

Guidance for Crown Entities



Planning and Managing for Results

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Developed by the Treasury and the State Services Commission
in consultation with the Department of Prime Minister and Cabinet

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DEPARTMENT
of the PRIME MINISTER
and CABINET



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Guidance on Planning and Managing for Results

About this guidance

This guidance is part of an integrated set of advice to support Ministers, departments and Crown entities

This guidance provides advice to Boards and chief executives of Crown entities on managing for results, with an emphasis on the planning phase of the management cycle.¹ It provides a summary of the essential questions that clarify the planning process and provides further references for those seeking to improve the quality of their planning.

It has been developed by the State Services Commission and the Treasury in consultation with the Department of Prime Minister and Cabinet as part of an integrated set of advice to support Responsible Ministers, their departments and Crown entities.

We have developed separate guidance on preparing the 2006/07 Statement of Intent, which is available on www.crownentities.ssc.govt.nz

Crown entities have different statutory forms and vary in size from the very large to the very small. Some Crown entities are accustomed to preparing a results-focused plan, while others will be embarking on this process for the first time. The diverse nature of Crown entities, and their range of experience in results-focused management, means that it's not practical to prepare comprehensive 'one-size-fits-all' guidance. Crown entities will need to adapt this guidance to fit their specific circumstances.

Expectations for Crown Research Institutes, Crown entity companies, schools and tertiary education institutions are different and therefore not covered here. Advice for these entities is provided by CCMAU and Treasury, the Ministry of Education, and the Tertiary Education Commission.²

¹ Throughout this guidance references to a Crown entity board should be read as applying to the member of a corporation sole.

² The website addresses are
http://www.ccmau.govt.nz/pdfs/OEM%20Final%20Version_310502.pdf
<http://www.minedu.govt.nz/index.cfm?layout=index&indexid=7847>
<http://www.tec.govt.nz/funding/charters/charters.htm>
<http://www.tec.govt.nz/funding/profiles/profiles.htm>.

Assistance from monitoring departments

In the first instance Crown entities should seek assistance in relation to results-focused planning and the preparation of the Statement of Intent from their monitoring department. Technical enquiries from departments and Crown entities can be directed to psmhelp@treasury.govt.nz.

Your comments on this guidance

We welcome your comments on this guidance

We welcome your comments. As and when you are using this guidance and think of ways we can improve it in future editions, please let us know on psmhelp@treasury.govt.nz.

Planning and managing for results

Expectations for a results focus in planning and managing apply across the state sector

Internationally, many governments have focused on managing for results in recent years. In New Zealand it has been part of Ministers' expectations for public service departments since 2001. The provisions of the Public Finance Act 1989 (as amended in 2004) and the Crown Entities Act 2004 have reinforced these expectations for departments and extended them across Crown entities. Consequently expectations for a results focus in planning and managing now apply across the state sector, reflecting New Zealanders' interest in continuous improvement in the design and delivery of publicly funded services.

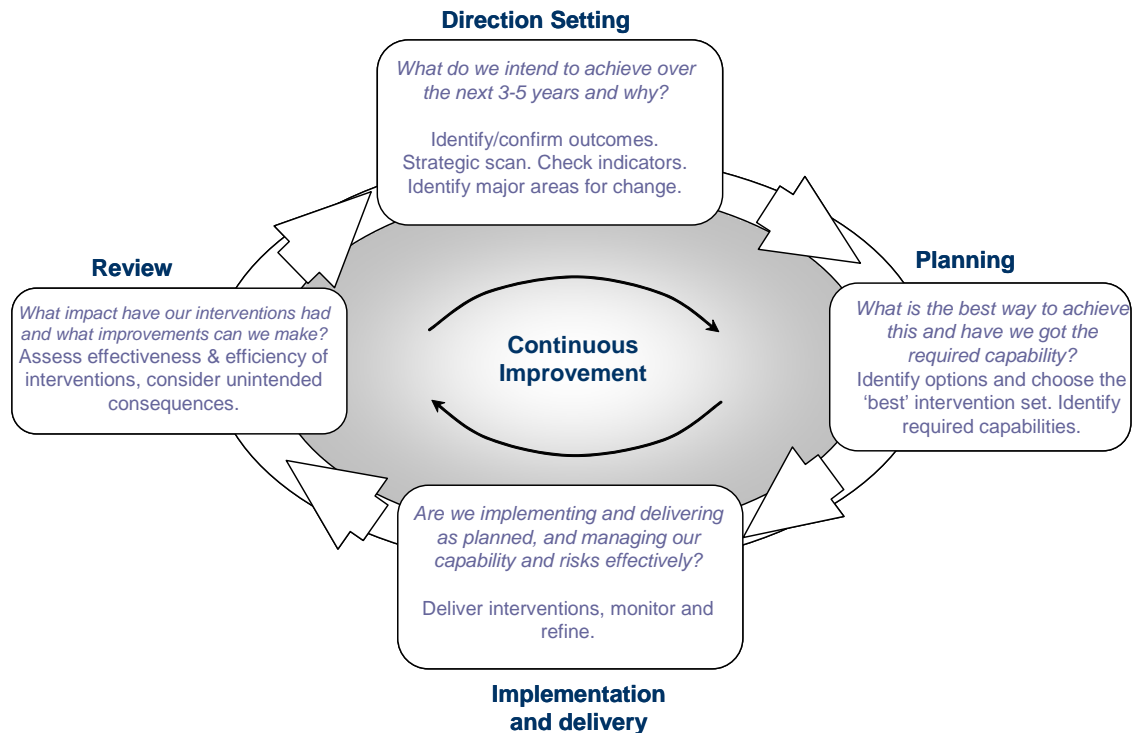
In essence this approach is about maximising results for the available resources in every aspect of management. A brief outline of this development in management thinking is included here to provide context.

When organisations are planning and managing for results they:

- have a good understanding of the environment that they operate in
- have a clear vision of why they exist, what they want to achieve and how well they are achieving against this
- plan their work while keeping in mind a clear set of objectives, activities, outputs, outcomes and measures of success
- deliver what they have planned - meeting standards of timeliness, quality, accuracy and in a manner consistent with state sector ethics and values
- take stock of progress by monitoring, measuring, reviewing and evaluating as they go
- learn from success and failure, and modify what they do and how they do it in response
- report publicly on results, promoting transparency to Parliament and the public and providing a basis for dialogue about future decisions
- have an adaptive and innovative culture and seek continuous improvement.

In performance terms, organisations that are managing for results focus on understanding, reviewing, and learning from the efficiency and effectiveness of their operations. Below is a representation of the “continuous improvement” cycle that a focus on managing for results creates.

Figure 1 Continuous Improvement Cycle



The *Managing for Outcomes* initiative has been the vehicle for promoting and supporting results focused planning and management in the public service. The expression *Managing for Outcomes* appears throughout this guidance because we have drawn on the *Managing for Outcomes* guidance developed and tested for the public service over the last four years. Information developed to support the *Managing for Outcomes* initiative can be found through the references on page 15.

In this guidance we focus on “planning and managing for **results**” instead of “managing for **outcomes**”. Prior to the passage of the Public Finance Amendment Act 2004 and the Crown Entities Act 2004, the expression “outcomes” was used synonymously with “results”. The language of the two Acts has now been expanded to include three related concepts of “outcomes”, “impacts” and “objectives”, so we use “results” in this guidance to include all three concepts. They are explained further below.

Your entity may be more familiar with using the concepts of goals, strategic initiatives and so on. It’s your choice of course how you describe the elements of your plans – but in doing so bear in mind the Crown Entities Act 2004 concepts of outcomes, impacts and objectives.

Results-focused planning

Planning for results is the first step in moving towards managing for results

Planning for results is the first step in moving towards **managing** for results.

Ministers are seeking to encourage greater focus on results in planning, and to mandate better engagement between Responsible Ministers, their monitoring departments and Crown entities in setting strategic direction. This focus on planning for results is expressed in the Crown Entities Act 2004 (the Act) as an expectation that your entity will specify the impacts, outcomes or objectives it seeks to achieve or contribute to; and (where relevant) how it will contribute to government's policy directions³. The Act also provides the legislative foundation for the role of the Responsible Ministers in participating in setting and monitoring entities' strategic direction to reflect the Crown's ownership interest⁴.

Outcome examples:

The rate of deaths and serious injury from motor vehicle accidents

The life expectancy of infants at birth and at age one

Impact examples:

The change in the rate of deaths and serious injury from motor vehicle accidents as a direct result of the introduction of the compulsory use of seatbelts for drivers

The change in the life expectancy of infants at birth and age one as a direct result of the increased uptake of immunisations

The language of outcomes, impacts and objectives

The Public Finance Act 1989 (as amended by the Public Finance Amendment Act 2004) provides a definition of “*outcomes*” and “*impacts*” which applies to departments and Crown entities. We have provided indicative examples to help distinguish between these concepts. We recommend you read more about these concepts at either the *Managing for Outcomes* or the *Pathfinder Project* sites (see references at the back of this guidance document).

“Outcome” means a state or condition of society, the economy or the environment and includes a change in that state or condition. It normally describes a state or condition that is influenced by many different factors which may operate independently and where attributing change to the activities of one agency is very difficult.

“Impact” means the contribution made to an outcome by a specified set of goods and services (outputs), or actions, or both. It normally describes results that are directly attributable to the activity of an agency.

³ See s141(1) of the Crown Entities Act 2004

⁴ See s27(1)(f) of the Crown Entities Act 2004

Objectives examples:

Increasing the take-up of programmes - in the examples above (i.e. motor vehicle crash deaths and injuries, life expectancy at birth and at age one year) this might mean improving access to, and public confidence in, programmes designed to have the impact described

Improving the retention of key staff - in the examples above this might mean the retention of skilled and experienced road safety analysts, immunisation coordinators etc

Improving revenue, increasing operating surplus. This is most likely to apply to activities whose aim is to raise revenue through voluntary third party demand for goods and services

Improving the efficiency of the entity's operations

Responsible Ministers (and/or monitoring departments on their behalf) are likely to engage early in planning processes

“Objectives” is not defined in the legislation. Its inclusion alongside “impacts” and “outcomes” recognises that not all outputs and activities are intended to achieve “outcomes” as that term is defined above. Some outputs and activities do not target a direct societal, economic or environmental effect, and their effectiveness should not be judged on that basis. Nevertheless, they can be important in the context of Crown entities’ performance, and objectives will feature in the shaping of some entities’ results-focused planning.

Central agency advice given to public service chief executives recognises that many factors influence outcomes. Some are in their control; others are not. Because of this, public service chief executives are not held accountable for achieving outcomes but are held accountable for “managing for outcomes” – for planning (and delivering) their outputs or activities to maximise the results sought given the resources available. Chief executives continue to be accountable for the delivery of outputs and for altering the mix of outputs as circumstances dictate and resources allow.

The same distinction is important for you. The Crown entity’s Board (and as delegations permit, the chief executive) has a responsibility to set and report on the impacts, outcomes and/or objectives the entity seeks to contribute to or achieve, to operate consistently with them, and to provide information to the Responsible Minister and to Parliament on the results.

Engagement with Responsible Ministers and their departments

Responsible Ministers oversee and manage the direct interest of the Crown in Crown entities and therefore seek to ensure that Crown entities – individually and grouped by sector where appropriate – perform well.

For this reason Responsible Ministers’ roles as set out in the Act include the ability to participate in setting (and monitoring) Crown entities’ strategic direction. This is likely to include consideration of the results sought, the goods and services provided, and the capability of the entity. Responsible Ministers (and/or monitoring departments on their behalf) are likely to engage early in planning processes to ensure that entities can build Ministerial priorities into their planning processes in a timely way. This will at the very least include Responsible Ministers’ engagement around the draft Statement of Intent. Further detail about this aspect of engagement can be found in *Guidance and Requirements for Crown Entities: Preparing the 2006/07 Statement of Intent* on www.crownentities.ssc.govt.nz

The level and kind of engagement will vary from Minister to Minister and from entity to entity. The passage of the Act and its clear outline of the Responsible Minister's role for all Crown entities may mean that Ministers' level of involvement will increase overall.

Ministers may wish to engage face-to-face with Board chairs and members in what is sometimes described as a "strategic conversation" – a discussion around the key issues associated with entities' planning. Board chairs should feel free to propose such a meeting.

Ministers are likely to use a letter of expectation to outline their specific priorities for the period covered by Crown entities' planning

In the past some Ministers have used a letter of expectations to outline their specific priorities for the period covered by Crown entities' planning and this practice is likely to continue.⁵

Complementing Responsible Ministers' direct engagement with Boards, the monitoring departments will be working with your entity on the Ministers' behalf. Your engagement with the monitoring department is likely to be of three kinds:

- where the department represents the "voice of Ministers" in outlining where Government's priorities lie, for example through the discussion about the letter of expectations
- where the monitoring department leads or facilitates joint planning that aims to ensure the work of the agencies in the sector is aligned to maximise results⁶. The department in particular is likely to be serving the same policy interest as the Crown agents and Autonomous Crown entities funded from the same Vote. Joint planning can assist in maximising the combined impact and value for money of the agencies' activities, understanding how the activities of one agency can impact on the operating environment of other agencies in the group, and minimising inadvertent waste through duplication
- where the monitoring department advises the Crown entity on good practice in relation to planning and managing for results. Monitoring departments will be an important source of advice for the entity in assessing opportunities and risks when planning for results, particularly where entities are considering new and innovative approaches.

⁵ A general letter of expectation was sent by the Ministers of Finance and State Services to Crown entities in December 2004 and the overarching expectations in that letter remain relevant.

⁶ This might include departments, Crown entities and non-governmental organisations.

Information for Ministers

Monitoring departments will have responsibilities on behalf of Responsible Ministers for monitoring Crown entities' performance against entities' planned strategic direction

Monitoring departments will have responsibilities on behalf of Responsible Ministers for monitoring Crown entities' performance against entities' planned strategic direction. Departments will therefore be particularly interested in working with you to ensure that the most appropriate financial and non-financial measures and standards are identified to support understanding of, and judgements about, the entity's performance going forward. Departments will want to assure Ministers that the entity's proposed outputs are likely to be both efficient and effective in relation to available resources (including Crown funding) and the results sought, and that outputs are delivered in a manner consistent with expectations of standards of conduct and integrity.

The set of performance information sought by the Responsible Ministers and the monitoring department is likely to draw from, and summarise, the information your Board and senior managers already rely on to understand the entity's performance and which enable the entity to identify and manage risks and opportunities.

The planning process

Planning and managing for results relies on good strategic thinking focused on the medium-term. This is a critical part of the role of a Crown entity board and will form a key part of discussions with the Responsible Minister.

Planning is to focus on specifying and managing for results over the medium-term, taking into account available resources

Your Crown entity will already have planning processes in place – some with an annual focus, others with a medium-term focus. The critical expectation that we want to communicate here is that **the planning is to focus on specifying and managing for results over the medium term, taking into account available resources**. The definition of 'medium term' will vary from entity to entity – but when your entity moves to summarise and report its medium-term plans in the Statement of Intent, the information on the plan must cover a minimum of three financial years⁷.

Results-focused planning is an iterative and interactive decision-making process that clarifies the results a Crown entity is trying to achieve, and identifies the best ways to achieve those results. It takes time and should be started well in advance of the first year to which the plan applies. Timetabling needs to recognise constraints such as the availability of the Minister (and the monitoring department) for key meetings, time needed for engagement with key stakeholders including other agencies involved in the same sector, the timetabling of Board meetings, the capability and capacity for planning in the entity, and the time

⁷ See *Guidance and Requirements for Crown Entities: Preparing the 2006/07 Statement of Intent*.

needed to prepare the Statement of Intent once the planning process is completed.

We recommend that your entity starts planning for the 2006/07 year in the last quarter of the 2005 calendar year.

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The following key questions have been developed to assist your Crown entity as you undertake medium-term planning⁸. In some cases you will be considering these questions in a combined planning process with other entities and/or departments.

Not all questions will be relevant to all Crown entities. Smaller entities may be limited in terms of their planning and informational capability when considering some questions. In such cases, we recommend consultation with your monitoring department about the approach your entity can reasonably be expected to take to the planning process.

Some entities have additional consultation and/or approval requirements around planning in their own legislation, and we have not attempted to reflect those here.

Planning questions

What do we intend to achieve over the next 3-5 years and why?

Given the nature and scope of our Crown entity's functions and powers, which Government outcome areas and/or sector strategies do we have a responsibility to make a significant contribution to? Who else contributes to these, directly or indirectly? Which other agencies should we be working with?

What is the current state of these areas and what factors might cause this state to change in the medium term? What changes do we think will happen and what changes can we influence? What indicators or other information can we use to monitor this over time? How will this monitoring occur?

Which results are priorities for us in the next 3-5 years? Are these well aligned with the preferences of the responsible Minister? What Government policies and/or Ministerial directions do we need to include in our planning, where relevant?

Are there any applicable whole-of-government directions issued by the Minister of Finance and the Minister of State Services which we need to include in our planning?⁹

What specific contribution to results will our entity make (alone and in collaboration with other agencies) over the next 3-5 years? How will we know what impact we've made? What measures can we use to monitor these impacts?

⁸ Adapted from *Managing for Outcomes Guidance 2003* at <http://www.ssc.govt.nz/managing-for-outcomes>.

⁹ See s(107)1 of the Crown Entities Act 2004. None have been issued to date.

What is the best way of achieving this?

Given the scope of our Crown entity's functions and powers¹⁰, what goods and services will we deliver and what activities will we undertake to have the impacts we are seeking?

What is the rationale for the results we expect, and how robust is this rationale?

What evidence of effectiveness and efficiency do we have to support this?

What evaluative work could we do to give us more information on what works?

Have we fully considered available alternatives to our current approach?

Who do we need to work with to best deliver our interventions?

Do we have the support of our Minister(s) and key stakeholders?

What risks, challenges and uncertainties will we need to manage?

How will we check for unintended consequences from our interventions?

How can we learn from unintended consequences (both good and bad) for the future?

Our capability¹¹

What capabilities do we need over the next 3-5 years and how does this match our current capabilities?

Are our plans consistent with our resources?

How will we manage the difference between the capabilities we have and what we need?

Conduct and integrity

Are our staff clear on the ethics, values and standards that the Crown entity needs to uphold to deliver the results we want to achieve?

Do staff know what is unacceptable behaviour and the consequences of such behaviour?

Have we taken account of the need to identify and manage different ways of working when inter- or cross-agency teams come together to work on joint/shared results?

¹⁰ See further advice on this under *The Scope of Entities' Functions and Powers* below.

¹¹ See Glossary for definition.

Information for monitoring and evaluation

Will our monitoring systems provide us with the information needed by the Board and managers of our Crown entity, the Responsible Minister and the monitoring department, to monitor the progress, coverage and impact of our interventions so that we can adapt our strategy if necessary?

Are our major interventions described in a clear service specification that is linked to our performance monitoring arrangements?

What evidence will be gathered to demonstrate the results that we're looking for? Have we prioritised our evaluative activity? Should we be working with other agencies to evaluate our shared policies and programmes?

Once your Crown entity's medium-term plan has been completed, the plan for the year ahead can be derived; it will typically have more detail and will be more specific. Your medium-term plan has by definition a more enduring focus, but is likely to require year-by-year adjustment to take account of lessons learned and changes in the operating environment.

The scope of crown entities' functions and powers

Statutory entities must operate within the scope of the functions and powers conferred on them by Parliament

Statutory entities must operate within the scope of the functions and powers conferred on them by Parliament. This means that you may face some constraints in choices about changing the interventions that you make. This does not, however, negate the importance of a results-focused approach to planning and managing.

Nevertheless many Crown entities have considerable discretion about the activities they give priority to and how they go about their business. Some have the ability to undertake additional functions, typically if directed to do so by the Minister.

In any case it is important for the Board and management to think about how the Crown entity is going to manage itself within the available resources to achieve its purpose, whether those are set out in legislation or government policy.

If there are legislative limits to the scope of what your entity can do and this prevents your entity achieving the Minister's desired results, this may be an issue for advice from the monitoring department to the Responsible Minister.

Planning and managing for results – lessons learned in the Pathfinder Project

Since 2001, central agencies have worked with a small number of departments and Crown entities in the *Pathfinder Project* to learn from their experiences in moving towards results-focused planning and management¹². Some of the most important lessons learned may be useful for you and are summarised here.

These point to the need for a good investment of time in your planning processes.

Lessons learned

No one has ever said that results-focused planning and management is easy! Defining and measuring your results is often the hardest part – and it comes right at the beginning.

It takes time to build expertise – some rework is inevitable as you find new problems, learn, explore ideas and adapt your approach.

You will be looking over all of your Crown entity's operations – but where sensible and possible, focus on the 'vital few' results for priority groups or areas.

Good approaches show how all of the entity's business units make their contribution – and by doing that help to build understanding and commitment from staff to the results sought

Measuring results needs careful thought – you will need to consider the information that you'll need for measuring outcomes, impacts, and/or objectives; and you may need additional and/or better output performance information.

Think of the needs of end-users – managers, the Board, the Responsible Minister, the monitoring department, and Parliament – when choosing where to focus information-gathering initiatives.

Take action when performance monitoring identifies delivery problems.

The ultimate goal is to identify the best mix of goods and services and resources to produce the greatest improvement in results. This is complicated and can be confusing. It needs to be leavened with pragmatism, and the careful identification and management of any uncertainty.

¹² The extensive resources developed as part of the Pathfinder project are available on <http://io.ssc.govt.nz/pathfinder/>

Aligning planning with resources and Government's Budget process

Your Crown entity's planning needs to fit within likely funding from all sources

Your Crown entity's planning needs to fit within likely funding from all sources.

The period during which your Crown entity is planning is likely to be at the same period that departments are advising Vote Ministers on Budget initiatives.

If your entity receives revenue from the Crown and/or from legislated fees and levies and seeks an increase in such revenue, you will need to engage with the Responsible Minister and the monitoring department about this. You will need to be aware of the departmental timelines for Budget initiative planning; and any proposals for additional spending will need to meet the standards for new initiatives. Your monitoring department will be able to advise you on these matters¹³. There may be some uncertainty for the entity while Budget decisions on new initiatives are being made.

Even where your entity is not expecting a change in funding, it will be important to identify in discussions with the Responsible Minister and the monitoring department whether any changes are sought by the Minister to the mix of goods and services provided. Where the Crown entity itself proposes to reprioritise resources within an output class and/or between output classes to reflect a change in direction and to improve results, this will need to be discussed with the Responsible Minister and the monitoring department before final decisions are made.

Preparing the Statement of Intent

A summary of your Crown entity's medium-term plans forms an important part of the entity's Statement of Intent that the Responsible Minister tables in Parliament.

The Act sets out the process and content requirements for the Statement of Intent. We have prepared *Guidance and Requirements for Crown Entities: Preparing the 2006/07 Statement of Intent*, which is available from www.crownentities.ssc.govt.nz

¹³ See <http://www.treasury.govt.nz/budgetprocessguide/bud-proc-guide05.pdf> for advice on the information needed for Budget initiatives. An updated *Budget Process Guide* is issued each year by Treasury.

Glossary

Autonomous Crown entities (ACEs)	Those named in Part 2 of Schedule 1 of the Crown Entities Act. They must have regard to government policy when directed by the responsible Minister.
Capability	What an organisation needs in terms of access to leadership, people, culture, relationships, processes and technology, physical assets, and structures to efficiently deliver the goods and services required to achieve the results sought by the entity - whether those results are set by reference to Government policy or by statute ¹⁴ .
Crown agents	Those named in Part 1 of Schedule 1 of the Crown Entities Act. They must give effect to government policy when directed by the responsible Minister.
Crown entity group	A Crown entity, its Crown entity subsidiaries, and any other entity which is subsidiary for the purpose of a relevant reporting standard [s136 of the Crown Entities Act 2004]
Impact	The contribution made to an outcome by a specified set of outputs, or actions, or both [s2(1) of the Public Finance Act].
Independent Crown entities (ICEs)	Those named in Part 3 of Schedule 1 of the Crown Entities Act. They are generally independent of government policy.
Monitoring department	A department that provides support to a Minister in carrying out his/her role and responsibilities in relation to Crown entities.
Objectives	Is not defined in the Public Finance Act so has its ordinary meaning of “goal” or “aim”. Its inclusion in the Crown Entities Act 2004 alongside “impacts” and “outcomes” recognises that not all goods and service (outputs) and activities are intended to achieve “outcomes” as that term is defined below. Some outputs and activities do not target a direct societal, economic or environmental effect, and their effectiveness should not be judged on that basis. Nevertheless, they can be important in the context of Crown entities’ performance, and objectives will feature in the shaping of some entities’ results-focused planning.
Outcome	A state or condition of society, the economy or the environment and includes a change in that state or condition [s2(1) of the Public Finance Act].
Outputs	Outputs are final goods and services – that is, they are supplied to someone outside the entity. They should not be confused with goods and services produced entirely for consumption within the Crown entity group. Output classes are groups of similar outputs. ¹⁵

¹⁴ See further information on the concept of capability on <http://www.ssc.govt.nz/people-capability-development>

¹⁵ Also see s5(20) of the Public Finance Amendment Act 2004

References

The *Pathfinder Project* site at <http://io.ssc.govt.nz/pathfinder/>

In relation to outcomes and impacts you might like to start with the quick references at:

http://io.ssc.govt.nz/pathfinder/documents/MfO_WS_1/Quick_Reference%201.doc and
http://io.ssc.govt.nz/pathfinder/documents/MfO_WS_2/ImpactsandInterventionLogicQuickReferenceGuide.doc

In relation to establishing the rationale (sometimes called the intervention logic) which explains the ways in which the entity's activities will contribute to the results sought, you might like to start by looking at

http://io.ssc.govt.nz/pathfinder/documents/pathfinder-BB3-intervention_logic.pdf

The State Services Commission *Managing for Outcomes* site is at <http://www.ssc.govt.nz/managing-for-outcomes>

This contains a rich source of advice and information developed by central agencies and Te Puni Kokiri over the last four years for public service departments, much of which will be directly relevant to Crown entities.

The monitoring departments who work with Crown entities have been planning and managing within a *Managing for Outcomes* framework for at least two years, and in some cases longer. They have had experience with planning with a results focus and will be able to share this knowledge with the entities they work with.

Public service Statements of Intent for the 2005/06 year are in all cases published on the departments' websites and provide a summary picture of the elements of departmental results-focused planning.

Some Crown entities have been preparing results-focused plans (and SOIs) for several years. Your colleagues in these entities will be a valuable source of ideas and learning about the approach outlined here.