement of Intent (SOI). Other options include providing and publishing the department's strategic intentions in its Four Year Plan or publishing and presenting it in the same document as its Annual Report (see page 4 on this).

However you present and publish your strategic intentions, it must:

- set out the strategic objectives that the department intends to achieve or contribute to (strategic intentions)
- explain the nature and scope of the department's functions and intended operations
- identify any departmental agencies hosted by the department
- explain how the department intends to manage its functions and operations to meet its strategic intentions; and
- set out and explain any other matters that—
 - are reasonably necessary to achieve an understanding of the department's strategic intentions and capability; or
 - may be specified by the Minister or the responsible Minister.

The explanation on "what is intended to be achieved"³ should clearly inform Parliament and others about the benefit New Zealanders, the taxpayer or the recipient will get from the strategy (or put another way – what difference will the strategy make?).

Departments should select the best and most meaningful ways to express their intentions while also ensuring the explanations are concise and coherent.

Information on strategic intentions should set out the department's contribution to the government's outcomes and specific priorities, reflecting the discussions between the department and its Minister(s) regarding priorities and desired results.

Many of the government's outcomes and specific priorities cross departmental boundaries. Most departments need to collaborate to achieve their strategic intentions. Departments are also expected to contribute towards objectives that are wider or different to their own. This should be reflected in the department's strategic intentions.

³ For further information on "what's intended to be achieved" see:

<http://www.treasury.govt.nz/publications/guidance/planning/performanceexpectations-achieved>

Other Matters

How the department provides its information on strategic intentions, and then publishes and presents this information, will influence what other matters it might decide to include.

If the department has provided and published its information on strategic intentions in the department's Four Year Plan it is unlikely that any additional material will be needed.

If the department chooses to provide and/or publish its information on strategic intentions separate to the Four Year Plan then departments might want to consider whether to include other material considered or developed as part of the strategic planning process. This could involve summarising some of the material from the Four Year Plan.

Things to consider including are:

- Operating environment

An explanation of the operating environment (eg, economic, fiscal, social and environmental conditions) can provide useful context for understanding the department's strategic objectives and its intended operations.

- Response to a Performance Improvement Framework (PIF) review

Where a department is taking any measures to address substantive issues resulting from a PIF, these should be outlined.

- Investment Management and Asset Performance in the State Services – Cabinet Office circular (15)5

This circular sets out Cabinet's expectations regarding the effective and efficient use of capital and near-capital resources, and the successful delivery of benefits through certain types of investment activity. Where delivery of the strategic intentions is dependent on the effective performance of physical or software assets, the information should include the expected performance of any material asset classes/networks, any individual assets critical to service performance and any significant future capital investments. For assistance contact [the Treasury's IMAP team at investmentmanagement@treasury.govt.nz].

Equal Employment Opportunities

Diversity and inclusion are important to the effective operation and stewardship of organisations. It's important that agencies continue to implement, and report on diversity and inclusion (including pay and employment equity) in departmental statements of intent (for this read strategic intentions) and Annual Reports.

For More Information:

- The Human Rights Commission provides advice and guidance on diversity and inclusion matters including “good employer” intentions.
- The Key Elements checklist for Workforce Strategies⁴ includes references to diversity and inclusion strategies.
- Your Workforce contact at SSC can provide assistance too.

Other Legislation

Departments may have other statutory reporting requirements.

Establishing a Basis for the Department’s Annual Report

Departments are required to report progress against their strategic intentions and to include information about the department’s organisational health and capability in the annual report. You should think about how you want to report against these two factors when setting out your strategic intentions as this will make the production of your Annual Report easier.

For assistance refer to: Performance Expectations – “How Performance Will Be Assessed”⁵ and Annual Report⁶ guidance.

Structure

The structure for publishing and presenting the information on strategic intentions is for each department to decide, as the information needs to reflect the nature and complexity of each department’s particular functions and reporting requirements. You should structure and present the information in a way that works best for you.

However these are structured it must be clear that these are the department’s information on its strategic intentions as required under the PFA. This is particularly important if the strategic intentions are included in another document such as the department’s Four Year Plan or Annual Report.

Examples of better reporting of strategic intentions are available in Parts 4 and Part 5 of the Office of the Auditor General’s 2009 Statements of Intent: Examples of reporting practice⁷. These are still largely applicable.

⁴ <http://www.ssc.govt.nz/workforcestrategy>

⁵ <http://www.treasury.govt.nz/publications/guidance/planning/performanceexpectations-assessed>

⁶ <http://www.treasury.govt.nz/publications/guidance/reporting/yearend>

Chief Executive and Minister's Statement

The information on a department's strategic intentions provided to the responsible Minister must be accompanied by a statement of responsibility signed by the department's chief executive.

Suggested text –

In signing this information, I acknowledge that I am responsible for the information on strategic intentions for *<name of the department/ministry>*. This information has been prepared in accordance with section 38 *<and section 38A>* and section 40 of the Public Finance Act 1989.

Signature block

Date

The information presented to the House of Representatives must be accompanied by a statement signed by the responsible Minister.

Departments suggested text:

I am satisfied that the information on strategic intentions prepared by *<insert name of Ministry or Department>* is consistent with the policies and performance expectations of the Government.

Signature block

Date

Office of the Clerk and Parliamentary Service suggested text:

I am satisfied that the information on strategic intentions prepared by *<insert name of office or service>* is consistent with the policies and performance expectations of the Speaker.

Signature block

Date

While these two statements are prepared at different times in the process good practice would see both these statements included in the strategic intentions published on the department's website and the strategic intentions presented to the House of Representatives.

⁷ See: <http://www.oag.govt.nz/2009/statements-of-intent>

Publishing and Presenting Your Strategic Intentions

Departments have options on how they publish and present the information on their strategic intentions. Information on strategic intentions can be published in a separate document (frequently called a Statement of Intent / SOI) or presented to the House in the same document as the department's Annual Report. The strategic intentions in a Four Year Plan can be published and presented to the House where it meets the PFA requirements (including the signed statements) and where the information on the strategic intentions is clearly identified.

Regardless of how you publish and present your strategic intentions; the information should be in plain English, supported by graphs and tables where useful, and conservative in the use of images and colours and overall value-for-money design costs.

Publishing Your Strategic Intentions

A department must publish its information on its strategic intentions on its website **as soon as practicable**, after providing the strategic intentions to the responsible Minister [s39(1) PFA].

However; a department **must not publish 3 months before Budget day** (for the first full year to which the information relates) [s39(2)(a) and (b) PFA]. If less than 3 months notice of Budget day given, then do not publish from the date when Budget day is announced and ending when Minister of Finance delivers the Budget.

While Standing Orders indicate that generally documents should be presented to the House before they are published; in this case the Public Finance Act 1989 permits the publication of strategic intentions prior to the presentation.

Presenting the Strategic Intentions to the House

The responsible (or other Minister) Minister must present the information on the strategic intentions to the House [s39(4) of the PFA]:

- As soon **as practicable after responsible Minister receives it**, but not later than the date on which the annual report is presented

OR

- In the same document as the department's annual report for the financial year prior to the first full year to which the strategic intentions. In other words if the first full year of the strategic intentions is 2016/17 then they can be presented in the 2015/16 annual report.

A Minister other than the responsible Minister may present the information, if the information is in a document that includes other information and that other Minister is responsible for presenting that other information.

Tabling the information on strategic intentions in the same document as the department's annual report, or with a sector report, allows Parliament to review performance and strategic concurrently for more informed debate during the Select Committee annual review process.

The responsible Minister or other Minister must not present the information on strategic intentions in the pre-Budget period described in section 39(2). The blackout period ends when Minister of Finance delivers the Budget.

Departments need to ensure that their information on strategic intentions meet Parliamentary requirements for presentation of papers to the House⁸ (note that the Public Finance Act 1989 allows for the publication of the strategic intentions prior to the presentation to the House).

Intelligence and Security Agencies Only

The responsible Minister must forward a copy of the strategic intentions, as soon as practicable after receiving it, to the members of the Intelligence and Security Committee.

Clear Identification of Strategic Intentions

It is important that a department's information on strategic intentions is clearly identifiable. If the department has published or presented its information on its strategic intentions in a document which also contains other information, the reader should be able to clearly identify which part(s) of the document contain the information on the strategic intentions. When the information on strategic intentions is presented to the House of Representatives they are required to have a shoulder number.

⁸ See: <http://www.parliament.nz/en-nz/pb/presented/papers/00HOOQCPBPresentedPapersPapers1/presentation-of-papers-to-the-house>

Annex 1: Minimum Content Requirements Checklist

Strategic intentions content	Reference	Comment	✓ or n/a
Title	n/a	The information should clearly state which department the strategic intentions cover.	
Period of time the strategic intentions cover	s38(2) PFA	At a minimum, the information must cover the next four financial years. Depending on why and when the strategic intentions are being produced, the information may also cover the current financial year.	
	s38(3) PFA	It should be clear what period the information relates to eg, by using start and finish dates on the cover.	
Departmental agencies	s40(2)(b) PFA	The information has to identify any departmental agencies that are hosted by the department.	
Strategic objectives	s40(1) PFA	The information needs to set out the strategic objectives that the department intends to achieve or contribute to.	
Nature and scope	s40(2)(a) PFA	The information needs to explain the nature and scope of the department's functions and intended operations. Diagrams can be very useful here.	
Managing functions and operations	s40(2)(c) PFA	The information needs to explain how the department intends to manage its functions and operations to meet its strategic intentions.	
Equal employment opportunities	CAB Min (09) 28/6	In 2009, the government reconfirmed that it expected departments to continue to implement, and report on, pay and employment equity in departmental statements of intent (for this read strategic intentions) and Annual Reports.	
Other matters	s40(2)(d)(i) PFA	The information must identify any other matters that are reasonably necessary to achieve an understanding of the department's strategic intentions.	
Other matters specified by the responsible Minister or Minister of Finance	s40(2)(d) PFA	Departments The Minister of Finance or the responsible Minister can specify information the department has to include so that the strategic intentions and the department's capability can be understood.	
	s45F(1)(c) PFA	Offices of Parliament In preparing the information, an Office of Parliament must "have regard to" any other matters that the Minister of Finance or the Speaker has specified could be included in the information so that the strategic intentions and the Office's capability can be understood.	

Strategic intentions content	Reference	Comment	✓ or n/a
	s45E(1)(a) PFA	Intelligence and security departments The responsible Minister can specify information an intelligence and security department has to include so that the strategic intentions and the department's capability can be understood.	
Regulations, Orders in Council and notices	s81 PFA	The Governor-General, on the recommendation of the Minister of Finance, may make regulations that prescribe the non-financial reporting standards that departments must apply and the form in which departments must provide the information that they are required to present to the House.	n/a ⁹
Chief executive statement of responsibility (signed)	s38(1)(b) PFA	The information on a department's strategic intentions provided to the responsible Minister must be accompanied by a statement of responsibility signed by the department's chief executive.	
Signed responsible Minister statement	s39(7)(b) PFA <i>Departments</i> s39(7)(a) PFA <i>Office of the Clerk and Parliamentary Service</i>	The information presented to the House of Representatives must be accompanied by a statement signed by the responsible Minister.	
Inclusion of a creative commons licence	<u>CAB Min (10) 24/5A</u>	As well as placing a copyright statement with the strategic intentions information, departments are encouraged to insert a licence setting out the terms by which this copyright work can be re-used. For assistance refer to: http://ict.govt.nz/guidance-and-resources/information-and-data/nzgoal/ or email opendata@linz.govt.nz .	

⁹ To date, no such regulations have been issued.

Annex 2: Relationship Between Four Year Plans and Strategic Intentions

	Strategic Intentions to be presented to the House	Four Year Plans
What is it	Sets out the strategic objectives that the department intends to achieve or contribute to.	An integrated, medium-term perspective of the department and how the department will get there.
Audience	Parliament and the public	Mainly internal – senior leadership team and decision-makers Responsible Minister(s) Corporate Centre
Timeframe	Forthcoming financial year and <u>at least</u> the following three years; can also relate to the remainder of the current financial year Investment-intensive agencies should consider a longer timeframe in order to inform their Long Term Investment Plan	Minimum of four years Should be clear on the medium-term (as appropriate to the department) but in the context of any longer term plans or objectives
Frequency	At least once every three years (unless otherwise required)	Annual – although the amount of effort depends on the quality of and progress made in the previous Plan
Content	See next page	
Publishing requirements	Must be: <ul style="list-style-type: none"> published on the department's website as soon as practicable after being endorsed by the Minister, and presented to the House no later than the previous year's annual report 	None although departments are encouraged to proactively release the non-sensitive elements recognising that these are likely to be requested by Select Committees

- Departments should use **the same process** for thinking about their strategic intentions, medium-term plan (aka their Four Year Plan) and Long Term Investment Plan.
- Strategic Intentions can be set out (and should at least be summarised) in department's Four Year Plans.
- The strategic intentions from a Four Year Plan can be published and presented to the House where it meets the PFA requirements (including the signed statements).

However; Strategic Intentions:

- must fulfil the PFA requirements
- can have a different audience and therefore different tone
- only need to be updated every three years (unless the Minister requests otherwise or there is significant change)

Relationship Between Strategic Intentions and Four Year Plans

