

## **TERMS OF REFERENCE**

### **Introduction**

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- This review arose from the Confidence and Supply agreement between the National Party and ACT, in which it was agreed that a series of task-forces would be 'established to undertake fundamental reviews of all base government spending in identified sectors'.
- The National Party and ACT have agreed to undertake a review of expenditure on policy advice across agencies.

### **Objectives**

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- The purpose of this review is to provide recommendations to the Minister of Finance, the Minister of State Services, the Minister for Regulatory Reform and other relevant Ministers on the scope for refocusing and/or reducing total government expenditure on policy advice to ensure high professional standards, cost effectiveness and strong alignment with government policy priorities.
- More specifically, the review group will identify:
  - areas where total expenditure on policy advice across agencies:
    - exceeds or does not meet need or demand;
    - could be refocused to better meet need or demand
  - can the existing incentives, structures and processes to improve the quality and value for money of policy advice be improved, and if so how?
  - can the policy resource across government be deployed in different ways to achieve better value for money and match demand?

### **Problem Definition**

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- Total government expenditure on policy advice has grown significantly in recent years. Between 2003 and 2010 expenditure is estimated to have increased in nominal terms by 70%.<sup>1</sup>
- While some of this may have been associated with the development of key policies, the level and focus of this investment may no longer match existing government priorities.
- It is also important to assess whether existing expenditure can be freed up for front line services or other Government priorities.

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<sup>1</sup> This equates to 50% in real terms. This information is based on appropriation data from Budget data files gained by searching on the terms 'policy' and 'policies' in the title field. As agencies record appropriations for policy advice differently, this figure is an estimate.

- The Government wants to be assured that the processes, structures and capability that are needed to ensure high standards of policy advice are in place.

## Context

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- This review links to, and will form a part of, the Government's broader value for money work programme.
- It will also link to the Government's focus on improving the quality of regulation through the implementation of its policy for better regulation and less regulation.
- A number of jurisdictions are investigating ways to achieve greater effectiveness and efficiency from their policy services.<sup>2</sup>

## Scope

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- Within Scope:
  - The review will focus on **government expenditure on policy advice** that is **defined**<sup>3</sup> as the activities before, after and surrounding a particular act of giving advice to a Minister – for example:
    - the commissioning of significant policy projects;
    - analysis and communication;
    - ministerial services;
    - liaison, consultation and negotiation;
    - research and evaluation;
    - legislation, regulation and industry standards; and
    - the investment in and management of policy advisory capacity.
  - that is **provided by**:
    - large policy agencies, including statutory crown entities; and
    - agencies that provide second opinion advice;
  - or
    - where that advice is provided by more than one agency
- Out of Scope

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<sup>2</sup> For example, the Netherlands have a target of a 20% reduction in policy making staff by 2011 and the Australian Commonwealth Public Service is looking at mechanisms to strengthen policy deployment and capability across agencies.

<sup>3</sup> Adapted from a 1993 Treasury circular *Pricing Policy Advice*, quoted in R Gregory and Z Lonti in *Chasing Shadows? Performance measurement of policy advice in New Zealand government departments*, Public Administration, (Sep 2008: Vol. 86, Issue 3, p. 840).

- District Health Boards.

## **Timeframe**

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- The review group is to complete its work within four months of establishment.

## **Proposed Methodology**

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- Confirm the agencies to be included based on the criteria set out in the scope for this review.
- Review current expenditure and outputs:
  - analysis of available data:
    - policy appropriations, and cost centre data provided by agencies;
    - number of policy staff across agencies; and
    - recent changes and trends in policy advice expenditure;
  - clarifying and quantifying outputs, e.g. ministerial servicing, policy development, responding to Official Information Act requests, and research and evaluation; and
- Consult with affected Ministers and Chief Executives, and other relevant stakeholders.
- Analyse the alignment between the allocation of resources and government priorities.
- Consider existing processes and reviews for assessing quality, impact and value for money of policy services.
- Provide comment on the following issues where these have arisen in the course of the review:
  - policy capability to deliver government priorities; and
  - how different forms of policy advice development and delivery could best be utilised.
- Outline potential next steps, including new lines of inquiry in the immediate and longer term.

## **Deliverables**

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- The review will provide a report to the Minister of Finance, the Minister of State Services and the Minister for Regulatory Reform on its findings, including its recommendations.

## **Membership**

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- The review group will have three members:
  - a chair, external to the public sector with knowledge of government processes and the ability to engage with Ministers and Chief Executives; and
  - two other members, with at least one of these members also drawn from outside the public sector.

## **Governance**

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- The review will report to the Minister of Finance, the Minister of State Services and the Minister for Regulatory Reform.
- The review will be informed by a reference group, comprised of senior public servants across government agencies.
- Changes can be made to these terms of reference through agreement from the three Ministers or their delegates.

## **Secretariat and Analytical Support for the Review**

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- The review will be supported by the State Services Commission and the Treasury.

## **Inputs**

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- Targeted reviews on the delivery of policy advice undertaken by government agencies, e.g. a review completed by Martin Jenkins in early 2010 for the Ministry of Social Development.
- Outputs from regular reviews and processes used by Departments to assess the quality, impact and value for money of policy advice, e.g. annual reviews completed by the NZIER.
- Work completed as part of the Government's value for money and regulation improvement programmes.

## **Consultation and Involvement**

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- All relevant Ministers and Chief Executives will be consulted as part of this review.