

NZ Government, 2017



Four Year Plan Guide

June 2017

New Zealand Government

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Key things to know about 4YPs

Purpose of the 4YP

The purpose of a Four Year Plan (4YP) is for Ministry leaders, in consultation with Ministers and the Corporate Centre, to shape and set out the medium-term view for a department.

A 4YP is an integrated plan showing how the department's interventions will create increasing value for New Zealanders (and particular target groups).

Increasing value

Resources are an integral element of the plan - identifying how workforce, funding, and key capital investments, critical contracts, or ICT systems will be managed to enable delivery today and in the future.

Making choices

Where demand or ambition exceeds current resources, the plan should identify the choices available to public sector leaders to manage trade-offs and cost-pressure within baselines. If you have concerns with communicating sensitive choices please discuss this with your Corporate Centre team.

Across the system

A 4YP provides a view beyond just the Ministry including the organisations needed to help achieve strategic objectives and the partners the Ministry is responsible for administering or funding eg Crown Entities, NGOs, DHBs, schools etc.

Where does the 4YP fit with the budget process?

- A 4YP is a strategy product not a budget product. A 4YP sets the scene and shows how value will be created from the full baseline – not the marginal new spend.
- A quality 4YP will signal years in advance budget opportunities and cost pressures.
- Details needed to support any budget bid should be provided through the budget process – not the 4YP.
- For more information see *Understanding where the 4YP fits*.

Does our 4YP have to be long to be comprehensive?

- No, a 4YP doesn't have to be long (eg 100 pages) to be comprehensive – it is an overview of strategically important information with sufficient detail where it matters.
- If the plan is getting unwieldy you are invited to attach existing documents to your 4YP, (including a Briefing to your Incoming Minister) and are asked to weave the main elements of those documents into the body of the 4YP to show their connection.

What has changed?

The key changes in this year's approach are informed by a vision for State sector strategic planning which is that strategic planning should:

- Sit in a performance and delivery context, aligning with performance reports (eg dashboards, quarterly, and annual reports).
- Be proportionate to the public resource invested.
- Support:
 - Challenging conversations/decisions about choices, challenges, and results,
 - System and portfolio investment decisions, and
 - Services arranged around the lives and businesses of New Zealanders.
- For the 2018 round there is a focus on investment-intensive agencies and sequencing the 4YP better with other similar strategic planning requirements (eg PIF, LTIP, and Strategic Intentions). This means that only MOH, MOE, NZDF, DOC, MBIE, MOJ, Police, Corrections, DIA and IR are required to formally submit their updated 4YPs.
- The due date is **Friday 15 December 2017**. This deadline was set to allow agencies an opportunity to engage their Ministers as soon as possible after the September 2017 General Election to discuss and endorse their 2018 4YP.
- All other agencies are welcome to update their plan whenever they, or their Minister, consider it appropriate. Small to medium-sized departments will only be required to formally submit the latest version of their 4YP every 2 years, and Parliamentary Agencies every 3 years.

The key changes in this year's guide are:

- A one page overview about key things to know about 4YPs has been created.
- A focus on performance and delivery - a new element has been added to the core elements of a 4YP focusing on 'progress and managing performance'.
- The content has remained largely the same but the order has changed (sections about how the 4YP is used and where it fits with other processes and documents have been moved to the back).
- Examples have been added to provide insights into how other agencies are planning.
- Content in the guide is now available on the Four Year Plan page on the Public Sector Internet along with published 4YPs available as an agency resource. The guide is also still available on the SSC website.

Timelines for 2018

Date	What
April-July 2017	Engagement with your Corporate Centre team on actions your Department will take in response to the Corporate Centre team's feedback on the 2017 4YP.
Aug – Nov 2017	No formal drafts are required to be submitted. However, you should be engaging with your Corporate Centre team throughout the process with any questions or around key milestones or content.
23 Sept 2017	NZ General Election
Oct-Dec 2017	During your engagements with potentially new Ministers, after the election, you should be looking for opportunities to discuss your 4YP, which needs to be endorsed by mid-December. Where there are uncertainties, these can be highlighted along with the actions to resolve them, reflecting a snapshot at a point in time. If timeframes are looking tight an unendorsed version should still be submitted by the deadline.
15 December 2017	Final 4YPs submitted (uploaded to CFISnet¹). This needs to be approved by the chief executive and endorsed by the responsible Minister.
January 2018	Review of 4YPs by your Corporate Centre team (<i>see Knowing how your plan will be reviewed</i>).
February 2018	Feedback on your 4YP by your Corporate Centre team.
May – by Budget day (optional)	You are not expected to formally resubmit your 4YP if you update it during the year. There is an <u>option</u> to update your 2018 4YP (uploaded to CFISnet, once approved by the CE and endorsed by the responsible Minister). This gives you the opportunity to keep your 4YP up-to-date for communicating with stakeholders if decisions made during the budget process have had a <u>significant impact</u> on your Plan.
Budget day 2018	Proactive release of your 4YP (redacted as necessary) if desirable.
Day after Budget day	[anticipated] Submission of the 4YP as part of Select Committee 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.

Process overview

Strategy development and planning

Strategy development is not just about where you want to go but also about:

- where you are now (current performance)
- anticipated changes in your operating environment, and
- planning a pathway forward.

Agencies are generally good at identifying where they want to go and what their strategic objectives are. Greater focus on current performance, anticipated changes in the environment and the pathway forward will help advance you towards your strategic objectives.

Start with where you are now (current performance)

How have you been progressing against your existing plan, what has been working well and what hasn't? What is supporting the department's delivery and performance – what isn't? What do your recent Annual Reports, and other evaluations/evidence tell you about the department's performance?

Anticipated changes in your operating environment

Planning should include monitoring of factors affecting delivery now and the future. Anticipating future changes in the operating environment, and their impact on your department, should form part of your environmental scanning. The 4YP can be used to show how areas of uncertainty are being worked through.

Planning a pathway forward

A vital part of the process is identifying steps or stages between where the department is now and where it wants to be in the future. By imagining the desired future state and working back to the current state it may be possible to see a pathway or roadmap. In some departments this will be complex picture, but might be outlined showing different workstreams or themes. However you do it, focus is needed on the stages of work over each of the next four years, and what milestones or indicators the department might use to know it is on track.

Engaging others

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 discuss priorities and expectations for the strategic planning process and 4YP,
- early with organisations 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 support a joined-up planning process, informed by different perspectives and information,
- with your operational divisions given their insight of the department's customers, and what works and doesn't work.

What is a 4YP – what are the core elements?

What is a 4YP?

The 4YP shows how a department plans to create increasing value for New Zealanders (or particular target groups). It gives a view of strategy and delivery plans across the next four years², set in the context of the department's strategic objectives.

It is an integrated strategy for the department's interventions, people and other resources to move towards the department's strategic objectives. Where demand or ambition exceeds resources, the plan should identify the choices to manage pressures and challenges within baselines. Performance indicators or milestones across each of the four years show how the department will know it is on track.

Why does the 4YP include a broad view?
Firstly because system partners are important contributors to a department's strategic objectives. Secondly because departmental CEs have responsibility for advising on the effectiveness of non-Departmental spend, the 4YP is a tool to show how this work is happening.

The 4YP provides a view beyond just the department, including key groups eg. Crown Entities, NGOs, DHBs, schools, and other significant system partners.

All of the department's Votes and appropriations, including non-departmental appropriations administered by a department are within scope.

The purpose of a 4YP is for Ministry leaders, in consultation with Ministers and the Corporate Centre to shape and set out the medium-term view for a department. The 4YP is a key strategic planning document, giving assurance that departments are fulfilling their stewardship obligations (under the State Sector Act 1988) and focussed on sustainability (as required by the Public Finance Act 1989).

The core elements of the plan are below and are subsequently unpacked in detail. There are many considerations and you are encouraged to focus on the strategically important elements, given your department's organisational context. What your 4YP looks like is up to you to determine in terms of what works best for your organisation.

² 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.

Core elements of the 4YP

Regardless of how you structure your 4YP, 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 baseline and balance sheet it has available. It should provide insight into how the department is addressing these core elements:

1. **How is the department progressing and managing performance?**
2. **What are the department's strategic objectives and who are its customers (why does this department exist)?**
3. **What interventions (activities, policy advice, outputs, services, funding, asset provision and regulation) does the department plan to deliver over the next four years to advance towards its strategic objectives?**
4. **How will the department organise and manage its people and other resources to deliver these interventions?**

For each of these, the 4YP should set out where the department wants to be in four years' time, what will / needs to change, how it intends to get there. It should set out where the department has clear direction and actions, where there is uncertainty, and how it intends to resolve the uncertainty.

The 4YP 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; and the options for addressing these.

It should provide insights into the key strategic choices available to Ministry leaders and Ministers and when these choices will need to be made.

While there is no template for a 4YP, there are certain requirements and expectations on what they should include. It must provide insight into the core elements, the key organisational detail, and the supporting financial template must be attached.

Unpacking each element

Strategic thinking and planning is fundamentally about determining the department's response to a number of prompts. The prompts to be considering are detailed below. Judgement is needed about which of the prompts are the most important strategically, given your organisational context, and therefore which ones need the most consideration and response.

Response to these prompts (as appropriate), along with the other criteria listed in *Review and use of the 4YP* will be used to form a judgement about the quality of your department's 4YP when reviewed by the Corporate Centre. During, and at the end of your strategic planning, it may be useful to use these prompts as a check-list.

How is the department progressing and managing performance?

- What has changed since the last 4YP?
- How the department is progressing, as demonstrated by delivery against previous 4YPs? What do your recent Annual Reports tell you about the department's performance and what does this mean for your updated 4YP?

How will we know we are delivering?

MPI is taking a number of approaches to measuring progress against the goals of the 4YP, broken down by sector, system and organisation – as outlined below.

Sector	System	Organisation
<ul style="list-style-type: none"> • MPI tracks the performance of the current state of New Zealand's major export industries (SOPI) is published in the MPI's Annual Report. http://www.mpi.govt.nz 	<ul style="list-style-type: none"> • MPI's governance boards and core systems is easily understood and monitored. MPI monitors the health of each of its core systems and refines indicators to ensure they are meaningful and achievable. 	<ul style="list-style-type: none"> • MPI continues to make improvements to its performance measures (SPMs), in order to increase the frequency of oversight. A targeted review of the quality of the measures is being undertaken to ensure they are achievable. • As part of our contribution to the main business users engagement programme, MPI has implemented a customer and stakeholder engagement programme to monitor the benefits realised from the additional investment in our systems.

Progress since our last plan

MPI has realised a lot of change through the Strategic Portfolio Initiatives over the past year. Some of the major achievements are outlined below.

Priority Area	Initiative	Summary of achievements
Regulatory	Regulatory stewardship project	With increasing demands from trading partners, industry and customers, MPI has been working to provide smarter and more flexible systems to make it easier for people to comply. One such change is the development of the Regulatory Stewardship Framework, which establishes a common regulatory approach for how the regulations MPI administers are designed and put in to practice. This new framework was implemented in 2016.
Operational	Readiness work Programme	A Readiness Work Plan for 2016 and 2017 has been developed, and is now being delivered by teams across the organisation. Key work areas focus on developing generic readiness, strengthening readiness coordination and improve readiness for specific prioritised threats.
Operational	Systems scan	As discussed elsewhere in this 4YP, MPI completed an evaluative scan of operational systems in 2015/16. The scan told us that we have very experienced and knowledgeable people working in our systems, and identified where we have good performance measures and benchmarks that can tell us about our efficiency, and where there are opportunities available to improve our efficiency, effectiveness and customer focus. The opportunities identified in the scan have been included in annual business plans for 2016/17. The completed scans by system are now owned by governance boards and are being incorporated into our ongoing monitoring of performance.
Operational	Offshore footprint	MPI's offshore expansion is aimed at broadening and deepening relationships with key officials in our fast growing and emerging markets, understanding and influencing policy and regulatory developments in those markets, and maintaining and enhancing market access for New Zealand primary products and food. To date we have strengthened our presence in China and established new positions in Japan, the Middle East, Indonesia and Mexico.
Operational	Market Access strategy refresh	MPI has been working towards refreshing market access strategies at global, sector and country levels, with the goal of ensuring that market access work programmes and resources are prioritised to achieve the maximum benefits to New Zealand exports now and in the future. Market access plans for a number of key countries have been developed over the year. This initiative is now well advanced and due for completion soon.

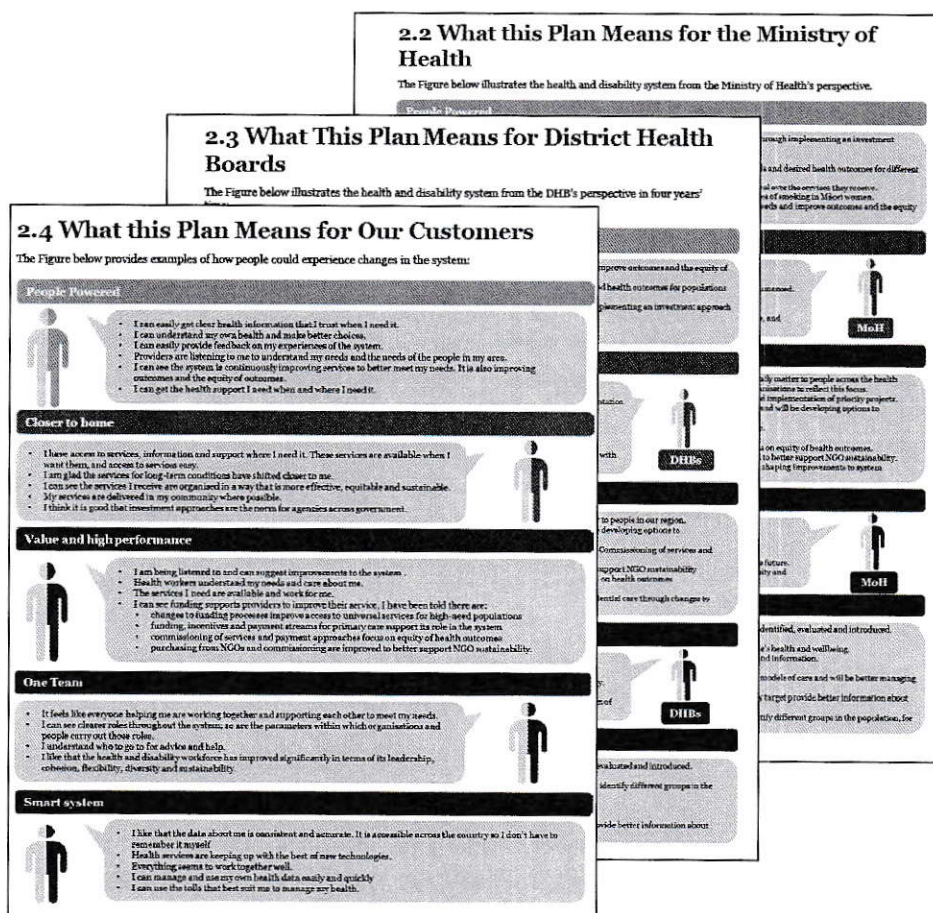
MPI's 2017 4YP sets out 'how will we know we are delivering' and 'progress since our last plan'.

- What has the department learnt about what works and what doesn't work? What evaluations has the department undertaken?
- How is the department building on the last Plan, addressing previously unanswered questions?
- How does the department monitor its performance against the 4YP (eg, through the inclusion of deliverables, milestones, measures or a dashboard of key performance metrics)? How is the department tracking against these?
- What are the key strategic challenges and opportunities facing the department over the next four (or further) years?

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

- What is the department's role in and how does the department intend to contribute towards: the Government's priorities, relevant sector strategies and cross-agency initiatives, including functional leadership priorities?
- What is the nature and scope of the department's functions (including any departmental agencies) 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? What are their short and long-term needs and impact? What does the department know about its customer experiences? How well is the department delivering to New Zealand's diverse communities and people?
- What difference will the department have made in four years' time for its customers and for the government?

The MOH 2017 4YP gave multiple perspectives on what the plan means for customers, DHBs and the Ministry.



- How is diversity and inclusion connected to the context and strategic objectives of the department?
- How does the department intend to respond to its most recent PIF review, 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?

- How well are the existing interventions delivering? What evaluations have been undertaken of them?
- 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 BPS Result Lead, BGA Lead, Functional Lead, Head of Profession, or System Steward] What actions are being planned across government to contribute to desired outcomes, what resources are devoted to this work, and are there any tensions to be managed?
- Is the current set of interventions the most effective package? How is the department using information to take a more evidence-based 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 need 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?

<p>PART 4 - CROWN ENTITY RESULTS, CAPABILITY AND CAPACITY</p> <p>This part of the Plan expands on our role in relation to the Crown entities, describes how we assess them, and summarises our current assessment of each. The full assessments can be found in Annex 5. These assessments support our engagement strategy for each Crown entity and enable us to inform and support the Minister in setting and clarifying expectations.</p> <p>Our role in relation to the Crown entities</p> <p>The delivery of results (for government) within the transport sector depends on the performance of the regulatory and operational functions we lead.</p> <p>The board of each Crown entity is responsible for setting its strategic objectives, reporting to their statutory responsibilities and Ministerial expectations) and is the Minister of Transport for delivery against those objectives.</p> <p>The Ministry plays a critical role in maintaining oversight of the transport performance and capabilities, and advises the Minister on their progress and priorities. We do this by:</p> <p>Engaging with the Crown entities</p> <ul style="list-style-type: none"> • developing and maintaining good working relationships with the entities and timely flow of information and two-way input • engaging with the entities on their strategic priority areas and on major leading processes to support the Crown entities to work together on (e.g. shared services, capability development and strategy) <p>Advising Ministers on performance</p> <ul style="list-style-type: none"> • assisting the Minister to participate in setting and monitoring entities' strategic direction through, for example, the letters of expectations and Statements of intent • providing assistance to the Minister on the Crown entities' performance on a quarterly basis, and on specific issues as required • monitoring the NZ Transport Agency's National Land Transport Programme investment against the Government Policy Statement on land transport (GPS) to ensure its ongoing performance <p>Supporting the Minister/board relationship</p> <ul style="list-style-type: none"> • supporting the relationship between the Minister and the Crown entity boards • facilitating the appointment of suitable qualified board members 	<p>Advising on Crown entity funding matters</p> <ul style="list-style-type: none"> • supporting the Budget process, including Crown entity proposals for additional funding • managing and providing input to the Crown entities' funding review programme, information on this process is provided on page 55. <p>How we assess the Crown entities</p> <p>The Ministry's Governance and Accountability team provides advice on governance, performance and accountability within the New Zealand transport sector. The Ministry's role is defined in section 27A of the Crown Entities Act 2004.</p> <p>The Crown Entity Assessment Framework to provide a approach to the business as usual monitoring of transport issues the framework to form a view on transport Crown entities' issues and risks.</p> <p>performance monitoring is both retrospective and prospective. It is that an entity has already produced, but also whether it will be able to produce the desired results. Risks to performance need as possible and each board is accountable for performance, risk.</p> <p>Ministry views Crown entities from four perspectives, which are:</p> <ul style="list-style-type: none"> • Alignment • Light touch • Being accountable and transparent • Having the right people <p>Assessing the ability performing to expectations.</p> <p>Civil Aviation Authority (CAA)</p> <p>The Civil Aviation Authority's (CAA's) primary objective is set in the Civil Aviation Act 1990 – to carry out safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive and sustainable transport system. The five core functions (output classes) through which the CAA does this are:</p> <ul style="list-style-type: none"> • policy and regulatory strategy • outreach • certification and licensing • surveillance and investigation • security services delivery
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MOT's 2017 4YP shows the Ministry's role in relation to its Crown entities

- [If there is significant non-departmental funding] 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 4YP, how will the department manage this change? What are the four to five things that the department really needs to focus on changing?
 - What are the key strategic choices and trade-offs, including the need to scale or phase some activities, facing the department over the next four years? What information does your department put most weight on when deciding between two alternatives?

Regulatory stewardship:

Departmental CEs have a statutory responsibility, under the State Sector Act 1998, for stewardship of the legislation administered by their departments. To inform its work, Cabinet recently approved updated expectations for good regulatory practice. They comprise two sets of expectations – one for the design of regulatory systems and another for regulatory stewardship by government agencies. See: <http://www.treasury.govt.nz/regulation/expectations>

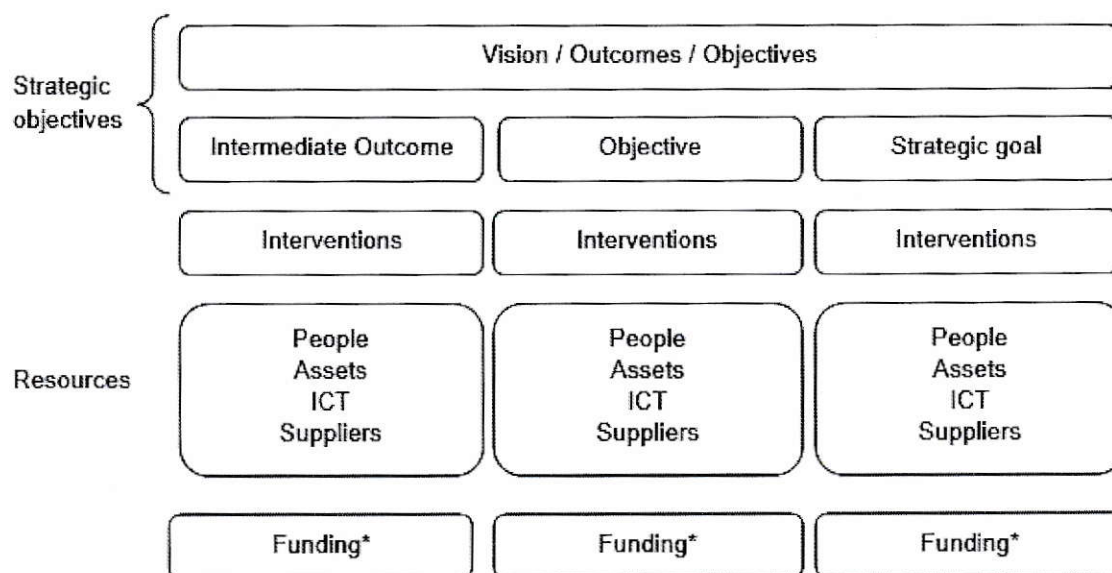
How the department is meeting these expectations and any concrete plans for improvements should form part of the context for the development of the 4YP.

Where relevant agencies should draw on their latest regulatory stewardship strategy, including their regulatory system assessments in determining and describing the interventions they plan to deliver over the next four years.

The stewardship strategy can be used to inform the plan, particularly in terms of providing information relevant to strategic choices, priorities and planned activities. The end-to-end systems focus of the regulatory stewardship strategy also provides a view beyond just the department, as it includes the other agencies with roles in the regulatory systems that the department needs.

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

- How sustainable is the 4YP? What are the key things that could impact on the delivery of the 4YP, and how does the department intend to manage these?
- 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 enhance customer experiences and increased value?
- How will all of the resources be used in an integrated way to deliver interventions and achieve goals or objectives? What are the linkages between these resources and the management of them (see figure below):









* Complemented by the financial template

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?)
- 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 4YP 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 do changes to the department's operating model (now and over the next four years) affect your workforce requirements?
- How does your workforce integrate with your other resources?

PEOPLE & CULTURE AT A GLANCE		
What we're delivering	Will result in	Progress to date
 <p>Constructive, enabling, safe and rewarding employment environment</p>	<ol style="list-style-type: none"> 1 Sustainable, capable, flexible engaged, healthy and safe workforce 2 Successful leadership through change 3 Continual professional development of the required capability and skillsets in our people 4 A culture of innovation and continuous improvement 	<ul style="list-style-type: none"> • Changes to employment agreements delivering increased remuneration and changes to the workforce model agreed
 <p>Support to the change agenda</p>		<ul style="list-style-type: none"> • Support provided to the development of new workforce model and negotiation of new collective agreements
 <p>New capabilities - via the OTP; R&I; customer focus; profiling; facilitation; tradecraft</p>		<ul style="list-style-type: none"> • Transactional workforce of Assistant Customs Officers recruited • Data Analytics capability developed
 <p>Skilled leaders and managers</p>		<ul style="list-style-type: none"> • Customs Leadership team and Customs Executive Board sub-Committees established to broaden leadership capability and engagement in decision-making • Aspiring Leaders programme introduced
 <p>Linked career and development pathways</p>		<ul style="list-style-type: none"> • New workforce model being implemented to provide a range of career and development pathways
 <p>Collaboration with agencies</p>		<ul style="list-style-type: none"> • Alignment with China-capable Project and MPI Capability • Support to SSC Public Sector initiatives on digital scanning and workforce planning

Customs 2017 4YP shows alignment between the overall strategy and workforce strategy.

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?
- How will embracing the opportunities of digital, data, and technology deliver better customer outcomes?
- How is ICT contributing towards achieving the agency's objectives?
- Describe the role that other departmental functions have in contributing to digital transformation outcomes – e.g. policy, data management, change management, IT, HR etc.
- 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 deliver this plan and how will this funding be allocated?
- Can the department deliver this plan with existing funding? If not, what is proposed 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? See *Financial Information template*.
- What is the department's view on its capital sustainability prospects?

Integrating organisational detail

The core of the plan should be supported by integrated information on the operating model / organisational elements as expanded further below.

Operating model

A 4YP needs to provide insight into how the department intends to organise itself (and its resources) to advance towards strategic objectives and deliver its proposed set of interventions. The PIF Review process and guidance material³ can help departments think about this.

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 4YP 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 4YP 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 CE has a set of performance expectations, which includes a range of people leadership expectations, and some CEs have additional expectations relevant to the agency.⁴

³ <https://www.ssc.govt.nz/performance-improvement-framework>

⁴ 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 information.⁵

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 (e.g. priority occupational groups/segments or digital leadership), any projected changes in people numbers, costs and affordability,
- analysis of risks and opportunities around the department's workforce and its ability to support the department's delivery intentions,
- 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.

CEs have committed to a shared vision for diversity and inclusion throughout the State sector, meaning:

- our State services reflect, understand and value the diversity of the communities we serve,
- we use best practice to identify what works and drive change across the system to create an inclusive culture across the public service,
- we deliver to New Zealand's diverse communities and people.

Leadership capability

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 and 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?

⁵ 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>

- What part of the leadership pipeline is the department focusing on, why has this area been chosen, and how is change being delivered?

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

- What does diversity and inclusion mean to the department?
- How does the workforce currently reflect the department's customers and where is greater diversity needed to better reflect customers?
- What is the current⁶ and future state for diversity and inclusion in your organisation (including any goals or targets) and how will the future state enable progress towards strategic objectives and business goals?

⁶ You may like to fold this into any EEO material you will provide and/or include any statistics you have available including about average employee age, average tenure (years), unplanned turnover (%), % of ethnicity in workforce (eg Māori, Pasifika, Asian, MELAA, ethnicity in workforce at management level), % women in workforce (eg across grades, at management level), pay gap (e.g. average gender pay gap, average pay gap by ethnicity), and engagement survey results.

- What is the department's gender pay gap? Are the drivers of the gender pay gap known? How is the department's planning to close this gap?
- If data is available, what is the department's ethnic pay gap and how is the department planning to close this gap?

Digital and Data people capability⁷

- What new digital and data capabilities will be required to deliver to your strategic outcomes?
- What capacity shift (+/-) is required in key leadership and business capability areas to contribute to digital transformation outcomes?
- What capacity shift (+/-) is required in key technical capabilities as your agency responds to the government's Cloud First strategy and your agency's ICT strategy document (eg, ISSP, Digital Strategy)?

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.

Forecast FTE and vacancy numbers¹

	30 June 2017 ² (Base-line)	30 Dec 2017 ³	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Number of FTEs							
Vacant positions							
Total Position Numbers							

Notes:

1. Please use the definitions used in the SSC Human Resource Capability Survey (HRC)⁸.

⁷ 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/>

⁸ See <http://www.ssc.govt.nz/workforce-stats>

2. Please enter departmental position numbers as submitted for the June 2017 Human Resource Capability Survey.
3. For December 2017 and each of the out-years please provide expected position numbers that are your best estimate based on, and aligned to, your 4YP 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 2018.

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, and
 - 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 *Financial Information* template.

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

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 NGOs delivering these services?

- What new activity will require third party suppliers, providers and NGOs?
- How does the department intend to work with these suppliers, providers and NGOs 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, and
 - demonstrate inter-agency collaboration?

Asset management and investment intentions

You should be able to draw on existing asset management and investment information to inform your 4YP. For example, up-to-date asset registers and condition assessments, asset management plans, Long-Term Investment Plans, 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 4YP?
- 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 4YP? 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?
- How will the department manage its transition to as-a-Service delivery models and Cloud adoption, in line with government ICT policy? What impact will this have on funding profiles (Capex:Opex) and people capability needs?

Financial information

There is no standard operating expenditure table required in the body of the 4YP (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 links 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.

The financial starting point for your medium term planning is the baseline for Votes as at Budget 2017. If additional decisions regarding funding are made prior to the submission of the 4YP then agencies are welcome to incorporate them into their plan where practicable.

The 4YP 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.

Agencies are increasingly using scenarios to explain the main choices over the planning horizon. Base scenarios are often grounded current baselines or service levels. Other scenarios may contrast the amount or type of demand for services, or the way services are delivered or prioritised in the face of different funding constraints.

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.

The 4YP should include commentary on both departmental and significant non-departmental expenditure. For non-departmental expenditure the 4YP 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 4YP 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 4YP 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 4YP).

The 4YP 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), and how these will be managed and any changes being made to the operating model (for example leasing rather than buying IT storage capability).

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.

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

Sustainability and resilience

A key element of the medium-term planning process is considering what might stop you from achieving your 4YP (ie, achieving the milestones, delivering the interventions and advancing towards strategic objectives) 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, having the 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, and
- legal risks, such as: privacy/security breaches.

What are the mitigating actions required to manage the main risks (within appropriate risk appetites)?

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 emergencies⁹.

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.

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 *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 within the spreadsheet.

The template should be filled-in once you have completed your medium-term planning and needs to be uploaded into CFISnet alongside your 4YP by **15 December 2017**.

This information will be used by central agencies to advise Ministers on cost pressures and agencies responses to identified pressures.

We have made some minor changes this year -

- We have reverted back to asking departments to identify pressures over-and above approved baselines rather than an identified Base Year. The result of this is that departments will no longer be required to identify cost pressures already built into baselines. If these pressures are material to your agency we encourage you to provide additional comments in your template to ensure that your financial story is accurately captured.
- Although departments are asked to begin their planning on the basis of Budget 2017 baselines, we aware that by the time the financial information template is submitted the October Baseline Update (OBU) will have been completed. Departments are encouraged to complete their template on the basis of OBU 2017 numbers, however if

⁹ 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>

this presents an issue then BEFU 2017 may be used instead. Please record the basis used in the space provided on the template.

- 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.

Cost pressure analysis (submit with the final Four Year Plan due 15 December 2017)						
Baseline numbers below are based on:		CRU 2017				
Instructions		Rows have been grouped to make this sheet easier to navigate. Click the "+" icon in the left margin to expand a particular area.				
Definitions						
Cost Pressures						
Service Name 1						
Budgeted baseline (\$0.000m)		2017/18 Current Year	2018/19 Year1	2019/20 Year2	2020/21 Year3	2021/22 Year4
Service Name 1	Personnel					
	Non-personnel					
Total		0.000	0.000	0.000	0.000	0.000
Cost pressures affecting baseline expenditure						
Pressures are to be identified here as those over and above baseline expenditure						
Type	Methodology & assumptions	2018/19	2019/20	2020/21	2021/22	Additional Comments (Optional)
Personnel						
Volume driven						
Wages/Budgeting/Risk						
Wages Progression						
Other						
Total Personnel Pressures		0.000	0.000	0.000	0.000	
Non-Personnel						
Volume-driven						
Price-driven						
Total Non-Personnel Pressures		0.000	0.000	0.000	0.000	

Review and use of the 4YP

Knowing how your plan will be reviewed

Your department's strategic planning process and the resulting 4YPs will be reviewed by your Corporate Centre team once the plans are received. The purpose of the review is to support consistent feedback and continuous improvement of planning and delivery.

This review process is moderated to ensure consistency in approach. Consistency is important as the quality of a department's 4YP is an input into CE performance management, and will be reported to Ministers.

How well the appropriate prompts were addressed will inform the assessment along with:

- how engaged the senior leadership team appeared to be in the strategic planning process,
- how integrated different parts of the agency appeared to be in the planning process (e.g. were teams joined up in their work or working separately), and
- how well the department advanced the actions discussed with the Corporate Centre team at the start of the process.

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 will be taken into account.

The image shows a 'Four Year Plan review tool' form and a diagram. The form is a table with several rows and columns, containing various prompts for review. The diagram is a flowchart showing the relationship between the 4YP, the Strategic Plan, and the Departmental Plan, with arrows indicating the flow of information and influence.

Four Year Plan review tool

The below material is from the *Four Year Plan Guide*. You don't have to use this tool, it's being provided for Corporate Centre colleagues who would like to jot down notes or ratings for the Four Year Plan they are reviewing.

How is the department progressing and managing performance?	
• What has changed since the last Four Year Plan?	
• How is the department progressing, as demonstrated delivery against previous Four Year Plans?	
• What has the department learnt about what works and what doesn't work? What evaluations has the department undertaken?	
• 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?	
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?	

The diagram on the right shows a flowchart with the following components:

- Strategic Plan** (top)
- Departmental Plan** (middle)
- 4YP** (bottom)

Arrows indicate the flow of information and influence between these components. A central box contains a diagram of a 'Departmental Plan' with various sub-sections and arrows pointing to it from the 'Strategic Plan' and '4YP'.

The review tool available to the Corporate Centre to help form judgements is available [here](#).

The 4YP Review Template that will be used by the Corporate Centre is available [here](#).

Understanding how your plan will be used

4YPs 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 obligations¹⁰, are sustainable¹¹ and operate in an integrated way (both internally and externally).

The provision of 4YPs helps inform government resource allocation and 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 and activities. They also enable the identification of system-wide opportunities, tensions and risks.

4YPs 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 progress towards strategic objectives 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 over the medium-term.

4YPs 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,
- to understand what departments will do individually and collectively to achieve Government priorities and objectives 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,
- 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,

¹⁰ Under the State Sector Act 1988 "stewardship" means active planning and management of medium- and long-term interests, along with associated advice.

¹¹ Under the Public Finance Act 1989 Chief Executives are responsible for the financial sustainability of their department. Sustainability in the 4YP context covers all elements of organisational sustainability as well as financial sustainability.

- to develop an understanding of how CEs are meeting their Public Service Performance Expectations, including those in relationship to Ministers, People, Core Business, Financial Management and System-wide Stewardship, 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 4YP.

Are they required to be published?

No, however we recommend proactive release of non-sensitive elements of your 4YP to:

- support an 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 4YP, and it includes sensitive information used as an input into the forthcoming Budget process, you should not publish it prior to Budget day.

More detail on where the 4YP fits

This section outlines where 4YPs fit in relation to the other elements within the wider State sector performance management system and in relation to the Budget.

Sector or system strategies and plans

4YPs 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.

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 4YP will positively contribute to system-level priorities.

Performance Improvement Framework (PIF)

It is expected that you will draw on your PIF Four-year Excellence Horizon¹² and your department's response to the PIF Review when developing your 4YP. 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 CEs 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 4YP will be an important input into creating the Four-year Excellence Horizon. Finally, your 4YP sets out how you will achieve your Four-year Excellence Horizon.

Strategic Intentions

Your 4YP 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.

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 requirements¹³.

Where you are revising your strategic intentions, you should consider using the relevant components of your 4YP to meet the Public Finance Act 1989 requirements¹⁴. Information on your strategic intentions tends to be less detailed than what is expected in a 4YP. 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 4YP and/or is a summary of the relevant key elements of your 4YP.

¹² For more information see: <http://www.ssc.govt.nz/pif-factsheet4>.

¹³ See <http://www.treasury.govt.nz/publications/guidance/strategy/strategicintentions-timetables> for the triggers for when a department needs to revise its strategic intentions.

¹⁴ <http://www.treasury.govt.nz/publications/guidance/strategy>

If you are revising your strategic intentions, when you seek Ministerial endorsement of the 4YP 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 CE 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 thereafter¹⁵.

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

Long Term Investment Plans

Changes to the investment management system came into effect on 1 July 2015¹⁶. 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 LTIP describes an agency's potential investment journey: the rationale for and implication of investment choices and actions that are designed to meet public needs over the planning period.

Where 4YPs should be completed on the basis of no new funding, an LTIP can consider scenarios that might require new funding. If necessary agencies can use scenarios in 4YPs to explain and resolve the main choices they face over the medium term with those set out in their LTIP.

Relationship with the Budget

While the 4YP should be completed on the basis of no new funding, questions are often asked about the relationship between 4YP.

The 4YP is a strategic plan which provides insights into how the all of the departments baseline funding (operational and capital) will be used over the next four years. Over the medium-term, the Treasury is looking to understand and signal with Ministers future budget pressures and opportunities.

The 4YP is not a budget product and those 4YPs prepared to support budget bids risk taking a limited or short-term view.

A quality 4YP will signal budget themes and cost pressures years in advance of any budget bids. Scenarios might be helpful if a department's is looking to reconcile their plan with any forthcoming budget bids to support different choices. Base scenarios, grounded current baselines or service levels, might be compared against other scenarios contrasting the amount or type of demand for services, or the way services are delivered or prioritised in the face of different funding constraints.

¹⁵ 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.

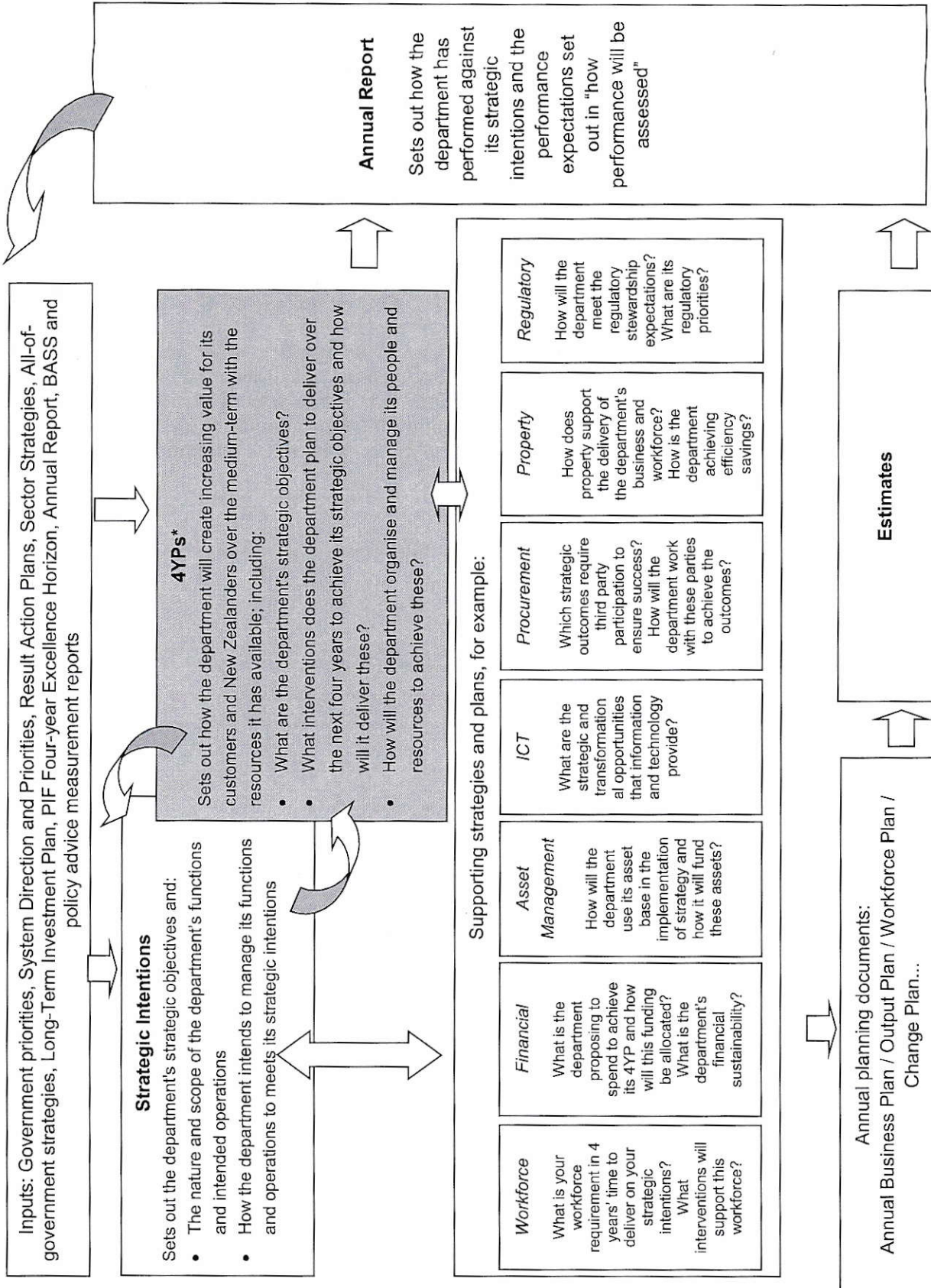
¹⁶ Material on these changes can be found on the Treasury website at <http://www.treasury.govt.nz/statesector/investmentmanagement>

If you are preparing budget bids, your 4YP should be visible in your budget bid – but not the other way round (i.e. the budget bid should not be visible in your 4YP). Details needed to support a budget bid should be provided through the budget process – not the 4YP.

Other planning and performance management documents

The relationship between the 4YP and other major strategy, planning and performance management documents is shown in the diagram on the following page.

Where 4YPs fit – diagram showing 4YP and other major strategy, planning and performance management documents



* Investment-intensive agencies will also have Long-Term Investment Plans which flow from Strategic Intentions and into 4YPs

More about the process supporting a 4YP

Strategy development and medium-term planning

Strategic planning is a continuous cycle (see following figure). The State Sector strategic planning cycle results in a number of outputs with different time-frames and scopes, 4YPs are one product in this cycle. For more about this see *More detail on where the 4YP fits*.

Where your department is at on its strategy cycle will influence the process you need to undertake, the decisions you need to support over the next six or more months, and the focus of your engagements over this period. The scale and nature of change your organisation might be going through will impact where your department is at on its strategy cycle.

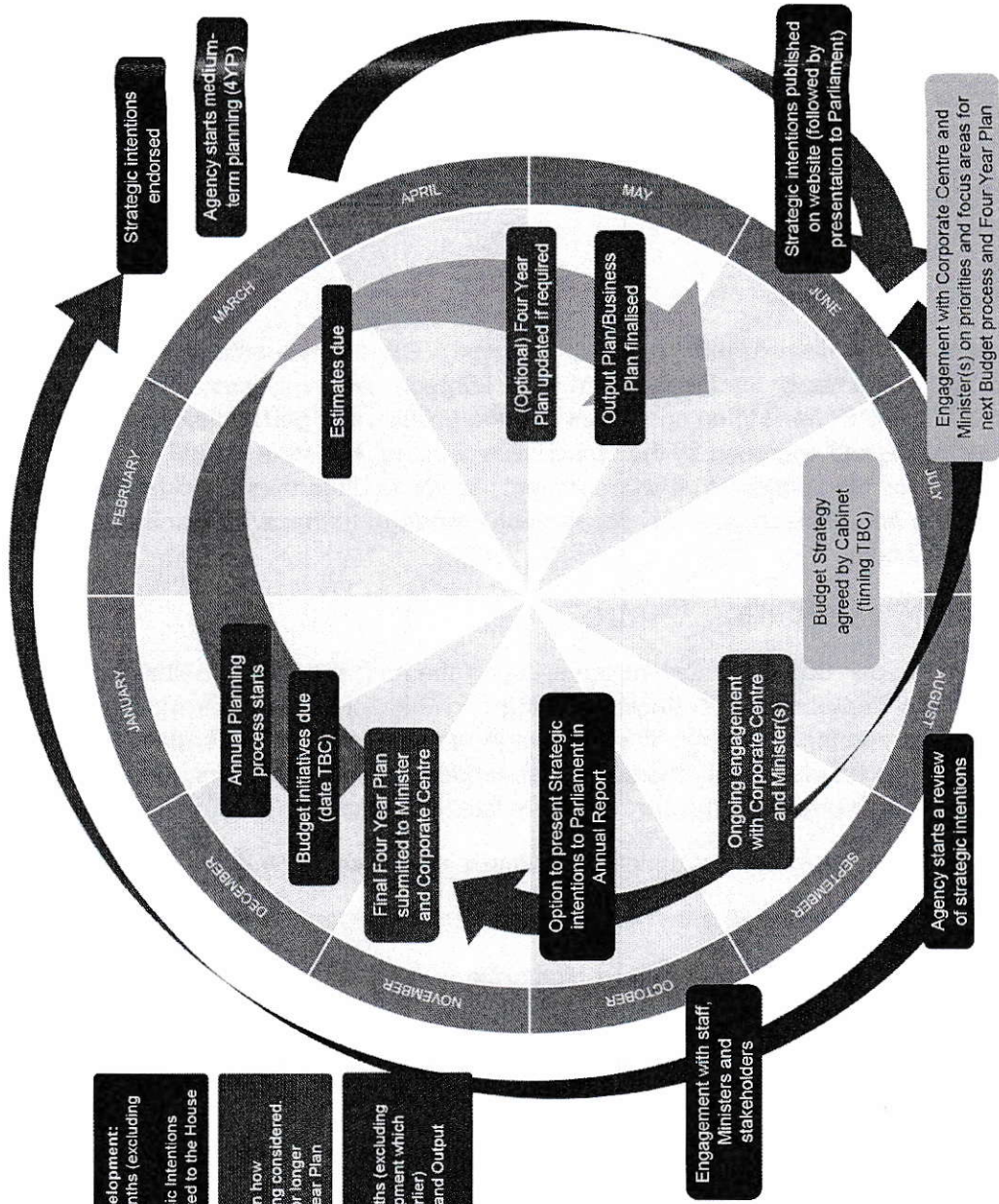
Recognition of where departments are on this cycle is designed to shift the focus from continually revising strategic intentions and planning to focus on delivery against strategic intentions and plans. An ambition of the 4YP process is to get to a level of maturity where departments produce a 4YP of sufficient quality that the Plan only needs to be substantially reviewed every few years, unless it is valuable to the department, or it's Minister, to update it more frequently.

The strategic planning cycle

The State sector strategy 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). 4YPs are one output from this cycle and represent a snapshot in time of the department's strategic thinking and planning.

- Strategic intentions development:**
 - Can take three-six months (excluding publication process)
 - End product is Strategic Intentions published and presented to the House
- Medium-term planning:**
 - Timeframe depends on how significant change being considered. Can take six-months or longer
 - End product is Four Year Plan
- Annual planning:**
 - Usually takes six months (excluding business case development which might need to start earlier)
 - Feeds into Estimates and Output Plan/Business Plan



Early engagement

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 4YP, 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.

Engaging your Minister

While 4YPs are the responsibility of the department's CE, the responsible Minister is a key stakeholder who should be involved in your strategic planning process. The strategic objectives in the 4YP 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 4YP process enables them to have insight into the department's strategic planning conversations and to provide support and assistance in preparing your 4YP. 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 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 last 4YP and the Corporate Centre's feedback on this
- where you are in your strategic planning cycle
- 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 4YP
- the strategic choices and trade-offs the department is facing.

Existing delivery and evidence

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 tool¹⁷ 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.

¹⁷ See: <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>

Further Information

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>
- 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>

Key definitions

Corporate Centre team	Officials from the <u>Treasury</u> (including the relationship manager for the department, Vote manager, and Vote analyst), <u>SSC</u> (including Deputy Commissioner/Assistant Commissioner, EMPG and Workforce colleagues), the <u>Government Chief Information Office</u> and <u>New Zealand Government Procurement</u> .
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 move towards its strategic objectives. 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.

