

Guidelines for Tasmanian Government Businesses

Corporate Planning

March 2012

Revised September 2018

Government of Tasmania 2018

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Published by the Department of Treasury and Finance
GPO Box 147
HOBART TAS 7001

Corporate Planning Guidelines

Introduction

The purpose of these guidelines is to outline the expectations of the Shareholding Ministers with respect to the content, development and approval of Corporate Plans and Statements of Corporate Intent.

These guidelines establish the minimum requirements regarding the Corporate Plan and Statement of Corporate Intent development and agreement process.

Application

These guidelines apply to all Government Business Enterprises and State-owned Companies. It is intended as a guide to assist Government businesses meet their obligations and to clarify Shareholding Ministers' expectations in relation to preparing the Corporate Plan and Statement of Corporate Intent.

The preparation of a Corporate Plan and a Statement of Corporate Intent is a formal requirement for Government Business Enterprises and their subsidiaries under sections 39 and 41 of the *Government Business Enterprises Act 1995*. For State-owned Companies, a Corporate Plan and a Statement of Corporate Intent is required to be submitted under the portfolio legislation of the company or through the Members Statement of Expectations.

It is expected that all Government Businesses will submit a Corporate Plan and Statement of Corporate Intent in accordance with these guidelines. It is further expected that the Corporate Plan is prepared in accordance with the requirements and timeframes outlined in these guidelines.

The Corporate Plan for a Government business must be approved by the Treasurer and the Portfolio Minister before it becomes operational. If a Government business has an operational subsidiary, the business must include details of the subsidiary's activities, strategic direction and financials in the Corporate Plan.

Process

The annual Corporate Planning cycle provides an opportunity for the board of a Government business and the Shareholding Ministers to consider and reassess the strategic directions and performance of a Government business. The result of this process will be the Corporate Plan and Statement of Corporate Intent with an agreement between the Shareholding Ministers and the business on performance targets.

In mid to late November, the Shareholding Ministers will write to each Government business outlining their broad expectations and strategic priorities for the direction of the business for the upcoming planning period. Government businesses must consider these as inputs into the development of the Corporate Plan. As adviser to the Shareholding Ministers, the Department of Treasury and Finance, with input from the portfolio department, will consult with Government businesses on strategic issues and priorities.

Government businesses are to prepare and submit to the Shareholding Ministers for their consideration their draft Corporate Plan and draft Statement of Corporate Intent no later than 31 March each year, unless an alternative submission date has been agreed. This should provide sufficient time for Shareholding Ministers to provide feedback on the plan, with a view to final approval by 30 June.

Shareholding Ministers are to respond to the Government businesses in regard to the draft Corporate Plan and Statement of Corporate Intent. Government businesses are to submit a final Statement of Corporate Intent, based on the final budget of the business for the forthcoming financial year, to the Shareholding Ministers no later than 31 July each year, unless an alternative submission date has been agreed.

Corporate Plan

The Corporate Plan is a forward looking document that:

- details the strategic direction for the business;
- describes the objectives, business and operating environment over the planning period;
- presents the performance goals of the business;
- sets benchmarks, targets or key performance objectives against which actual performance can be reported and compared;
- discusses major strategic initiatives, including significant new investments, changes in capital structure or any restructure proposals in response to changes in the business environment; and
- identifies and considers management of risks associated with a business and its operating environment.

Consultation

Section 40 of the Government Business Enterprises Act requires that the board must consult with the Shareholding Ministers during the preparation of the Corporate Plan in relation to the:

- interests of the State as a whole and the long term objectives of the business and its subsidiaries; and
- financial performance objectives of the business and its subsidiaries.

This consultation will generally be achieved through the process where the Shareholding Ministers write to each business at the beginning of the planning cycle to convey their strategic priorities and to advise of any specific issues that should be considered and included in the Corporate Plan and Statement of Corporate Intent. However, this does not preclude businesses from undertaking additional consultation if it is considered necessary.

Treasury conducts a review of each Corporate Plan and Statement of Corporate Intent to ascertain its overall soundness and alignment with the Shareholding Ministers' expectations and then provides a report to the Ministers. Each Government business should hold at least one formal meeting with Treasury to discuss the Corporate Plan and draft Statement of Corporate Intent.

The Shareholding Ministers may request a presentation on the draft Corporate Plan from the business if it is considered necessary.

Performance against the key performance objectives and targets identified in the Corporate Plan and Statement of Corporate Intent are monitored. The specific reporting requirements for Government Businesses are set out in the *Guidelines for Tasmanian Government Businesses – Reporting*.

Key Dates

By 30 November	Shareholding Ministers to provide Government businesses with expectations and strategic priorities for the direction of the business via Corporate Plan development letter.
By 31 March	Government businesses to submit a board-approved draft Corporate Plan and a draft Statement of Corporate Intent to Shareholding Ministers.
April / May	Discussions with Treasury on the Corporate Plan and presentation to Shareholding Ministers if required.
By 30 June	Shareholding Ministers complete consideration of Corporate Plan and advise the businesses.
By 31 July	Government businesses to submit final board-approved Statement of Corporate Intent with signed Performance Agreement (based on final budget) to Shareholding Ministers.
By 31 August	Shareholding Ministers sign Performance Agreement in the Statement of Corporate Intent.

The above timeframes are target requirements and Government businesses should commence discussions on the Corporate Plan and Statement of Corporate Intent with Treasury as early as possible.

Amendments

It is recognised that a range of factors can impact on the activities of a Government business. Where such factors, particularly those external to the Government business, have a significant impact on core business, the Shareholding Ministers must be advised and the Corporate Plan and/or Statement of Corporate Intent may need to be amended.

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Corporate Plans

- (a) A Government business is to submit a draft Corporate Plan for the business and each of its subsidiaries to the Treasurer and Portfolio Minister no later than 31 March each year, unless an alternative submission date has been agreed.
- (b) The Corporate Plan should cover a period of not less than four financial years commencing on the day it takes effect.
- (c) The Corporate Plan is to include estimates of the dividends, guarantee fees, income tax equivalents and rates equivalents (where applicable) that are likely to be paid, on a cash basis and accrual basis.
- (d) The Corporate Plan should include an estimate of the dividend that is likely to be paid in respect of the current financial year.
- (e) The Corporate Plan must consider the issues raised by the Shareholding Ministers in the Corporate Plan development letter.
- (f) Government businesses should meet with Treasury to discuss its Corporate Plan.

(g) As a guide, the following should be considered for inclusion in the Corporate Plan:

- executive summary;
- vision, mission and objectives of the business;
- details of the main undertakings of the business and its subsidiaries;
- discussion of the business' operating environment including:
 - current economic environment and economic forecasts for the period;
 - industry structure, including the competitive position, industry general restrictions and entity or business specific restrictions;
 - regulatory environment;
 - statutory responsibilities of the business;
 - technological environment and the perceived impact on, and requirements of, the business;
 - community and environmental responsibilities and expectations of the business;
 - primary strategic and operational factors which influence the creation of value; and
 - any other issues which the Board considers will affect the operating environment of the business;
- planning assumptions underlying the information and financial projections;
- financial and operating risks for the business, and strategies for managing those risks;
- strategic directions and initiatives;
- key business drivers;
- targets for financial and non financial performance objectives;
- pricing issues which may include price setting and review policies, discounting policies and special contracts;
- community service obligations, services or concessions undertaken by the business which the Board considers to be non-commercial in nature;
- financial policies and issues that may arise during the period of the Corporate Plan. These may include the accounting policies of the business and the accounting conventions used in preparation of financial statements, future trends in accounting conventions which will impact on the business, borrowing and debt management issues, employee benefit issues including provision for superannuation, capital structure issues and asset valuation issues;
- financial statements (including balance sheet, income statement and cash flow statement), segmented into major business units where appropriate, in respect of:
 - projections for the current financial year;
 - projections for each of the four financial years covered by the plan; and
 - actuals for the year prior to the current financial year.
- sensitivity analysis of key parameters;
- proposed dividend arrangement (see Dividend Guidelines);
- capital expenditure plan, including the source of funding, on a cash basis;
- key projects and issues underlying the capital expenditure plan, including timing, evaluation criteria and the target rates of return;
- details of marketing strategies that will enable the business to achieve its desired performance objectives over the period covered by the Corporate Plan;
- details of the organisational structure, major human resource and employee relations strategies and policies and other major human resource issues;
- a statement outlining how the Corporate Plan is consistent with any relevant State Government policies specifically applying to each business, as advised by the Portfolio Minister and the Treasurer, such as the State Government's wages policy; and
- any other relevant information specifically requested by the Shareholding Ministers.

Statement of Corporate Intent

The Statement of Corporate Intent is a high level summary of the Corporate Plan and represents the agreement between the board of a Government business and its Shareholding Ministers regarding the expected performance of the business over the planning period. The Statement of Corporate Intent therefore must include clear and measurable financial and non-financial performance targets.

Consistent with the Strategic Actions in the Government's Fiscal Strategy that seek to enhance the financial transparency of Government businesses, all Government businesses are required to report to the Government quarterly against the performance targets in the Statement of Corporate Intent.

Following approval of the Statement of Corporate Intent by the Treasurer and Portfolio Minister, Government businesses must publish their Statement of Corporate Intent on their website.

Government businesses must also publish in their annual report a standalone section titled "Performance against Statement of Corporate Intent". This section will include the details of the Statement of Corporate Intent targets for that reporting year and the results against these targets. Government businesses must provide commentary in cases where actual performance is materially above or below the targeted measure. This section should also include disclosure of any Government directions that were issued over the reporting year.

The Statement of Corporate Intent must comprise of the following two parts.

- **Part 1 – Strategic Direction.** This is a summary of the strategic direction of the business. The focus will vary with the nature and strategic objectives of the business and, as the Statement of Corporate Intent is made publicly available, it should be prepared excluding commercially sensitive information.
- **Part 2 - Performance Agreement.** This is an agreement between the business and the Shareholding Ministers which includes key financial and other performance targets for the Budget year and estimates for the remaining years of the Corporate Plan. Relevant performance indicators for each business are to be agreed between the business and Treasury. The Performance Agreement forms the basis of the Shareholding Ministers' assessment of how successfully the business achieves its performance targets for the Budget year and will be the basis for reporting through the quarterly reporting regime.

The Statement of Corporate Intent should not disclose any information that is considered to be commercially sensitive.

Guidelines

Statement of Corporate Intent

- (a) A Government business is to provide a draft Statement of Corporate Intent for the business and each of its subsidiaries to the Treasurer and Portfolio Minister, no later than 31 March each year, unless an alternative submission date has been agreed.
- (b) A Government business is to provide a final Statement of Corporate Intent for the business and each of its subsidiaries to the Treasurer and Portfolio Minister taking into account the budget for the forthcoming financial year, no later than 31 July each year, unless an alternative submission date has been agreed.
- (c) The Statement of Corporate Intent should cover a period of not less than four financial years commencing on the day it takes effect.
- (d) Government businesses should meet with Treasury to discuss its Statement of Corporate Intent.
- (e) A Government business must publish its current financial year Statement of Corporate Intent on its website.
- (f) A Government business is to publish in its annual report, a standalone section titled “Performance against the Statement of Corporate Intent”. This section will include details of the Statement of Corporate Intent targets for that reporting year and the results against these targets. Government businesses should provide commentary in cases where actual performance is materially above or below the targeted measures. This section should also include disclosure of any Government directions that were issued over the reporting year.
- (g) As a minimum, the following should be included in the Statement of Corporate Intent:
 - Part 1 – Strategic Direction*
 - an overview of the business and its operating environment; and
 - the strategic directions of the business;
 - Part 2 – Performance Agreement*
 - financial and non-financial performance targets for the first year of the planning period; and
 - financial and non-financial performance estimates for the following three years.
- (h) The Statement of Corporate Intent is to include the signed agreement between the board and Shareholding Ministers, as included in Attachment A.

Attachment A

DIRECTORS STATEMENT OF CORPORATE INTENT AND AGREEMENT OF SHAREHOLDING MINISTERS

The Board of *(name of Government business)* agrees to provide the Shareholding Ministers with financial and other information as set out in this Statement of Corporate Intent.

In signing this Statement of Corporate Intent the Board of *(name of Government business)* commits to the targets proposed for the *(201X-1X+1)* financial year.

This Statement of Corporate Intent has been agreed between:

(Name of Chairperson)
Chairperson
(Name of Government business)
On behalf of the Board

(Name of Treasurer) MP
Treasurer

(Name of Portfolio Minister) MP
Minister for *(Portfolio)*





Tasmania
Explore the possibilities

The Department of Treasury and Finance
Shareholder Policy and Markets Branch
21 Murray Street
HOBART TAS 7000

Telephone (03) 6166 4444
Facsimile (03) 6223 2755
Email governmentbusinesses@treasury.tas.gov.au

Further information can be obtained at
www.treasury.tas.gov.au/governmentbusinesses