

Managing for Outcomes Output Plans Guidance for Departments

Prepared by the Steering Group Managing for Outcomes Roll-out 2003/04
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DEPARTMENT
of the PRIME MINISTER
and CABINET



Te Puni Kōkiri

STATE SERVICES COMMISSION



THE TREASURY
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The Steering Group – Managing for Outcomes Roll-out 2003/04

The Treasury
State Service Commission

Te Puni Kokiri
Department of the Prime Minister and Cabinet

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Letter to the Chief Executive

OUTPUT PLANS GUIDANCE FOR DEPARTMENTS

The Managing for Outcomes initiative is intended to focus departments on achieving results for citizens. Clearly describing both qualitatively and quantitatively the best mix of outputs is essential to managing for outcomes. In the past, output specification and delivery have been prescribed in Purchase Agreements. Ministers have agreed that Output Plans will replace departmental Purchase Agreements from the beginning of the 2003/04 financial year.

As with other aspects of the Managing for Outcomes initiative, the shift from Purchase Agreements to Output Plans is incremental and evolving. Output Plans in themselves do not significantly change what is required of departments but they do place outputs within a wider context, encourage improved planning for results and incorporate information about third party outputs. Output Plans place much greater emphasis on the connection between outputs and achievement of outcomes.

The attached guidelines outline the nature and role of Output Plans; how they relate to Statements of Intent; the information they should contain; and ways in which performance measures can be developed. The guidelines have been provided to assist departments with the shift away from Purchase Agreements, and should be read in conjunction with the Managing for Outcomes guidelines. In addition, the Steering Group will sponsor a workshop for departments in early 2003, and central agency teams will be available to assist departments with specific queries.

In order to facilitate greater coordination of services, Ministers have decided that departments should consult with central agencies and those agencies closely linked to the work of the department, when developing their Output Plans. This decision represents a more clearly defined role for central agencies in relation to Output Plans than was the case with Purchase Agreements.

We look forward to working with you and your staff in the development of Output Plans to support achievement of outcomes. If you have any immediate queries about the attached guidelines, or would like to work through what the change means for your department please feel free to contact Anna Cook on 471-5976 up until the end of January 2003. Alternatively queries can be addressed to psmhelp@treasury.govt.nz or to your Treasury Vote analyst.

Yours sincerely

Peter Bushnell
For the Steering Group

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Introduction

The Managing for Outcomes initiative is intended to focus departments on achieving results for citizens. Advising on the best mix of outputs and measuring their achievement in relation to outcomes is an essential part of planning and managing for outcomes. In engaging with Ministers it is important to show how the mix of outputs is intended to contribute to the achievement of outcomes.

The covering letter to the chief executive, together with this attachment, comprises the Output Plans Guidance for Departments, and should be read in conjunction with the Managing for Outcomes Guidance for Departments. This guidance is sponsored by the Managing for Outcomes Steering Group of officials from the State Services Commission, the Treasury, the Department of the Prime Minister and Cabinet, and Te Puni Kokiri.

Cabinet has decided that Output Plans will replace Purchase Agreements from 2003/04 and these guidelines therefore supersede the 1995 Treasury Purchase Agreement Guidelines [CAB Min (02) 30/2B refers].

As indicated in the Managing for Outcomes Guidance for Departments, chief executives will not be held accountable for achieving outcomes, however, they will be held accountable for “managing for outcomes”, and continue to be accountable for the delivery of outputs, with a greater emphasis on their effectiveness.

An Output Plan is an important document, since:

- ❖ the Plan specifies constraints on the resources that a Minister will make available to a department that go beyond the more general limits and controls imposed by appropriations or Cabinet decisions;
- ❖ a Minister may use the Plan to hold the department accountable for output delivery performance;
- ❖ the State Services Commissioner may review output delivery performance against the Plan as part of the Commissioner’s review of chief executive performance;
- ❖ Parliamentary select committees may request and refer to an Output Plan as part of the Estimates examination or departmental financial review;
- ❖ the Audit Office may refer to the more detailed information in an Output Plan to assure itself that output classes have been delivered as set out in the department’s Statement of Service Performance (SSP), although performance against the Output Plan itself will not be audited; and
- ❖ it draws on the Statements of Intent (SOI) and refers to the intervention logic for key outcomes.

An Output Plan is not:

- ❖ a formal part of the Government’s budget documentation, although it needs to be consistent with budget appropriations;
- ❖ designed to support the Executive’s accountability to Parliament (although Parliamentary select committees are likely to ask to see the Plan to help inform their Estimates examinations).

The development of any Output Plan should follow, and be informed by, the department's planning processes, and assessments of production and resource requirements. An Output Plan should not be seen as a business plan or a set of action plans for a department – it does not need to set out a strategic analysis, direction or change agenda for a department, and it does not consider how a department will go about producing its agreed outputs.

Output Plans:

- ❖ provide detailed information about the service performance intentions of departments – i.e. they contain more detailed information than that provided in the *Statement of Objectives* (SOO), the statutory component within *Statements of Intent* (SOI);
- ❖ provide a vehicle for discussion with Ministers and key stakeholders about the ways in which service provision will contribute to the achievement of outcomes;
- ❖ collate ex ante performance measures for the delivery of outputs;
- ❖ assist in the internal management of departments by providing managers with a clear indication of the outputs they are expected to deliver; and
- ❖ set out how resources align with outcomes through outputs.

Output Plans differ from Purchase Agreements in that they:

- ❖ refer to explicit links (the intervention logic) between the department's outputs and the outcomes spelt out in the department's SOI;
- ❖ are wider in scope, covering all outputs produced by a department, and not just those funded by Revenue Crown;
- ❖ will generally be a "departmental", as opposed to a "vote" document. That is, where practicable, the Output Plan should be a single document covering all the outputs provided by a department, including multi-vote departments; and
- ❖ will have more flexibility in the ways in which information is presented and reported against.

The Output Plan enables Ministers and departments to focus on the important details of the goods and services that a department will provide. It can provide:

- ❖ a clear understanding of what the department undertakes to provide;
- ❖ more effective control over the use of departmental appropriations; and
- ❖ explicit agreement to specific output prioritisation and trade-off decisions.

A The Nature and Role of Output Plans

The Output Plan is an agreement between the departmental chief executive and Minister(s) as to which outputs will be delivered and their link to the outcomes set out in the agency's SOI. The Output Plan, therefore:

- ❖ describes the full range of outputs to be delivered by the department, together with the applicable performance measures and standards; and
- ❖ sets out the amount and basis on which the department is to be paid, or expects to earn revenue for the delivery of those outputs.

The scope of an Output Plan

Output Plans will cover a wider range of outputs than traditionally covered by Purchase Agreements. In particular, Output Plans will include:

- ❖ departmental outputs funded by third party fees or charges set through regulations; and
- ❖ outputs wholly funded through trading revenue¹, which are normally covered by Mode B net output class appropriations.

This will provide a comprehensive description of all the outputs to be provided by a department.

In addition, where departmental outputs are funded by third party fees or charges set through regulations, Ministers will be able to see that the expectations they had when approving the regulations are accurately reflected in the information provided on:

- ❖ what the department should be paid for the outputs delivered; and
- ❖ the nature of the outputs and output performance standards that the department is expected to meet.

The only outputs clearly outside the scope of a departmental Output Plan are outputs covered by non-departmental appropriations.

Period covered by the Output Plan

Output Plans should be developed, and agreed, prior to the beginning of the period to which it relates. Given the benefits of linking back to the Crown's budgetary and planning cycle, most Output Plans will be annual documents based around a June financial year. In comparison, the SOI will have a three to five year timeframe, reflecting the more strategic nature of the information reflected in the SOI.

However, Output Plans may be negotiated for shorter or longer periods. Plans for more than one year could be appropriate for outputs covered by multi-year appropriations, or funded from third party fees or charges set by regulation. They would need to be modified during their term if circumstances or priorities changed in any significant way.

Output Plans, Output Classes and Statements of Objectives

The focus of the Output Plan is on the detailed specification of outputs, rather than the higher-level output class information that is used to define appropriations or construct

¹ Trading revenue is defined in the Public Finance Act 1989 to mean "*departmental revenue, other than revenue generated in circumstances where –*

- a) *the department has a statutory right to be the sole supplier of the goods, services, rights, or money; and*
- b) *there are no independently competing sources of supply for the goods, services, rights or money within the departments."*

the SOO (against which the department's SSP will be reported and audited). Nonetheless:

- ❖ nothing in an Output Plan should be inconsistent with the output class appropriations set out in the Estimates or with any subsequent Cabinet approvals concerning the use of imprest supply; and
- ❖ the outputs in the Output Plan should be grouped and sequenced on an output class basis, as this allows more ready comparison with the output class information given in the Estimates or SOO.

B Developing an Output Plan

The SOI and the associated planning for desired outcomes, intervention logic, and departmental capability, are a key part of the context in which the Output Plan will be developed. The Output Plan therefore needs to come out of the same integrated planning process as the SOI, providing detailed information about the outputs to be produced in managing for the outcomes specified in the SOI.

There should be explicit links between the Output Plan and the discussion in the SOI of the Minister's desired outcomes, the intervention logic linking departmental outputs and intended outcomes, and the selection of the output mix. In making these links the Output Plan should avoid unnecessary duplication with the SOI, which will specify the key outcomes to be pursued and the intervention logic linking outcomes to outputs.

This might best be achieved by referring to the relevant parts of the SOI. Specific references could usefully be made to those parts of the SOI that discuss:

- ❖ the 'vital few' outcomes agreed with the Minister that are the focus of the department, and the best outputs selected to pursue those outcomes;
- ❖ the overview of the rationale explaining why those outputs have been selected, including assumptions and risks the department needs to manage in delivering those outputs and how it will manage these; and
- ❖ the description of how the department will work effectively with other departments that influence the desired outcomes being achieved.

Within the context of Managing for Outcomes, conversations with Ministers about the outputs to be included in the Output Plan should involve a free and frank discussion of:

- ❖ Ministerial priorities, and trade-offs between different priorities;
- ❖ any changes or impending changes in legislation or Government policy;
- ❖ any consultation with other departments, output recipients or other interested parties;
- ❖ knowledge of potential alternative providers, and what they can offer;
- ❖ the department's strategic and operational plans (arising out of the department's internal planning processes);
- ❖ existing outputs and proposed new outputs;
- ❖ available resources; and
- ❖ any significant risks associated with output delivery.

The inclusion of new outputs is likely to require more discussion with Ministers than for existing outputs. The performance standards to apply to the period ahead should be considered in both cases, but new outputs require more effort around:

- ❖ the output descriptions, to ensure that they reflect Government policy and the Minister's requirements; and
- ❖ the development of performance measures that address the elements of performance that are critical to the Government and the Minister.

The provision of new outputs may also mean that some existing outputs need to be reviewed to ensure that the descriptions and measures continue to reflect the critical elements of performance. These are more likely to emerge out of Government decisions or as part of a policy development process. In practice, major changes in output mix, such as the provision of completely new outputs, are unlikely to surface for the first time during a discussion of the Output Plan.

Output Plans involving more than one Minister

Output Plans will cover all the outputs provided by the department to external parties, so as to provide a complete picture of the activities of the department and the various sources from which it receives its revenue.

In a number of cases this means that a department will have to discuss outputs with more than one Minister, and could provide scope for discussion between a department's different Vote Ministers of overall departmental priorities, capabilities or risks.

On the other hand, it may be more appropriate to provide for joint Ministerial sign-off by presenting each Vote Minister with the relevant draft output schedules, and appending the complete draft Output Plan.

In some cases, it may be appropriate for the department to have separate Output Plans with each Minister. This will generally occur where departments have a large number of Votes or different Ministers, and the benefits of a comprehensive Output Plan is outweighed by the compliance costs associated with meeting the needs of different Ministers and select committees.

Consultation with other agencies

The Government wants departments to work together to achieve results. During the development of their Output Plans departments should specifically allow for consultation with other Government agencies that have a substantial shared interest. Consultation should be linked to conversations undertaken in developing the SOI and provide for identification of areas where significant service delivery linkages or significant overlapping policy responsibilities will point to the need for more planned engagement between departments.

Ministers have decided that departments will also be required to consult with their relevant central agency teams in the development of their Output Plans [CAB Min (02) 30/2B refers]. Central agency teams will be available to work with departments to support the introduction of Output Plans and their integration into the wider Managing for Outcomes initiative.

As with the development of SOIs, it is expected that departments with a sector leadership role or similar co-ordinating responsibilities, may take the lead in engaging with other departments over service delivery or other output linkages.

An Output Plan should be a meaningful document

An Output Plan should be a “living” document that continues to be a useful reference for the Minister, the Minister’s advisers, the department’s managers, and other users over the period that it covers. These users will make more and better use of an Output Plan if it:

- ❖ *has a format that is sufficiently flexible to accommodate different circumstances and preferences* - Output Plans need to share a common purpose and disclose the same broad types of information. As long as general requirements are met, however, departments and their Ministers can determine for themselves:
 - what terms and conditions best express their intended relationship; and
 - how to organise and present output information so that it best meets their operational needs.
- ❖ *is an authoritative and up-to-date source of information about outputs to be delivered* - to ensure continued relevance, an Output Plan should be updated and amended regularly during its term.
- ❖ *is well written* - the clearer and simpler the language, the more effective the Output Plan will be.
- ❖ *includes useful contextual information, such as the identification of any high priority outputs, and any strong linkages with outputs provided by other agencies.*

C How to Specify Outputs and Performance Measures

Outputs are the indispensable link between the resources appropriated by Parliament for expenditure by the Executive, and the intended outcomes. Better articulation of desired outcomes and of the intervention logic linking outputs to outcomes – key components of the new Managing for Outcomes approach - cannot be successful if the outputs themselves are inappropriately or inadequately specified.

Outputs are goods and services produced by a department or another entity for use or consumption by an external party. They are final goods and services.

Principles for specifying outputs are that they should be:

- ❖ controllable by the department;
- ❖ homogenous – i.e. not of a mixed nature (for example, an output that would not meet this requirement would be described as ‘processing and advice’);
- ❖ measurable - to enable judgements about whether they were actually delivered; and
- ❖ informative to the reader.

It is important to distinguish outputs from:

- ❖ *Inputs* - the resources, such as labour, cleaning and computer services, that are used in the production of an output.

- ❖ *Management systems or processes* - the policies, systems and procedures used within a department to produce outputs e.g., consultation processes, or accounting policies.
- ❖ *Internal or intermediate goods or services* - goods or services of one part of a department, delivered to another part of the same department, or steps along the way in the production process that directly contribute to the delivery of another output.
- ❖ *Output classes* - groups of like outputs for the basis of appropriation.
- ❖ *Outcomes* - the impacts on, or consequences for, the community of the activities of the Government. Desired outcomes provide the rationale for government action and are the basis on which decisions should be made concerning the outputs of departments as part of the range of possible interventions. If outputs could be described as the "what", outcomes are the "why".

Internal goods and services and management processes may be dealt with as overheads which are allocated across some or all output classes, for example the provision of a travel booking service by a corporate services directorate, or a department's finance or IT functions. Further examples include providing legal advice to staff; and research and evaluation activities undertaken as an input to the output of policy advice.

In determining whether output specifications are likely to meet the needs of users, four simple questions apply:

- ❖ *Relevance*: Is there a clear rationale for this choice of output given the outcomes specified in the Statement of Intent²?
- ❖ *Description*: Does the output description provide a clear and unambiguous idea of what the department is undertaking to deliver?
- ❖ *Measurability*: Do the proposed performance measures and standards allow the department to show that it is achieving the output results it undertook to provide?
- ❖ *Focus*: Do the proposed performance measures and standards best reflect the aspects of performance in which the Minister or users are most interested?

The Pathfinder group has outlined ways in which progress towards outcomes may be identified through use of state and impact indicators (see <http://io.ssc.govt.nz/pathfinder/>).

One size does not fit all

Good output specification is not a science, and requires the application of sound judgment. Outputs vary considerably across government in their nature.

Departments may find it easier to specify outputs if they first determine the nature of the output. The OECD Report on Output Specification³ puts forward such an

² As the Audit Office has identified in *Reporting Public Sector Performance; 2nd edition*, a key consideration in determining whether or not measures are relevant is that they address attributes of the output that the policy model identifies as being causally related to the desired outcome. In other words, the logic of the policy model may require that, if the desired outcome is to occur, the outputs that are intended to cause it must have certain attributes. Relevant measures will address those attributes.

³ See OECD(2001), pp.26-31. See also ICANZ, TPA 9, paras 4.28-4.35, for discussion of the OECD outputs matrix.

approach. The Report suggests that it may be useful to analyse outputs in terms of the relationship between two factors (see Figure 1):

- a. *Knowledge of the production processes* used to produce the output. That is, how well the production process can be defined and articulated in advance, and followed consistently.
- b. *The number of exceptions*, or the ability to predict the detailed characteristics of each unit of output.

These factors combine to create a matrix with four quadrants, and suggest that the ease or difficulty of specifying outputs and relevant performance measures depends on which quadrant an output is located. By identifying which quadrant an output best sits within, it should be possible to provide better integration between the information managers need to manage output delivery, and the needs of users of external output reporting.

While no single template is able to reflect and capture the complexity of the wide range of goods and services produced by government, the value of approaches such as the OECD template is to prompt analysis of the underlying characteristics of different outputs. This should assist the tailoring of performance measures that best reflect the specific characteristics of different outputs.

Figure 1: Output categories

		Knowledge of production processes	
		Production processes are well-articulated	Production processes are not articulated
Number of exceptions as regards outputs	Few exceptions	<p>Quadrant 1 - Certain</p> <ul style="list-style-type: none"> • focus on quantity, unit cost and possibly timeliness • use of procedural controls, such as procedure manuals and efficiency measures • reliance on direct measurement <p><i>e.g. processing of benefits / administration of tax returns</i></p>	<p>Quadrant 2 - Rely on predictability</p> <ul style="list-style-type: none"> • focus on quality, average unit cost and possibly timeliness • focus on professional standards • predominant reliance on assessment and management review <p><i>e.g. investigations / audits</i></p>
	Many exceptions	<p>Quadrant 3 - Rely on known processes</p> <ul style="list-style-type: none"> • focus on quality, range of unit costs and timeliness • primary use of procedural controls, with procedure manuals anticipating variability • mixed reliance on direct measurement and assessment (peer review) <p><i>e.g. employment placements</i></p>	<p>Quadrant 4 - Uncertain</p> <ul style="list-style-type: none"> • focus on quality and total cost • focus on professional standards • reliance on assessment and external review <p><i>e.g. policy advice and mediation services</i></p>

Source: Specifying Outputs in the Public Sector [PUMA/SBO/RD(2001)2], Public Management Service, OECD, Paris. May 2001.

Performance measures and standards

Performance measures and performance standards are used to indicate the important dimensions of performance sought, and to assess output delivery performance.

This section focuses on the development of performance measures for outputs, rather than outcomes. Departments are strongly encouraged, however, to develop state and impact measures for the outcomes they are seeking to achieve and be able to describe these separately in their Statement of Intent. For further information, Departments can also look at work by the Audit Office in this area – *Reporting Public Sector Performance: 2nd edition, January 2002*.

Performance against output delivery must be able to be assessed during, or at the end of, the period of the Plan. The performance measure is the aspect of the output quantity or quality that will be assessed; the performance standard is the precise target to be achieved.

Because performance measures and standards can have a major impact on the performance of an organisation, it is important that they are carefully specified.

Output performance measures and standards should be chosen to best reflect the aspects of performance in which the Minister or recipient has particular interest and are most important in influencing the performance of the department. As Figure 1 shows, it is not always easy to apply standard performance measures to some outputs and it may be that more emphasis will be placed on some performance measures than on others.

Output performance measures and standards (specific targets) should also be:

- ❖ specific – for example, quantities of goods or services to be delivered should be defined as precisely as possible. Where estimates are used this should be made clear and an indication of the range given where appropriate;
- ❖ valid – the measures must address the performance that each output and measure purports to address; and
- ❖ reliable – it should be possible to duplicate measures in repeat assessments, and measures should be relatively stable over time.

It is important not to include too many performance measures, or measures unrelated to the significant aspects of the output.

The Plan should specify performance measures and standards for the quality, quantity and cost of outputs to be delivered, consistent with those in other accountability documents. Where the same performance measures apply to large groups of outputs they need only be specified once.

Quality

Different types of outputs will have different quality dimensions. Specification of precise and comprehensive performance measures can assist effective output delivery. Measures and standards for the quality of output delivery should:

- ❖ be specified precisely in terms that can be assessed and reported on;
- ❖ be external measures that focus on the needs of the purchaser;

- ❖ be focused on high-risk areas that affect decision-making; and
- ❖ include consumer feedback or surveys where appropriate.

Dimensions of quality that performance measures can cover include:

- ❖ accuracy;
- ❖ completeness;
- ❖ accessibility and location;
- ❖ timeliness;
- ❖ risk coverage;
- ❖ compliance with legal standards, Government policies, technical or professional standards, and departmental procedures and practices; and
- ❖ satisfaction of customer needs.

The last measure often incorporates some of the other measures as indications of what the customer is satisfied with, for example that the service was timely in responding to their requests. It is preferable to use external measures of output quality that focus on the purchaser, or the consumers of the output where they are not the Minister (although the Minister must agree to these measures). These are a better test of the real performance delivered than standards set and evaluated solely by the provider itself. It is also important that any surveys are well designed and robust, and that the measures derived from them accurately reflect the Government's policy objectives.

There will also be some situations where the nature of the linkages between specific outputs and specific outcomes is sufficiently robust that it would be appropriate to include an outcome-related performance measure as a measure of output quality. That is, where the department has sufficient influence over the attainment of the outcome through the delivery of its outputs it will be credible to hold the department accountable for achieving the outcome. Any such performance measures will need to meet the tests of relevance, completeness, comprehension, and reliability.

The use of outcome-related performance measures needs to be approached initially with caution however. They should in no way be seen as a substitute for robust specification of outputs, particularly where accountability would be compromised by providing for outcome-related performance measures that do not have clear, attributable links to departmental outputs.

Developing outcome-related performance measures for outputs is an area where capability, and improvement in the quality of measures is likely to occur over time as experience is gained in managing for outcomes. Those departments looking to include some information about the 'impact' of the outputs they are delivering should look to the advice provided by the Pathfinder work on impact measures.

Quantity

Quantity measures should, wherever possible, be specified for all outputs. In some cases the number of units of output to be supplied will be easy to specify. In other cases it may be that the quantity of output to be delivered may not be able to be precisely specified at the beginning of the period because:

- ❖ the quantity demanded is largely outside the control of the department;
- ❖ the output is new and there is little historical data on which to base quantity measures; or

- ❖ the Crown is funding a capacity to provide a service at some future time, such as an emergency response output.

In such cases quantity indicators could be described in terms of a range rather than as a target, for example 2,000 to 2,500 audits rather than 2,250 audits.

A distinction should be drawn between performance measures that are considered essential to the success of the intervention (and hence are true targets), and measures such as forecast volumes that are not indicators of success but are nonetheless of interest and value to decision-makers. Targets also need to be realistically achievable, and set at a level that represents an appropriate degree of prioritisation given the Minister's priorities and the capability of the department.

If ranges, rather than targets, are to be used, the following information should be provided:

- ❖ an estimate of the likely quantity to be delivered (this is an estimate of demand);
- ❖ the range from which the estimate is taken;
- ❖ the information on which the estimate is based; and
- ❖ the implication for the cost of the output if there is a significant increase or decrease in the quantity delivered.

Cost

Production of outputs within the agreed cost is a key performance measure. The Output Plan should specify the total (fully allocated) cost of each output class and the outputs within each class. Average and marginal unit costs of production could also be provided. Cost measures may also focus on key ratios, such as the cost of administering a particular programme as a proportion of the total cost of the programme.

Further general sources of guidance on output specification

For further general advice and guidance on output specification, departments should refer in particular to Technical Practice Aid No. 9, "Service Performance Reporting", issued by the Institute of Chartered Accountants of New Zealand. TPA 9 provides guidance, based on best practice, in relation to the specification, measurement and reporting of service performance. It also sets out a seven-step process for selecting and specifying outputs.

D The Format of an Output Plan

Departments can determine how best to structure their Output Plans. However, the Steering Group considers that each Output Plan should include the following types of information.

Purpose and scope - A general statement of the purpose and scope of the Output Plan should help to put some context around the plan. Output Plans will also need to:

- ❖ provide an indication of how the outputs are consistent with desired outcomes, Government policy, and Vote Minister's priorities, expectations or instructions;
- ❖ reflect the terms of the appropriations received by the department; and

- ❖ identify any other undertakings given to Cabinet, other agencies or the public.

This information should be consistent with the text in the Estimates of Appropriations.

Overview of outputs to be delivered - This section should provide some context for the outputs to be delivered by the agency, by drawing upon the SOI and outlining the intervention logic for key outcomes, with the aim of providing a basis for the Minister to identify high priority outputs. There may also be merit in providing the Minister(s) and other users with an overview of all outputs to be provided by the department, and their cost, as a useful quick reference point. Where the department has a statutory responsibility to act independently in the production of an output, a note should be included to that effect. This section could also identify those outputs that are new and/or are contributing to a multi-year project that will have variable funding over time.

Monitoring, reporting and assessment - The Output Plan should set out:

- ❖ agreed expectations of the monitoring process;
- ❖ how actual output delivery performance can or will be monitored, reported, and assessed, so that the Minister (or others within the Crown) can form a view on whether output delivery has been satisfactory; and
- ❖ the frequency, timing and style of periodic reporting⁴.

Payment and charging arrangements - The Output Plan should clearly identify which outputs are being paid for by the Crown directly, and which outputs are being paid for by third parties. The plan should describe:

- ❖ the general payment arrangements for outputs paid for directly by the Crown;
- ❖ the basis on which third parties will be levied or charged for outputs provided to them, and a brief description of the procedures to be followed in establishing fees and levies; and
- ❖ the arrangements applying to any surpluses or deficits generated (e.g. some outputs may be covered by memorandum account arrangements).

Procedures for amendment - The Output Plan is intended to be a "living" document and can and should be amended during the period that it covers.

Output schedules - The Output Plan should contain a comprehensive schedule of all the outputs produced by the department, irrespective of how the outputs are funded. Outputs should be specified in accordance with the principles outlined in *Section C* of these guidelines.

For each output, the Output Plan should include:

- ❖ an output name and number, and indicate the class to which it belongs;
- ❖ an output description;

⁴ Reporting should occur on a number of occasions through the year relevant to Ministerial needs and the department's business (generally three or four times a year). Ministers and departments may also choose to have a reporting by exception basis, or have different reporting timeframes depending upon the nature of particular outputs. Departments may be requested to copy reports to SSC or Treasury, and it may be appropriate in some instances to also make the reports available to the relevant lead agency.

- ❖ performance measures and specific, measurable standards for output quality and quantity. Where these can be specified with sufficient reliability, performance measures might also be included on outcome-related measures. It would also be desirable to provide performance information from the previous year to provide an ability to look at trends in service performance;
- ❖ the amount agreed or expected to be paid to the department by the Crown and/or third parties for the output provided; and
- ❖ the expected cost of each output and information on fiscal risk and unit costs where appropriate.

Agreement by Ministers - The final plan should be signed and dated by the Minister(s) and chief executive to signal their agreement.

E Support for Departments

A range of support is available to help departments in developing their Output Plans, including:

- ❖ the Output Plan guidance for departments;
- ❖ training for departmental managers;
- ❖ individual assistance from central agency teams; and
- ❖ resource material.

Central agencies have set up a senior officials steering group to provide guidance, improve technical support, facilitate co-operation between departments and oversee the Managing for Outcomes initiative. The Steering Group will sponsor training and workshops to help departments in developing Output Plans as part of the integrated initiative.

Central agencies expect departments to involve them in the development of their Output Plans. They can add the most value if departments involve them early, including providing advice about how to improve the links between what is done (outputs) and the intended results (outcomes).

Appendix One – Glossary

Inputs

Inputs are the resources (such as capital, personnel, accommodation, equipment, information and time) used to produce outputs to achieve outcomes.

Intervention logic

Intervention logic is an evidence-based, systematic and reasoned description of the causal links between outcomes and a department's outputs. It is one way of defining the rationale for how particular *output* options could help to achieve particular outcomes. An intervention logic identifies the activities required to achieve outcomes, risk factors within and beyond the control of the output, and how the output can be evaluated to ensure it worked as intended. It will usually need to be refined over time as more information becomes available. When articulating the intervention logic between outcomes and the department's outputs, it is often useful to think about intermediate outcomes as well as end outcomes (see *Outcomes*).

Outcomes

Outcomes are the results experienced by the community from a combination of Government interventions and external factors. More specifically, outcome is a general term used to describe the *state* (e.g. the unemployment rate) or change in state (e.g. lower unemployment) of a condition of significance to the community resulting from a combination of government outputs and external factors. Information about outcomes allows departments to identify where a change is desired or has occurred, and provides a rationale for government outputs. The term *impact* is preferred to describe outcomes that are wholly attributable to government outputs.

Outputs

Outputs are the goods or services that are produced by a department. The key feature of outputs is that they must be provided to an outside party. Goods or services provided by one part of a department to another part are not outputs.

Output classes

Output classes are aggregated groups of outputs, which provide for a level of reporting to Parliament and appropriation.

Statement of Intent (SOI)

The SOI is a high level document, which provides transparent information to Parliament and the New Zealand public about how the department intends to manage for outcomes, including information about outcomes and capability, as well as outputs.

Statement of Objectives (SOO)

The statement of objectives is incorporated within the Statement of Intent and provides prospective output information at the output class level for Parliament.

Statement of Service Performance (SSP)

The Statement of Service Performance is the set of information tabled in the House, usually as a component of the department's Annual Report, which reports performance against the expectations outlined in the Statement of Objectives.

Appendix Two - Resource Material

General material on the public management system and accountability framework

Managing for Outcomes: Guidance for Departments. Prepared by the Managing for Outcomes Steering Group for Roll-out 2003/04, August 2002, [www.ssc.govt](http://www.ssc.govt.nz)

The Report of the Advisory Group on the Review of the Centre.
www.ssc.govt.nz/searchset.htm

Report of the Controller and Auditor-General: Reporting Public Sector Performance, 2nd edition, January 2002, www.oag.govt.nz

Pathfinder web site: <http://io.ssc.govt.nz/pathfinder/>

Detailed guidance on the specification of outputs

Institute of Chartered Accountants of New Zealand (ICANZ). *Service Performance Reporting.* Technical Practice Aid No. 9, July 2002,
www.icanz.co.nz/ScriptContent/Index.cfm

OECD (2001). *Specifying Outputs In The Public Sector* [PUMA/SBO/RD(2001)2], Public Management Service, OECD, Paris, May 2001. (If departments do not have access to this report, send a message to psmhelp@treasury.govt.nz to obtain a copy)

Appendix Three - Cabinet Minute

The relevant sections of the Cabinet minute [CAB Min (02) 30/2B refers] are outlined below:

Introduction of Output Plans

- 7 agreed to replace departmental Purchase Agreements with Output Plans from the start of the 2003/04 financial year in order to:
 - 7.1 better reflect the relationship between Ministers and their departments;
 - 7.2 reduce the number of output documents for departments with several Votes;
 - 7.3 provide scope for other central, lead and partner agencies connected to the department to also have input to the development of the plan;
- 8 agreed that an Output Plan will cover all outputs that the department plans to produce in the relevant period, for all Votes and all sources of revenue;
- 9 agreed that the Output Plan should include, for each output:
 - 9.1 a clear description of the output;
 - 9.2 measures for the important performance dimensions;
 - 9.3 the relevant Vote and output appropriation;
 - 9.4 the expected cost, and how it will be paid for;
 - 9.5 any important contextual information, such as its priority, outcome purpose, or strong linkage with other services or providers;
- 10 agreed that the Output Plan will have to be approved by Vote Ministers;
- 11 agreed that a separate Output Plan may not be required if the department is able to make the specified output information readily available to Ministers and relevant agencies as part of other existing documentation;
- 12 directed the Treasury, together with the State Services Commission and Te Puni Kokiri and in consultation with departments, to develop guidelines on Output Plans to replace the current Purchase Agreement guidelines;

Creating greater dialogue around performance information

- 13 agreed that all state sector agencies should adopt a more open approach to the dissemination or exchange of information about their departmental plans and achievements in order to:
 - 13.1 improve identification and consideration of whole-of-government interests;
 - 13.2 support collaboration and coordination between agencies;
 - 13.3 increase dialogue with service recipients on service delivery;
- 14 agreed that departments will:
 - 14.1 consult their Ministers, central agencies, sector lead agencies, and partner agencies in the state sector during the process of developing their business plans, SOIs and Output Plans;
 - 14.2 make their most up-to-date business plans, Output Plans and performance reports available on request to the chief executives of central, monitoring or lead agencies.