



THE TREASURY
Kaitohutohu Kaupapa Rawa

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga



2017 Four Year Plan Guide

June 2016

ISBN: 978-0-478-43458-3

New Zealand Government

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



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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 Plan20
 - 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 Plan23
 - 5.4 How will these be reviewed?31
- 6. Where Do I Go to Find Further Information?32
- Supporting Financial Information Template34

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	<p>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.</p>
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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	<p>Final Four Year Plans submitted (uploaded to CFISnet¹).</p> <p>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.</p> <p>This needs to be approved by the Chief Executive and endorsed by the responsible Minister.</p>
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)	<p><u>Option</u> to update your 2017 Four Year Plan (uploaded to CFISnet, once approved by the CE and endorsed by the responsible Minister).</p> <p>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.</p> <p>Departments are expected to treat their Four Year Plan as a living document to ensure it remains relevant for decision-making.</p> <p>You are not expected to formally resubmit your Four Year Plan if you update it during the year.</p>
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 purposes.

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 your 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.

Chief Executives have recently collectively committed to addressing a set of key system-level issues (known as the System Direction and Priorities⁴). These provide a lens for strategic planning by bringing into focus the wider issues that need to be considered alongside the agency's own situation and future. Your Four Year Plan needs to reflect your role in and contribution to the system objectives.

Strategic planning should involve cross-functional and cross-sector collaboration to achieve economies or efficiencies, improve services or service delivery, develop expertise and capability, and/or ensure business continuity. Considering the role of, and your contribution to, functional and Result leadership priorities and any sector strategy or plan that will be useful in considering how your Four Year Plan will positively contribute to system-level priorities.

There are many examples of departments being innovative and taking advantage of the flexibility in the State Sector Act 1988 and Public Finance Act 1989 to support working together. However, some myths persist regarding perceived legislative barriers. If you are ever in the situation where someone is saying a good idea can't be done because of the legislation, talk to your Corporate Centre team about these as they can help work through any challenges or (perceived) barriers.

Performance Improvement Framework (PIF)

It is expected that you will draw on your PIF Four-year Excellence Horizon⁵ and your department's response to the PIF Review when developing your Four Year Plan. This is a strategic narrative written by the external Lead Reviewers with the department's leadership team as a way to shape where the department needs to be in four years' time and the opportunities and challenges involved in getting there. It gives Chief Executives and senior leaders clarity about the most important issues they need to work on to lift the department's performance over the next four years.

If your department does not have a Four-year Excellence Horizon (or will be doing one soon) your Four Year Plan will be an important input into creating the Four-year Excellence Horizon. If your department has a Four-year Excellence Horizon the start of your annual strategic planning process provides a useful time to check in against it and determine whether it needs to be refreshed or revised. Finally, your Four Year Plan sets out how you will achieve your Four-year Excellence Horizon.

Strategic Intentions

Your Four Year Plan should set out the strategic objectives that your department intends to achieve or contribute to (known as *strategic intentions* in the Public Finance Act 1989). Departments are required to provide information on (and then publish and table in Parliament) their strategic intentions under the Public Finance Act 1989.

Along with your strategic objectives the Four Year Plan needs to provide information on the interventions a department intends to deliver to achieve its strategic objectives, how these are changing and how it will organise its resources to deliver. It needs to set out the pathway between where the department currently is and where it intends to be in the medium-term.

⁴ See <http://www.ssc.govt.nz/direction-and-priorities-system-stewardship>

⁵ For more information see: <http://www.ssc.govt.nz/pif-factsheet4>.

At the start of your strategic planning process you should consider whether or not you intend to revise your strategic intentions as per the Public Finance Act 1989 requirements⁶.

Where you are revising your strategic intentions, you should consider using the relevant components of your Four Year Plan to meet the Public Finance Act 1989 requirements⁷. Information on your strategic intentions tends to be less detailed than what is expected in a Four Year Plan. You might want to consider whether the information on your strategic intentions, that is ultimately published and presented to Parliament, is taken directly from your Four Year Plan and/or is a summary of the relevant key elements of your Four Year Plan.

If you are revising your strategic intentions, when you seek Ministerial endorsement of the Four Year Plan in November you should note that the Plan includes a draft set of revised strategic intentions which will be finalised and published following the outcome of the Budget process as per the Public Finance Act 1989 requirements. Then you should aim to provide the final information on your department's strategic intentions (including the statement of responsibility signed by the department's chief executive and in the form in which you intend to publish) around April for the responsible Minister to sign his/her statement indicating that the information is consistent with the policies and performance expectations of the Government. Following this the strategic intentions can be published after Budget day and presented to the House of Representative thereafter⁸.

It is helpful to discuss your planned approach with your Corporate Centre team as part of the discussion on your upcoming planning process.

The investment management system

Changes to the investment management system came into effect on 1 July 2015⁹. These changes affect departments as well as Crown entities. One of the changes is the requirement for 13 investment-intensive departments to develop Long Term Investment Plans (LTIP) which have a minimum ten year planning horizon. The focus of LTIPs is on capital expenditure, asset performance and disposals, lease arrangements, and "as-a-service" type investments. Separate guidance on LTIPs has been published by the Treasury¹⁰.

The LTIP describes an agency or sector's investment journey based on its current long term vision and objectives. It describes what will be invested in and how investment will occur in order to support delivery of the agency or sector's long term goals. The LTIP and Four Year Plan should complement one another with a consistent alignment to the longer-term horizon. The Four Year Plan will detail how resource allocation will progress departments towards that horizon in the medium-term.

The Treasury will liaise directly with the investment-intensive departments that need to develop their LTIPs.

⁶ See <http://www.treasury.govt.nz/publications/guidance/strategy/strategicintentions-timetables> for the triggers for when a department needs to revise its strategic intentions.

⁷ <http://www.treasury.govt.nz/publications/guidance/strategy>

⁸ See <http://www.treasury.govt.nz/publications/guidance/strategy/strategicintentions-timetables> for the Public Finance Act 1989 requirements regarding publication and presentation of strategic intentions.

⁹ Material on these changes can be found on the Treasury website at <http://www.treasury.govt.nz/statesector/investmentmanagement>

¹⁰ See <http://www.treasury.govt.nz/statesector/investmentmanagement/statesector/investmentmanagement/think/ltip>

The Budget process

Four Year Plans are a key input to the Budget process. Four Year Plans provide insights into how 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. They provide insights into the key strategic choices and trade-offs facing departments and when these choices and trade-offs need to be made.

While the precise process and timeframes for the 2017 Budget process are still to be determined key features of the 2017 process are likely to include:

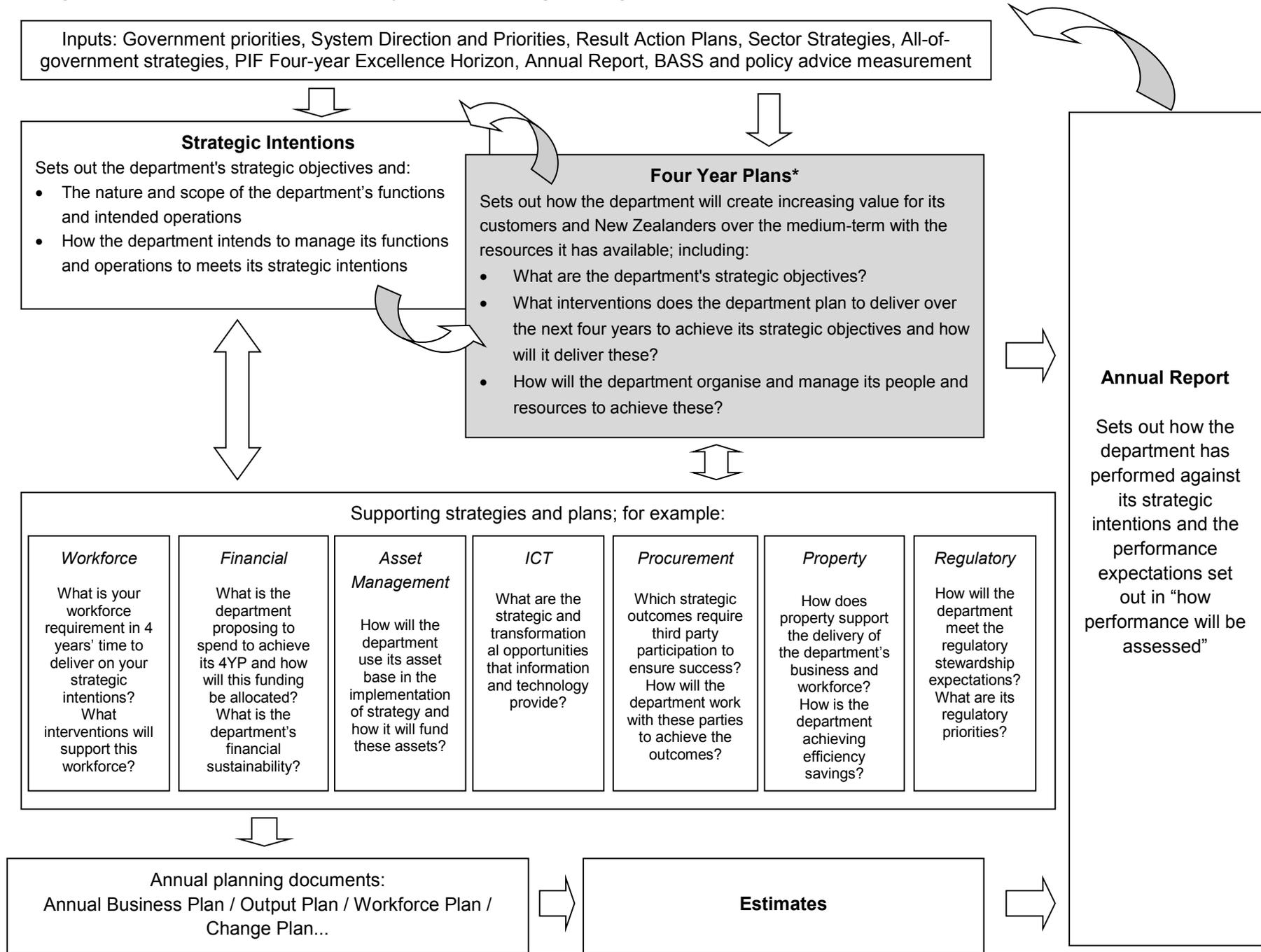
- engaging early on the opportunities, challenges and pressures facing departments and sectors (based partly on the 2016 Four Year Plans)
- identifying transformative approaches to improving delivery and outcome achievement
- focusing on the effectiveness of existing expenditure and policy, and how this compares to new funding proposals
- using analytics to set clear priorities, priority groups and results up front
- taking a sector and portfolio approach, including improving clarity on the relative priority of proposals
- continuing the use of tools such as CBAX and investment panels
- ensuring new spending proposals are supported by evidence and have been signalled in advance through Long Term Investment Plans, Four Year Plans or other reports
- focusing on implementation and evaluation.

Ministers have also expressed a high level of interest in collectively understanding cost pressures across the public sector in a consistent and transparent way. In order to provide Ministers with the necessary information, this year's Four Year Plan Guide again includes a template to be completed (see Template One) with details of cost pressures and your strategic responses to those pressures. This information will be presented to Ministers in December to support the preliminary discussion of the choices and trade-offs to be made during the Budget process.

Other planning and performance management documents

Figure 1 sets out the relationship between the Four Year Plan and other major strategy, planning and performance management documents. The strategic intentions also inform Long Term Investment Plans.

Figure 1: Four Year Plans are the key medium-term planning document



* Investment-intensive agencies will also have Long-Term Investment Plans which flow from Strategic Intentions and into Four Year Plans

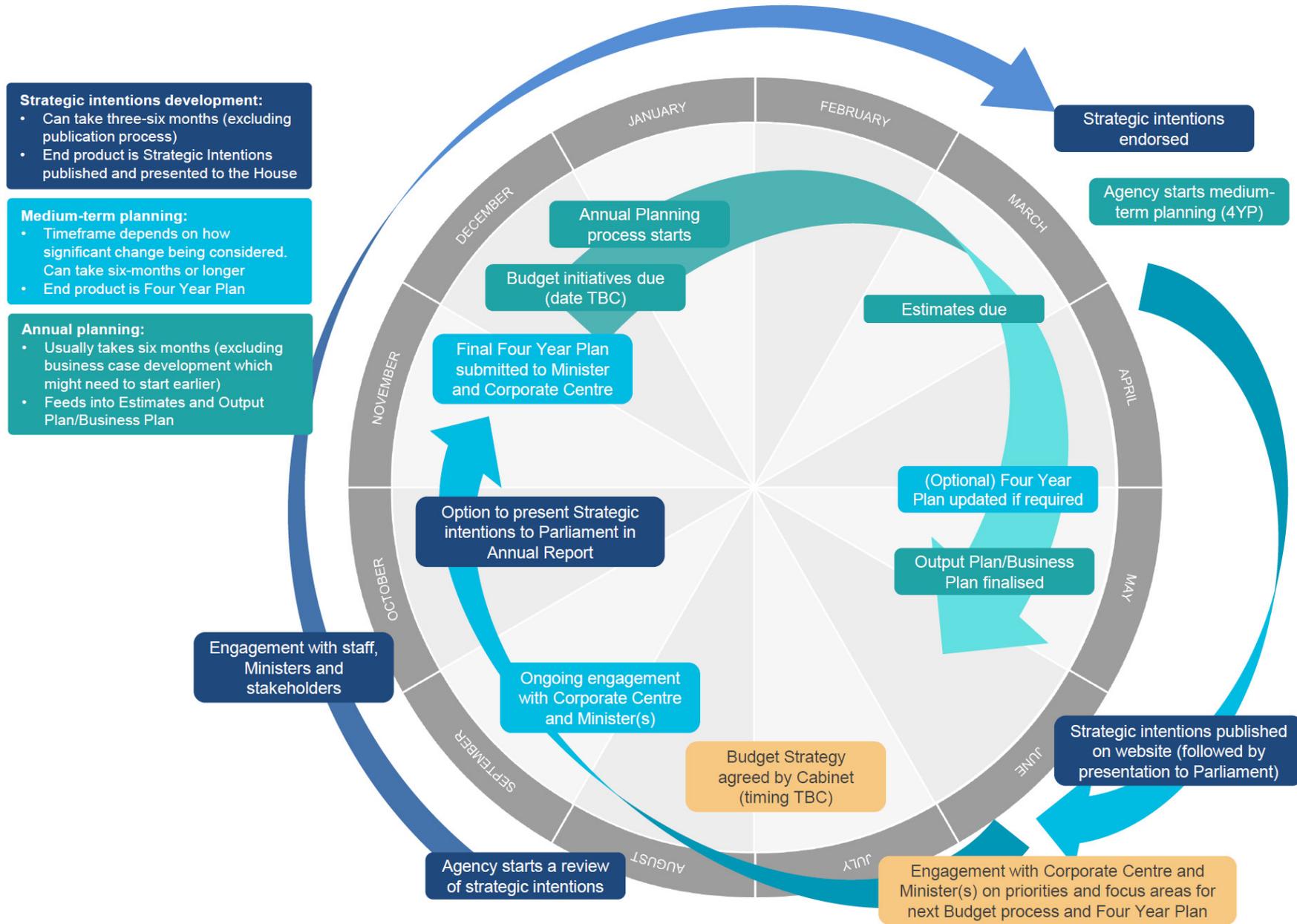
4. Strategy development and medium-term planning

Strategic planning is a continuous cycle (see Figure 2). Where your department is at on its strategy cycle will influence the thinking and planning you need to undertake, the decisions you need to make over the next six or more months, and the focus of your engagements over this period. Your Four Year Plan should build on your previous Plan.

Recognition of where departments are on this cycle is designed to shift the focus from continually revising strategic intentions and planning to focusing on delivery against strategic intentions and plans. An ambition of the Four Year Plan process is to get to a level of maturity where departments produce a Four Year Plan of sufficient quality that the Plan only needs to be substantially reviewed following the revision of the department's strategic intentions (unless some other trigger prompts a substantial review before this). This would mean that Plan would be updated as progress is made, underpinning assumptions are realised within predicted ranges, actions are clarified (as they come closer in time) but the fundamental elements of the Plan are not altered.

The strategic planning cycle results in a number of outputs with different time-frames and scopes. Departments are expected to have at least a medium-term horizon (at least four years) in their strategic planning. Investment intensive departments must also have a longer-term horizon (at least ten years). Four Year Plans are one output from this cycle and represent a snapshot in time of the department's strategic thinking and planning.

Figure 2: Strategic planning cycle



4.1 What should the process involve?

It is important for departments to get an early understanding of key stakeholders' expectations and priorities to be addressed in the strategic planning process. This is not about starting from scratch, but about identifying where the agency is at on this strategic planning cycle, what was indicated in the last Four Year Plan, and identifying what further thinking and decisions are required in the upcoming process. A key input into this will be the government's wider expectations for agencies. Another key input will be whether your PIF Four-year Excellence Horizon needs to be refreshed.

How you undertake your strategic and medium-term planning is up to you, but we recommend that you engage:

- early with Ministers and your Corporate Centre team to agree priorities and expectations for the strategic planning process and Four Year Plan (see below)
- early with agencies with whom you have shared outcomes, customers and dependencies to understand how you will engage each other in your respective planning processes, including through cross agency governance bodies
- a multi-discipline project team to ensure that the planning process is informed by joined up, complementary information and perspectives
- with your operational divisions given their insight of the department's customers, and what works and doesn't work
- with senior Corporate Centre team officials at key points to discuss where the thinking is at and any issues the department is facing.

Engaging your Minister

While Four Year Plans are the responsibility of the department's Chief Executive, the responsible Minister is a key stakeholder who should be involved in your strategic planning process. The strategic intentions in the Four Year Plan need to be consistent with the policies and performance expectations of the Government, and endorsed by the responsible Minister. Ministers should also understand and endorse the interventions that a department intends to undertake to achieve its strategic intentions and be aware of how the department intends to manage its resources to deliver these interventions.

Engaging the Corporate Centre

Engaging with your Corporate Centre team during the Four Year Plan process enables them to have insight into the department's strategic planning conversations and to provide support and assistance in preparing your Four Year Plan. We encourage regular, free and frank dialogue with your Corporate Centre team over the course of your strategic planning process. At the start of the process (shortly after reading through this guidance) you should discuss with your Corporate Centre team:

- who will be the key contact people, including lead contacts from finance and workforce
- where you got to with your 2016 Four Year Plan and the Corporate Centre's feedback on this
- where you are in your strategic planning cycle

- the priorities and focus of the upcoming strategic planning process
- the process and timeframes for the next six months including when, how, and on what you will engage with your Corporate Centre team (see further below) and where you may like advice or support.

The July to November engagement with the Corporate Centre team should at a minimum provide visibility on:

- the key issues, opportunities and challenges the department is facing
- the cost pressures the department is facing
- the options the department is considering to address the above
- the key assumptions the department is making
- key changes you are considering and progress made from your previous Four Year Plan
- the strategic choices and trade-offs the department is facing.

We recommend the department's senior leaders meet with your senior Corporate Centre team officials prior to drafting the Four Year Plan document to provide insight into the decisions you have made.

Start with existing delivery and evidence

Strategic planning should build on where you got to in the last round, looking at what is changing and assessing what is working and what isn't. There should be clear linkages between your department's Annual Report and your Four Year Plan. Your Four Year Plan should feed into your next Estimates document and progress against your Four Year Plan should be visible in your Annual Report.

You should be using data and evidence to inform your planning process and decision-making on where to invest resources. Increasingly departments are expected to have evaluation plans in place for your interventions and the findings from these evaluation plans should be a key input into your strategic planning process. Some departments are starting to use the CBAX tool¹¹ to help them assess the (relative) value being created by their existing services. The Benchmarking Administrative and Support Services (BASS) and policy advice measurement reports provide useful data on how your department is performing on these key elements and where there might be opportunity for improvement.

4.2 What conversations should be had?

Strategic thinking and planning is fundamentally about determining the department's response to a number of prompts. The prompts that the Corporate Centre expects departments to be considering and addressing through your strategic planning process are set out below.

The next four headings should be read as prompts in their own right along with the supporting prompts set out underneath.

¹¹ See: <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>

What has happened or is happening that will inform the strategic planning process?

- How does the department monitor its performance against the Four Year Plan (eg, through the inclusion of deliverables, milestones, measures or a dashboard of key performance metrics)? How is the department tracking against these?
- What has changed since the last Four Year Plan? What has the department learnt about what works and what doesn't work? What evaluations has the department undertaken?
- What are the key strategic choices and trade-offs, including the need to scale or phase some interventions, facing the department over the next four years? What information does your department put most weight on when deciding between two alternatives?
- How sustainable is the Four Year Plan? What are the key things that could impact on the delivery of the Four Year Plan and how does the department intend to manage these?

What are the department's strategic objectives and who are its customers?

- What are the key strategic challenges and opportunities facing the department over the next four (or further) years?
- What is the department's role in and how does the department intend to contribute towards: the Government's priorities, the System Direction and Priorities, relevant sector strategies and cross-agency initiatives, including functional leadership priorities?
- What is the nature and scope of the department's functions and intended operations? Are these likely to change over the medium to long-term?
- Who are the customers or businesses that the department is targeting with its strategy, including different segments of customers? What are their short- and long-term needs and impact? What does the department know about its customer experiences?
- What difference will the department have made in four years' time for its customers and for the government?
- How does the department intend to respond to its most recent PIF review, in particular the PIF Four-year Excellence Horizon and performance challenge, and the commitment it made in its department response to the PIF? OR Does the PIF Four-year Excellence Horizon need to be refreshed or revised?

What interventions does the department plan to deliver over the next four years to achieve its strategic objectives?

- What are the department's options to deliver its interventions?
- Which of the department's interventions will be collaborative/multi-agency/all-of-government and how will the department balance these with its own departmental accountabilities?
- [Where the department is a Result Lead] What actions are being planned across government to achieve the Result, what resources are devoted to Results, and are there any tensions with departments contributing towards Results achievement?

- How is the department using information to take a more evidence-based and solution-focused approach to choosing its set of interventions? Are there alternative interventions that might provide better value?
- How is the department responding to changing demand?
- Who does the department work with or needs to work with on delivering its strategic objectives and Government priorities?
- [where relevant] How do Crown entities contribute towards the achievement of the department's strategic objectives and/or the government's wider objectives? How is the department managing its relationship/s with its Crown entities? Are there any major risks or issues in terms of strategic intentions, performance, or sustainability relating to these entities?
- [if there is significant non-departmental funding; including benefits or related expenses and borrowing costs] What is purchased with non-departmental funding? How does the department manage this non-departmental funding? Who are the significant providers receiving non-departmental funding?
- What are the department's regulatory priorities over its medium-term, including:
 - proposals to undertake reviews of regulation, introduce or implement new regulatory requirements or reforms, or undertake regulatory maintenance (eg, to improve enforceability or clarity)
 - how these regulatory priorities were determined and how they fit with: its overall strategic objectives, its other interventions, the government's overall key targets and strategic priorities, and sectoral regulatory priorities
 - the indicative timing of these priorities.
- What are the interventions that the department intends to stop, reduce or defer (reprioritise) and how will this change be managed?
- If the department plans to deliver different interventions or organise its resources differently over the period of the Four Year Plan, how will the department manage this change? What are the four to five things that the department really needs to focus on changing?

How will the department organise and manage its people, other resources and funding to achieve its interventions?

- Is the department's existing operating model the most effective and efficient one? What might this need to look like in four (or more) years' time?
- How does the department intend to continuously improve and innovate to ensure outstanding customer experiences and increased value?

What are the department's workforce requirements to deliver its interventions?

- What do the strategic objectives and interventions mean for the organisation of the department's workforce requirements? (eg, leadership, the priority capabilities, the numbers and mix of skills, and the personnel costs?)

- How do changes to the department's operating model (now and over the next four years) affect your workforce requirements?
- What are the risks to delivery resulting from organisational capability and capacity gaps?
- What are the key workforce changes that the department will focus on to ensure that it will achieve its Four Year Plan outcomes? What are the risks and opportunities around this?
- What actions are being taken now and planned to be taken to develop and sustain the workforce required to deliver the department's strategic and delivery intentions over the next four years?
- How does your workforce integrate with your other resources?

What else is required to deliver the department's interventions?

- How is the department contributing towards the government's ICT, property, and procurement strategies where appropriate?
- What are the strategic and transformational opportunities that information and technology provide? How is the department equipping itself and owning the conversation about information and technology enabled transformation?
- How will the department use its asset base in the implementation of strategy and how will it fund the purchase and maintenance of those assets to ensure they are fit for purpose?
- How does the department intend to work with those suppliers / providers / NGOs / other government agencies who are critical to delivery of key outcomes? How will the department integrate services to deliver value?

How will the Plan be funded?

- What is the department proposing to spend to achieve its strategic intentions and how will this funding be allocated?
- Can the department achieve its strategic intentions with existing funding? If not, what is the department proposing to do in order to manage within existing funding levels?
- What are the key cost drivers and pressures facing the department over the next four years and how does it intend to manage these / allocate resources?
- What is the department's view on its capital sustainability prospects?

5. Producing the Four Year Plan

A Four Year Plan should be a product of your department's strategic planning process. How you then represent the outcome of your strategic planning process in your Four Year Plan is up to you. Regardless of how you present 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.

5.1 What is the scope of Four Year Plans?

Four Year Plans should include all the major roles and responsibilities of the department including:

- any system leadership roles such as BPS Results, sector and functional leadership. Four Year Plans should outline how you will fulfil these roles. Results leads should also outline what are the actions underway across government to achieve the Result the department is responsible for
- contribution towards Government priorities, cross-department objectives and the System Direction and Priorities
- all of the department's Votes and appropriations, including non-departmental appropriations administered by a department. Benefits or related expenses and borrowing costs should be included
- Crown entities the department monitors. The Four Year Plan should outline the way in which the Crown entity contributes towards the department's strategic objectives and/or wider government objectives, how the department intends to manage its relationship with the Crown entity and the sustainability of the Crown entity. It is up to you to determine how best to include this information in your Four Year Plan. In some cases, you might wish to include information on your Crown entities in an annex.

Including each of these roles and responsibilities supports identification of any trade-offs and approaches to be discussed with your Corporate Centre team and Ministers. It will also help communicate the importance of these roles and responsibilities within the department.

Some sectors might wish to develop a common sector strategy or a sector Four Year Plan. Sector Four Year Plans would contain different material to a department's Four Year Plan. If your sector is intending to do a Sector Four Year Plan we encourage you to get in touch with your Corporate Centre team to work through what a Sector Four Year Plan might include.

Strategic choices and trade-offs

The medium-term planning process should identify the strategic choices and trade-offs facing the department. We appreciate that you might not want to include these in the Four Year Plan itself. If you have concerns about including strategic choices and trade-offs in your Four Year Plan this should be discussed with your Corporate Centre team. At a minimum Ministers and the Corporate Centre team need to have visibility of what these are.

Time-frame

Four Year Plans should provide a view across **the next four years** (that is, the years 2017/18 to 2020/21 inclusive) of your department's strategy and plan for delivery, and be set in the context of your longer term strategy and plans. We recognise that for some departments four years is too short a strategic planning horizon (eg; for elements of your department's business). In which case your strategic planning process should take into account the appropriate time horizon and result in differing levels of detail depending on the timeframe involved. Any major risks beyond the four year horizon should be identified.

Financial basis

The financial starting point for the 2017 medium-term planning process is the baseline for Votes as at Budget 2016. The financial information presented in the Four Year Plan submitted in November 2016 should be in line with the department's financial position as at Budget 2016. If you update your Plan in May 2017 then the financial information should be in line with the department's financial position as at Budget 2017.

The Four Year Plan should be completed on the basis of no new funding (from both an operating and capital perspective), unless you have been advised of an indicative allocation for planning purposes. Priority initiatives should be balanced with baseline pressures and new funding requests should not be relied upon to achieve the department's objectives.

Robust discussion of trade-off options should be explored before alternative approaches are discussed with your Corporate Centre team and options are presented to Ministers.

Materiality

Departments should only provide a level of information that is sufficient to support the overall Four Year Plan performance story. The Four Year Plan should focus on strategically important elements. The Four Year Plan should provide sufficient information for Ministers, central agencies and functional leads to assess its robustness. It should also provide sufficient information to enable the department itself and the Corporate Centre team to monitor performance and progress against the Four Year Plan.

Using existing documents

If you have an existing planning document(s) that addresses a particular prompt(s) or covers some of the required organisational elements (see section 5.3) you can submit that document as an attachment to your Plan. For example, you could attach:

- your PIF Four-year Excellence Horizon
- your workforce strategy or similar document
- your capital asset management plan
- your strategy for meeting the regulatory stewardship expectations and your regulatory plan
- your information systems strategic plan, or equivalent, which ideally will include a capability roadmap that demonstrates adoption of common capabilities.

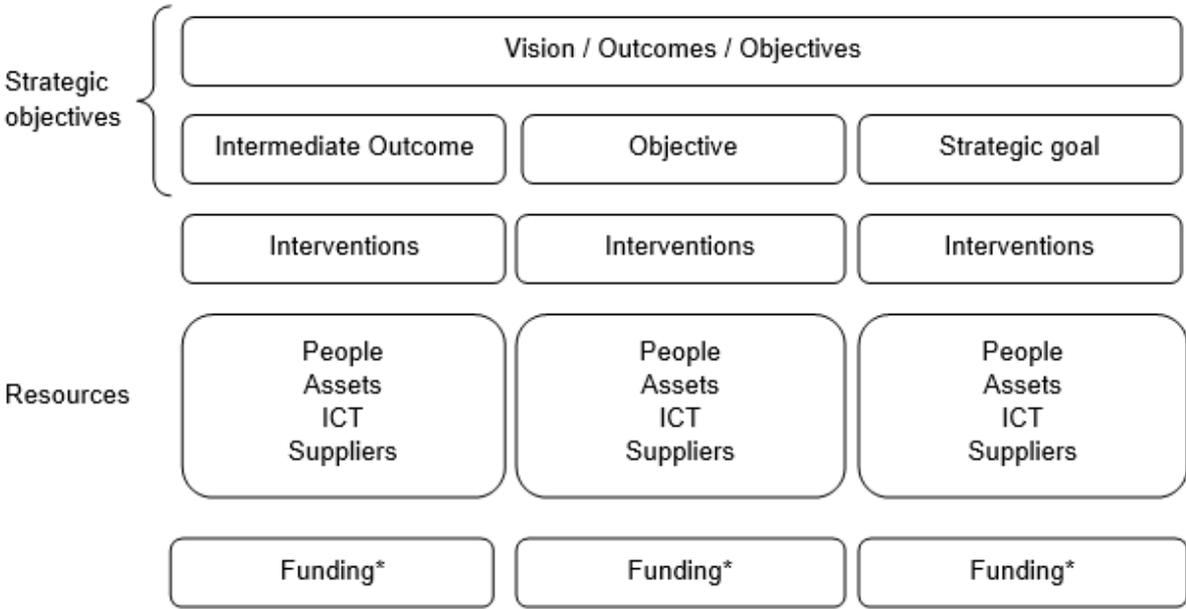
If you are attaching documents which provide more detailed information the core elements from these planning documents still need to be integrated into the body of the Four Year Plan to illustrate their contribution and to ensure that all the necessary relationships are being drawn.

Any information/data provided must use the same underpinning definitions as stated in this guide, to ensure that information is consistent across departments. If you are unsure whether existing documents meet this standard you should consult with the relevant Corporate Centre team contact person.

5.2 What Does a Good Four Year Plan Look Like?

More detailed guidance and examples on what good looks like will be provided in August. In the meantime this section sets out at a high-level what good looks like. A good Four Year Plan:

- uses diagrams early on that clearly outline the intervention logic of the department from government priorities to sector strategies to the department’s strategic objectives to what it plans to do and how it plans to organise itself to deliver
- clearly sets out how the department fits within the wider system
- sets out a clear vision for what the department will be delivering in four (or more) years’ time
- provides a clear sequence over the period of the Four Year Plan setting out how the department will achieve its future vision
- has clear milestones, indicators and measures which will provide an indication of whether or not the department is on track to achieve its future vision. This will include setting out how the department intends to monitor progress against its Four Year Plan
- tells an integrated story about how the resources support the department achieving its strategic objectives and delivery of its interventions and the linkages between these resources and the management of them (see figure below):



* Complemented by the financial template

- clearly illustrates the department’s future operating model and what it needs to do to get there. This may include how the department is putting customers at the centre and using emergent technologies to transform the ways in which it delivers public services. The PIF Review process and guidance material can help departments think about this

- demonstrates that the department has “looked under all the rocks” to manage within its baselines and provides clarity on what the lowest value activities are which would be stopped, scaled back or deferred if necessary
- demonstrates that the department has challenged its operating model to ensure that it delivers services in the most effective and efficient way. This may include exploration of collaboration and partnership opportunities
- demonstrates delivery against its previous Four Year Plans and PIF Four-year Excellence Horizon and discusses what has changed.

5.3 Key organisational elements of a Four Year Plan

Strategic objectives and delivery

A Four Year Plan needs to set out the strategic direction the department intends to take and how it intends to get there. A Four Year Plan needs to set out:

- 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?

This needs to be supported by integrated information on the key organisational elements / operating model as expanded further below.

Operating model

A Four Year Plan needs to provide insight into how the department intends to organise itself (and its resources) to achieve its strategic objectives and deliver its proposed set of interventions. It needs to demonstrate how the department is thinking about its delivery and organisational sustainability over the medium-term. Sustainability needs to cover the workforce and all the key functional areas of a department: information, technology, property, contracts and external suppliers, asset management. It also needs to bring these altogether to set out the overarching financial sustainability of the department from both an operating and capital perspective.

How you set this out in your Four Year Plan will be up to you and the emphasis you place on different functional elements will depend on how critical they are to your department. However you set them out it should demonstrate integrated thinking with clear linkages between your strategic intentions, planned interventions and different functional areas.

Workforce

The Four Year Plan should show how you will position your workforce to meet your strategic and delivery intentions over the medium-term. There should be clear alignment between the department's overall strategy and the workforce and employment relations strategies.

Every Chief executive has a set of performance expectations which includes a range of people leadership expectations and some CEs have additional expectations relevant to the agency.¹²

¹² For further information and guidance regarding Chief Executive Expectations departments are advised to review <http://www.ssc.govt.nz/performance-expectations-public-service-ces>

You are encouraged to append your full workforce strategy, as supporting information¹³.

Key workforce elements of your workforce story should include:

- a high level assessment of how well the department's current workforce is placed to deliver strategic and delivery intentions
- a high level summary of what the department's workforce will need to look like in four years and beyond to successfully deliver on the plan
- the analysis of workforce change required to bridge any gap between current state and future needs. This should include proposed changes to workforce capability (for example; priority occupational groups/segments or digital leadership), any projected changes in people numbers, costs and affordability
- commentary on the leadership, organisational culture, diversity and inclusion initiatives and activities to attract and retain top talent that the department will need to successfully deliver to your customers and the steps that will be taken to achieve this
- analysis of risks and opportunities around the department's workforce and its ability to support the department's delivery intentions.

Leadership capability

This section is framed around the Leadership Success Profile that is due to be in use within all departments by June 2017. Address this to the extent current development maturity allows.¹⁴

Talent management is how we develop a State sector with the diverse leadership and talent we need, in ways that make the biggest difference for New Zealanders – now and for the future. This includes high potential people being identified and developed at all levels, ready for future leadership & specialist roles. We are taking a joined-up, consistent and deliberate approach to attract, identify, develop, deploy and retain great people – for the benefit of individuals, organisations and the wider State sector.

Departments should consider:

- What is the department's approach to growing leadership and talent and how does this integrate with system level priorities?
- How is the department intending to mature and extend talent management to all levels?
- What type of leadership needs to be built in line with the Leadership Success Profile to deliver on the department's strategic objectives?
- What part of the leadership pipeline is the department focusing on, why has this area been chosen and how is change being delivered?

¹³ For further information and guidance regarding workforce strategy, departments are advised to review this information, especially if they do not have a current workforce strategy, at <http://www.ssc.govt.nz/workforcestrategy>

¹⁴ For further information and guidance regarding Leadership and Talent resources departments are advised to review this information <http://www.ssc.govt.nz/leadershipandtalent>

Workforce capability

- What is the department's current workforce capability picture? What does it need to look like in four years and beyond?
- Is there a capability gap to where the department's workforce needs to be? What is the department doing to address key gaps over the next four years?
- How will the department grow key capability sets – build, buy or borrow?
- What are the priority occupational groups/ workforce segments for the department and its sector?

These are the groups/segments that are critical to the achievement of your department's strategic objectives over the next four years. These may not necessarily be areas where your department has pressures or trouble retaining/recruiting, but are those that are vital to achieving business goals.

Provide a narrative around these priority groups/segments using the questions below as a guide. You may want to use a table style format to frame your response; eg:

Priority Group	Why are the capabilities of this group critical to the department achieving its strategic objectives?	What are the recruitment and retention levels, how long does it take to fill roles for this group?

Diversity and Inclusion

Chief executives are committed to a shared vision for diversity and inclusion: State Services that reflect, understand and value the communities they serve (as agreed at Brackenridge). The shared vision means:

- building the leadership and workforce to increasingly reflect a diverse range of perspectives and backgrounds
- equipping the people with the cultural competence and confidence to respond to diversity, whatever their own background
- ensuring workplaces are inclusive, flexible, and have high trust cultures where diverse perspectives are heard and valued.

Long-term co-ordinated action at system and agency level is needed to address barriers to diversity. Initial priorities include addressing the gender pay gap, improving the use of data and measurement, and increasing workplace flexibility.

In the interests of transparency, departments are asked for the first time to share their department’s current gender diversity position using the two indicators below based on the 2015 HRC report¹⁵.

- What is the department’s gender pay gap and what is the percentage of female senior leaders?

Gender pay gap ¹⁴	% of Female senior leaders ¹⁶

- How is the department addressing the gender pay gap and other diversity and inclusion priorities: at the system level, and within the agency?

ICT people capability¹⁷

- Are there new ICT people capabilities required over the next four years to enable the department to deliver on strategic objectives?
- How are these capabilities aligned to Digital, Technological and Information roles?
- How is data capability being developed to support sharing of data and evidence based decision making?

Workforce capacity

- What are the key changes occurring in the department’s position number and why are these changing (or not)? Include the impact of any Budget initiatives that the department is intending to submit.
- What strategies does your department have in place to ensure that it will be able to grow or maintain its workforce at the desired level?

The information table below is a key information requirement as this information is collected in place of the December Capping return. Information given here forms Cabinet advice, it is important that the information is complete. Please ask your SSC workforce contact for any assistance you need to complete this section.

While narrative covering non-departmental positions should be included throughout the plan, number projections of these positions are not required for the Capping table.

¹⁵ <http://www.ssc.govt.nz/sites/all/files/GenderPayGap2015.pdf>
¹⁶ This information is contained in the HRC Departmental Interactive Report and is sent to HR managers annually. Any questions, please contact: hrcsurvey@ssc.govt.nz
¹⁷ For further information and guidance regarding Government ICT strategy resources departments are advised to review this information <https://www.ict.govt.nz/strategy-and-action-plan/strategy/>

Forecast FTE and vacancy numbers¹

	30 June 2016 ² (Base-line)	30 Dec 2016 ³	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Number of FTEs							
Vacant positions							
Total Position Numbers							

Notes:

1. Please use the definitions used in the SSC Human Resource Capability Survey (HRC)¹⁸.
2. Please enter departmental position numbers as submitted for the June 2016 Human Resource Capability Survey.
3. For December 2016 and each of the out-years please provide expected position numbers that are your best estimate based on, and aligned to, your Four Year Plan strategic direction. Please indicate where definitions do not match the HRC definition and the source and timing of the data.

Workforce costs

- What are the key factors driving anticipated changes in personnel costs over the next four years and how these are being managed?
- What are your planning assumptions around workforce costs (expressed as a percentage of change from your personnel baseline) for each of the next four years? Include your investment for the year to June 2017.

Planning assumptions should include costs derived from:

- previous commitments through bargaining
 - anticipated costs for future individual and collective pay settlements
 - remuneration forums outcomes
 - performance increases
 - progression costs
 - the impact of any capacity or business changes
- For Health and Education please also include planning assumptions for the Teaching and DHB workforces. Your SSC contact will be in touch with further detail.
 - Your planning assumptions should also be outlined in and consistent with the *Supporting Financial Information* template.

Cost pressure and percentage change figures will be recorded in the *Supporting Financial Information* template.

¹⁸ See <http://www.ssc.govt.nz/workforce-stats>

Other functional areas (information, technology, property, contracts and external suppliers)

- What are the opportunities to:
 - deliver integrated digital services designed around customer needs and life-events, in partnership with agencies, industry, and other non-government organisations?
 - collaborate with other agencies and external parties to increase information gathering, exchange and integration in order to enhance services and deliver the Government's expectations for insight-driven decision making?
 - partner with other agencies for shared investment in capabilities?
- What contracts are in place that deliver significant services that are critical to achieving department outcomes?
- Who are the suppliers, providers and NGO's delivering these services?
- What new activity will require third party suppliers, providers and NGO's participation to ensure success?
- How does the department intend to work with these suppliers, providers and NGO's to achieve the required outcomes over the next four years?
- To what extent does your department's property portfolio:
 - align with the government's national property goals
 - provide a responsive, affordable, sustainable and safe work environment
 - assist in the delivery of front line services
 - demonstrate inter-agency collaboration.

A good Four Year Plan should identify priority interventions in these areas and discuss how these align with your department's strategic intentions and support the delivery of your department's interventions. The implications of these should be considered in an integrated manner through the document from a financial, workforce and risks perspective.

Asset management and investment intentions

You should be able to draw on existing asset management and investment information to inform your Four Year Plan. For example, up-to-date asset registers and condition assessments, asset management plans, asset performance information, evaluations of significant investments, and any analyses of the department's financial or operational capacity to manage deferred maintenance or emerging capital cost pressures.

Departments are encouraged to consider the following:

- What is the existing state and performance of the department's asset base; including asset condition, functionality (fitness for purpose) and utilisation?
- What are the main factors that affect and are expected to affect the future utilisation of assets managed by the department?
- How will the department manage its capital needs over the period of the Four Year Plan?

- How does the department ensure that its capital resources (eg, from accumulated depreciation) are allocated to highest priorities within an agency?
- Are there any opportunities for (further) private sector management of or investment in the department's assets; ie, facilities management outsourcing or Private, Public, Partnerships (PPPs)?
- What are the key investments decisions that need to be made over the period of the Four Year Plan, how will they be funded and is there a possibility of a bid for more capital?
- Are there any opportunities to fund future capital pressures from the existing balance sheet or make a voluntary return of capital to the centre from reduced base capital spending and/or disposing of surplus assets?

Financial information

There is no standard operating expenditure table required in the body of the Four Year Plan anymore (although the standard capital expenditure table remains, see below). You are expected to tell your department's four year financial story in the most meaningful way for your department. It should show the linkage between what you intend to deliver, how you will manage your resources to deliver, and how you will fund all this within existing funding levels. It should also provide assurance that you understand your cost structures and how much it costs to deliver your interventions.

You might wish to set out your financial story based on your strategic objectives, customers, delivery lines or key workforce groups. There needs to be a table or graph that sums up all the forecast expenditure and how this relates to your strategic direction. Departments are encouraged to use graphs and charts to tell your financial story.

The Four Year Plan should include commentary on both departmental and significant non-departmental expenditure. For non-departmental expenditure the Four Year Plan should set out:

- What is being purchased with non-departmental expenditure?
- How the department is managing the procurement of those goods and services that are critical to delivering successful outcomes?
- What are the key pressures on this funding, how it is proposed these pressures be managed and what are the key choices and trade-offs facing this funding?

These tables, graphs and commentary need to be supported by information submitted in the Excel template provided alongside this guide. This provides a different cut to the financial story told in the body of the Four Year Plan and should reconcile with this but also be able to stand on its own. You should not rely on the template to tell your financial story and a Four Year Plan should be able to tell a department's medium-term financial story in the absence of the template (in other words assume that the template is not attached nor read with the Four Year Plan).

The key difference between the two financial stories is the story in your Four Year Plan should set out how you are allocating your financial resources in order to deliver your Plan; while the template provides the Corporate Centre with insights into how shifts are being made to achieve your strategic direction and how pressures are being managed within your existing baselines.

The Four Year Plan needs to include the table below setting out the department's capital expenditure and commentary on your ability to fund your capital intentions from existing resources and baselines for the foreseeable future (ie, without new, unbudgeted funding). The

commentary should also set out the impact on capital spending from the pressures the department is facing (for example price or demand pressures), how these will be managed and any changes being made to the operating model (for example leasing rather than buying IT storage capability).

For departments managing assets with long useful lives, your planning should extend well beyond the horizon of your Four Year Plan. In assessing your sustainability prospects, these factors should be taken into account:

- the robustness of your capital planning tools and process
- the credibility of your capital fiscal forecasting
- the affordability of your capital intentions
- the condition of your asset portfolio
- whether any other risks to sustainability are evident.

Capital Expenditure - Departmental

	2016/17 \$0.000m	2017/18 \$0.000m	2018/19 \$0.000m	2019/20 \$0.000m	2020/21 \$0.000m
Opening Balance of Funding Available	0.000	0.000	0.000	0.000	0.000
Add depreciation funding received	0.000	0.000	0.000	0.000	0.000
Add receipts from sale of assets	0.000	0.000	0.000	0.000	0.000
Equals Total Balance of Funding Available	0.000	0.000	0.000	0.000	0.000
Subtract capital investments funded from baselines and balance sheet	0.000	0.000	0.000	0.000	0.000
Equals Closing Balance of Funding Available	0.000	0.000	0.000	0.000	0.000

We recognise that you may still be working through the design and costs for some intended changes. Where this is the case, please include your best estimate of the costs/savings and outline your key assumptions.

Sustainability and resilience

A key element of the medium-term planning process is considering what might stop you from achieving your Four Year Plan (ie, achieving the milestones, delivering the interventions and achieving strategic intentions) and what you intend to do as a result.

Medium-term planning involves making a number of assumptions, working through these assumptions, considering what would happen if they do not hold and how you would respond. Key considerations should be what is the sustainability of the department in the medium to long term and what is the risk appetite of the department. Departments face risk on several fronts, including but not limited to:

- strategic risks, such as: pressures (including ministerial demands, policy changes, demographic forecasts) on the department relative to core business and funding levels,

ability to deliver change initiatives (transformation overload), ability to achieve stakeholder buy-in; system stability, right information and data available

- operational risks, such as: implications of living within baselines, staff retention / turnover / capability, interventions do not achieve desired results / department fails to deliver, expectations from customers/stakeholders are unrealistic, timely delivery of key projects, failure of contracted providers to deliver
- financial risks, such as: wage growth, ability to make efficiency savings, significant unforeseen events (eg, natural disaster), project budget overruns
- legal risks, such as: privacy/security breaches.

Having identified the high-level risks that could impact on the achievement of your Four Year Plan, you should consider the following:

- What is the current state of the risk (inherent)?
- What will the risk look like once the planned actions have been implemented (post-plan)?
- What will the risk look like once the planned actions are implemented and supplementary actions have been taken to bring the post-plan risk within the department's risk appetite (post mitigation)?

The key mitigating actions required to bring risk profiles within appetites should be incorporated into your Four Year Plan.

As with the rest of your Four Year Plan you should consider the materiality of what it includes. We are not looking for a list of organisational risks. A number of risks that a department faces relate to its planning assumptions. Key planning assumptions should be included in the appropriate place.

Further guidance on risk is available from the SSC on the risk dimension in the PIF framework, Treasury Instructions regarding financial risks, GCIO on ICT risks, and DPMC on national emergencies¹⁹.

Another key question for you to consider is how well prepared your department is to deal with a shock. This should be based on realistic scenarios that your department might face such as a natural disaster or un-forecast volume pressure.

5.4 How will these be reviewed?

Your department's strategic planning process and the resulting Four Year Plans will be reviewed by your Corporate Centre team once the Plans are received. This process will be moderated by members of the Four Year Plan project team to ensure consistency in approach and feedback to departments. Consistency is important as the quality of a department's Four Year Plan is an input into CE performance management, will be used as part of the Investor Confidence Rating for non-investment intensive departments and will be reported to Ministers.

¹⁹ See: pages 37-38 of <http://www.ssc.govt.nz/pif-core-guide-1>
<http://www.treasury.govt.nz/publications/guidance/instructions>,
<https://www.ict.govt.nz/ict-system-assurance/ict-operations-assurance/ict-operations-assurance-framework-2/>
<http://www.civildefence.govt.nz/get-ready/at-work/#risk>

The strategic planning process and final Four Year Plans will be reviewed based on two key elements:

- the quality of the Four Year Plan and the underlying thinking and decision-making, and
- the department's commitment to strategic planning and the Four Year Plan.

In reviewing the quality of the Four Year Plan and the underlying thinking and decision-making, the following will be considered:

- how well did the department address the prompts set out in sections 4.2 and 5.3 of this guidance document (as appropriate)
- how well did the department deliver a "good" Four Year Plan (as per section 5.2)
- how well the department met the expectations discussed with the Corporate Centre team at the start of the process
- how integrated was the medium-term planning process
- the visibility on the quality of the thinking and decision-making gained through the department's engagement with its Corporate Centre team.

In considering the department's commitment to strategic planning and the Four Year Plan, the following will be considered:

- how engaged the senior leadership team were in the strategic planning process and visibility of their commitment to delivery of the Plan
- how the 2017 Four Year Plan built on where the department got to in their 2016 strategic planning process
- demonstrated delivery against previous Four Year Plans²⁰
- how well previous Four Year Plans have been integrated into the department's annual planning.

In addition the department's organisational context (size, scope and stage in the strategic planning cycle) and the discussions held with the department's Corporate Centre team at the start of the process (see pages 15-16) will be taken into account.

6. Where Do I Go to Find Further Information?

Through medium-term planning thinking is integrated and decisions are made and then documented from across the organisation. There are a number of places where you can find more in-depth information to develop the foundations that support your strategic planning process. Some key websites are:

- Strategic Intentions and Statement of Intent guidance:
<http://www.treasury.govt.nz/publications/guidance/strategy>
- PIF Four-year Excellence Horizon - a range of support is available to assist departments:
<http://www.ssc.govt.nz/pif>

²⁰ As either indicated in the Four Year Plan, Annual Reports or other reporting shared with the Corporate Centre.

- The Expectations for Regulatory Stewardship:
http://www.treasury.govt.nz/publications/guidance/regulatory/systemreport/04.htm#_toc1.1
- Organisational Capability and Workforce Strategy resources – departments are advised to review this information, especially if they do not have a current workforce strategy at <http://www.ssc.govt.nz/workforcestrategy>
- Agencies are required to ensure alignment between their ICT and business strategies and the Government ICT Strategy and Action Plan to 2017 which can be found at <http://ict.govt.nz/strategy/>
- Government National Property Strategy and Principles (GNPS): www.pmcoe.govt.nz
- Procurement guidance: www.business.govt.nz/procurement
- Investment management system material can be found at <http://www.treasury.govt.nz/statesector/investmentmanagement>
- Statutory Crown entities: Guidance for departments: <https://www.ssc.govt.nz/crown-entities-guidance-for-departments> (including roles in administering appropriations for non-department expenditure)

Risk management guidance and resources are available on the following websites:

<http://www.treasury.govt.nz/publications/guidance/instructions/2014/36.htm>

<http://www.iso.org/iso/home/standards/iso31000.htm>

pages 37-38 of <http://www.ssc.govt.nz/pif-core-guide-1>

<http://www.treasury.govt.nz/publications/guidance/instructions>

<https://www.ict.govt.nz/ict-system-assurance/ict-operations-assurance/ict-operations-assurance-framework-2/>

<http://www.civildefence.govt.nz/get-ready/at-work/#risk>

Supporting Financial Information Template

Ministers have expressed a high level of interest in:

- collectively understanding cost pressures across the public sector in a consistent and transparent way, and
- exploring strategic and policy options that may be available to manage these pressures within the broader context of delivering better value for the public.

The *Supporting Financial Information* template is designed to capture the information required in a consistent way so we can provide Ministers with a cross-agency view. There are two parts to the template:

- Part 1 captures your cost pressures
- Part 2 captures your strategic responses to those pressures along with your other strategic changes planned to help you achieve your strategic direction.

Instructions on how to complete the template are included in the spreadsheet itself.

The template should be filled-in once you have completed your medium-term planning and needs to be uploaded into CFISnet alongside your Four Year Plan by **30 November 2016**.

This information will be presented to Ministers in December to support the Budget process.

Notes:

- There has been a change in the methodology for identifying cost pressures. Last year we asked you to identify pressures over-and-above your approved Budget baseline in each year. This year we are asking you to identify your pressures in each year as they relate to a fixed base-year position (i.e. 2016/17). The purpose of the change is to provide greater visibility over any cost pressures that have already been built into baselines. More information about this change is provided in the template.
- Provision of information on cost pressures does not constitute a Budget bid and you are still expected to achieve your strategic intentions and manage cost pressures within existing funding levels.
- Please complete the templates in the Excel format provided. It is crucial that you complete the template in the prescribed manner to enable the information to be aggregated. We appreciate this may present challenges for you in terms of fitting non-standard information into the template, but we encourage you to do your best and to provide any explanatory notes in the comment areas provided, if you feel it is necessary.
- Your financial template should also be consistent with the assumptions outlined in your plan.

If you have any questions, please contact david.hendle@treasury.govt.nz, or telephone (04) 917 6256.