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<b>Intended for</b>	All Ministers All Chief Executives Speaker of the House Chief of Staff, Office of the Prime Minister Chief of Staff, Office of the Leader of the ACT Party Chief of Staff, Office of the Leader of the New Zealand First Party All Senior Private Secretaries All Private Secretaries
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## Performance Plans: Requirements and Expectations

### Introduction

- 1 This circular sets out the requirements for developing and maintaining Performance Plans.
- 2 Achieving a sustainable fiscal outlook while delivering efficient, effective, and responsive public services requires planning and oversight of fiscal risk and performance within and across government.
- 3 Performance Plans give effect to Cabinet’s intention to have a better plan for spending over the medium-term by:
  - 3.1 providing assurance to Ministers that each department has a plan in place to deliver within set baselines, subject to Ministerial comfort with associated trade-offs (supports fiscal sustainability); and
  - 3.2 transparently and systematically surfacing financial sustainability, department performance and delivery risks to Ministers, identifying levers available to address these, and confirming the ongoing approach to managing them (active management and department performance).
- 4 Information in Performance Plans will support ongoing Budget planning, assessment and decision making. Responsible Ministers must ensure the production of a Performance Plan for each of its departments.
- 5 The Cabinet Expenditure and Regulatory Review Committee (EXP) (or a Cabinet committee established by the Prime Minister with a similar terms of reference) leads the scrutiny of Performance Plans. Performance Plans are intended to be reviewed and will be subject to EXP scrutiny periodically.

- 6 For the purpose of this circular, ‘department’, is defined in the Public Finance Act 1989 with two exceptions - Performance Plans are not expected for interdepartmental executive boards or interdepartmental ventures. Ministers and chief executives should ensure that the requirements in this circular are conveyed to all departments and entities affected by this circular.
- 7 In developing Performance Plans, departments are required to consider all public spending for which departments have responsibilities (including companies and entities that they have monitoring responsibilities for).
- 8 The Speaker of the House will convey the requirements to the Office of the Clerk of the House and the Parliamentary Service.
- 9 The requirements outlined in this circular should be viewed alongside the following (where applicable):
  - 9.1 other Cabinet Office Circulars, in particular *Proposals with Financial Implications and Financial Authorities* [[CO \(18\) 2](#)] and *Investment Management and Asset Performance in Departments and Other Entities* [[CO \(23\) 9](#)];
  - 9.2 [Treasury Circulars](#) and associated templates; and
  - 9.3 Treasury instructions.

## Operational requirements

### Information requirements

- 10 The Treasury will issue a Treasury Circular setting out the specific information requirements and contents of Performance Plans, including the Performance Plan template. This circular will also set out the timeframe for the completion of Performance Plans.
- 11 At a high-level, a Performance Plan must provide a plan for the department to deliver within set baselines with the associated risks and trade-offs, and explain the value and performance delivered by the department.
- 12 A Performance Plan must therefore provide information about the department’s:
  - 12.1 purpose and resources, e.g. strategy, spend, income;
  - 12.2 impact, e.g. how the department is currently delivering value and plans to sustain or improve this in the future; and
  - 12.3 drivers of cost pressures and other risks to deliver its strategy within baselines, including a plan to manage these.
- 13 To supplement annual financial planning provided through other processes (e.g. the Budget), information in Performance Plans should cover operating expenditure over the forecast period<sup>1</sup>, with a longer-term view (minimum of 10 years) provided on capital expenditure’s long term drivers and investments<sup>2</sup>. This will enable a greater understanding of the medium-term fiscal

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<sup>1</sup> The forecast period is defined as the current financial year and the next four financial years.

<sup>2</sup> *Investment Management and Asset Performance in Departments and Other Entities* [CO (23) 9] requires departments to identify all investment intentions over a minimum period of ten years

sustainability of the department, in a way that can surface options for Ministers earlier than what may be possible if the focus is on what needs immediate funding in the upcoming Budget.

- 14 To ensure a comprehensive overview of Government expenditure, information should be provided on all funding flowing to and through the department, including departmental and non-departmental spend.
- 15 The expectation is that Performance Plans for departments with monitoring responsibilities for Crown companies and entities will include reporting on significant issues or opportunities related to the fiscal sustainability and performance of the monitored Crown companies and entities.

#### **Relationship between Performance Plans and the Budget process**

- 16 Ministers and departments need to understand the planning parameters and assumptions to apply when preparing Performance Plans.
- 17 Unless formally confirmed by the Minister of Finance (or Cabinet), the default position is that Performance Plans are prepared on the basis of no new funding (i.e. operating within existing baselines). The Performance Plan should articulate how the department will manage within existing baselines, including the decisions made by the responsible Minister (working with Ministers responsible for the funding administered by the department) to ensure this.
- 18 The Minister of Finance may, from time to time, adjust the planning parameters for individual departments based on priorities for the upcoming Budget. This will be communicated to the relevant Minister/s and department/s.
- 19 Unless agreed through the Budget process, Performance Plans should not include new or additional funding. Further, Performance Plans do not constitute a Budget submission, initiative, or 'bid'. Where a Performance Plan suggests further funding is needed, there is no guarantee that this funding will be provided.
- 20 Paragraphs 26 to 29 below outline the roles and responsibilities of Cabinet and Cabinet committees in the review and scrutiny of Performance Plans. However, review and scrutiny of the Performance Plans does not constitute agreement to adjustments to a department's finances, which must proceed via the decision-making processes set out in the Cabinet Office circular *Proposals with Financial Implications and Financial Authorities* [[CO \(18\) 2](#)].
- 21 Once Budget decisions have been confirmed by Cabinet, Ministers and departments need to revise their Performance Plans to take these Budget decisions into account.

#### **Relationship of Performance Plans with public accountability and planning documents**

- 22 There should be consistency between the Performance Plan of a department and its related public accountability documents (e.g. the department's information on strategic intentions), reporting on Government Targets (and associated delivery plans underpinning these) and internal business planning.
- 23 The preparation of Performance Plans should draw on information contained in existing financial and performance planning documents. Similarly, public accountability documents may need to be updated to reflect finalised Performance Plans. However, the Performance Plans are not intended to be public accountability documents in their own right and there is no requirement for them to be audited.

## **Reporting and revision**

- 24 To support regular Ministerial conversations about trade-offs and prioritisation, Cabinet or the delegated Cabinet committee will specify the frequency of review and reporting against Performance Plans. At a minimum, Performance Plans need to be reviewed and reported annually ahead of the Budget strategy each year. Treasury Circulars will provide detailed timeframes for the annual review process.

## **Assurance**

- 25 There is no requirement for Performance Plans to be audited. However, Ministers and departments are encouraged to agree on an approach to provide assurance of the Performance Plan ahead of its submission for Cabinet consideration. For example, an assurance approach could include a role for the department's Risk and Assurance Committee or an independent review required to ensure a high quality Performance Plan.

## **Roles and expectations of parties in the system**

### **Cabinet**

- 26 Cabinet is ultimately responsible for the expectations and requirements set out in this circular, and for ensuring these remain fit for purpose.
- 27 Cabinet is also ultimately responsible for Budget/fiscal allocation decisions. This can include considering Performance Plans (individually and in aggregate), and central agency advice on them, when making those financial allocation decisions.

### **Cabinet committees**

- 28 EXP (or a Cabinet committee established by the Prime Minister with a similar terms of reference) leads the scrutiny of Performance Plans, although it may refer Performance Plans to other Cabinet committees for consideration.
- 29 Cabinet committees required to review and scrutinise Performance Plans will support Cabinet to perform its role under this circular, by:
- 29.1 considering the extent to which Performance Plans adequately canvass financial sustainability, risk, and performance matters;
  - 29.2 discussing prioritisation of resources and management of immediate or longer-term risks that arise through Performance Plans in order to meet the government's fiscal objectives;
  - 29.3 discussing trade-offs and priorities within, and between, Performance Plans to inform Budget planning and decisions by Budget Ministers and then Cabinet, but not make Budget decisions (refer to paragraph 19 to 21 for further information);
  - 29.4 providing recommendations to the Responsible Minister on areas where the Plans need to be revised (or clarified) without impeding Budget Minister decision-making (specifically in relation to discussion of cost pressures or new policy initiatives);
  - 29.5 encouraging Ministers to ensure that Performance Plans are finalised to reflect Cabinet committee recommendations, and to take into account Budget decisions so that they are financially sustainable;

- 29.6 indicating when Cabinet committees would like to re-examine a Performance Plan and any specific actions they expect to be updated on, with support from central agencies.

#### **Ministers**

- 30 Ministers can create the conditions for better medium-term fiscal planning and performance (in respect of a department for which they have portfolio responsibility) by:
  - 30.1 understanding the government's overall policy and fiscal agenda, and how the department can contribute to this;
  - 30.2 reinforcing expectations for the department's delivery within set baselines, including working with other Ministers with responsibilities within that department to understand the overall funding situation for the department and making trade-offs where needed;
  - 30.3 reinforcing an expectation on the department of continuous improvement in the efficiency of delivery and effectiveness of activity, including understanding the ongoing need for government intervention and the various approaches to intervention;
  - 30.4 upholding and reinforcing an expectation of fiscal sustainability, which includes working with the Chief Executive to understand cost drivers, risks, and opportunities on the horizon, and putting in place appropriate plans;
  - 30.5 setting, monitoring, and ensuring accountability for the level of performance and impact agreed.

#### **Responsible Minister**

- 31 The Minister responsible for a department, or a lead Minister appointed by the Minister of Finance, will own the Performance Plan for that department. This will involve:
  - 31.1 engaging with Chief Executives to ensure the Performance Plan is completed and that there is an appropriate assurance process for ongoing preparation and review;
  - 31.2 agreeing on the Performance Plan, including any amendments to the Performance Plan;
  - 31.3 participating in Cabinet and Cabinet committee discussions on their Performance Plan, and taking forward agreed actions;
  - 31.4 revising their Performance Plan based on Cabinet and Cabinet committee recommendations, Budget decisions, or other matters that have resulted in the need for adjustment; and
  - 31.5 monitoring their Performance Plan in relation to major risks or issues, and holding the relevant Chief Executive to account for delivery against the Plan.
- 32 Where a department has multiple appropriation Ministers, the responsible Minister is expected to engage with the other appropriation Ministers as part of agreeing the Performance Plans.

- 33 When preparing Performance Plans, Responsible Ministers and/or Lead Ministers should have regard to ensuring expenditure is:
- 33.1 delivering public goods, social insurance, regulating market failure and political choice; and
  - 33.2 based on data and evidence, with the expectation that programmes are stopped if they are not delivering results.

#### **Chief Executives**

- 34 Chief Executives can help create the conditions for improved fiscal sustainability and performance within the department by supporting Ministers to understand:
- 34.1 how funding is currently spent, what it delivers, and its impact; and
  - 34.2 the choices for Ministers to improve outcomes for New Zealanders through improved effectiveness and efficiency, including by taking a longer-term view.
- 35 Further, Chief Executives can support their Responsible Minister to perform their role under this circular by working with the Minister, relevant Ministers, and other relevant stakeholders, to develop the department's Performance Plan, having appropriate processes in place to provide assurance, and supporting associated monitoring and reporting.
- 36 Chief Executives will ensure departments adopt and apply, as good management practice, relevant central agency and system leader guidance.

#### **Central agencies**

- 37 Central agencies will provide a performance overview of each department as well as advise key risks, trade-offs, and opportunities impacting the overall fiscal strategy and performance of the public sector. Central agencies will support Cabinet committees with insights and with recommendations on actions, monitoring and prioritisation of Performance Plan reviews.

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#### **Enquiries:**

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