

Summary of the Government Response to the Review of Expenditure on Policy Advice

The Government has agreed to a suite of actions that respond to the Review's recommendations. The overall message is to adjust the system to drive sustained improvement in the quality and management of policy advice.

The suite of actions focuses on:

- producing better financial and management information to drive value for money and efficiency;
- improving the leadership and management of policy advice within agencies; and
- driving stronger central agency stewardship of the State sector to support cross-agency collaboration, performance improvement, capability building and focus on medium and longer term policy challenges. These actions are summarised below.

Central Agencies will

on governance:

- be accountable for developing and overseeing an implementation programme for the Government's response, including submitting an implementation plan across all recommendations to Ministers by 30 June 2011 with progress reports in December 2011 & June 2012.
- set professional expectations for agency chief executives and policy leaders on policy advice and to support collaboration.
- consider clustering of agencies as part of wider work on State sector reform.
- report back to Ministers on how to improve the identification and commissioning of cross-portfolio policy challenges.

on capability and knowledge management:

- pilot a Heads of Profession model that will develop analytical and advisory expectations for core disciplines, drive professional networks across agencies, provide advice on required professional learning programmes.
- investigate standardising proactive release of Cabinet papers.
- create expectation of information sharing within government, e.g. through common knowledge management practices.
- develop shared tools, systems, competencies for policy. Revise models for cross-agency projects and consultation.

on funding:

- standardise definitions and performance measures for policy advice appropriations for Budget 2012.
- drive efficiency improvement through ongoing work to find fiscal savings, and focus on policy in Treasury's Vote Analysis work.

All agencies with policy responsibilities will

- review their existing policy work programmes for focus on substantive issues and the most effective interventions, and engage with respective Ministers on how they will deliver medium term work programmes together with meeting short-term needs.
- improve policy processes in the following areas:
 - management and assessment (including external peer review) of, and reporting on, policy advice work programmes,
 - policy processes, organisational cultures, and quality management systems to support policy analysis and advice, and
 - investing in capability of policy analysts and managers, including common competencies, skills, qualifications and training.
- report to their Ministers at the same time as the 2011 Briefing to the Incoming Ministers, providing:
 - a status report on the agency's policy capability,
 - a list of actions it needs to take to improve policy performance, and a plan to complete this work,
 - proposed policy work plan(s) for the upcoming term, and
 - a capability plan to ensure the agency can deliver on the proposed work plan(s).
- reorganise policy related appropriations around a common definition of policy advice for Budget 2012, and use common performance measures for these appropriations.
- prioritise cross-agency work to support implementation of the Review of Expenditure on Policy Advice's recommendations.

Summary of Actions by Individual Recommendation

Rec. Number	Category of Recommendation	Review of Expenditure on Policy Advice Recommendations	Summary of Action
1	Appropriations and Performance Measures	The Treasury should focus on the monitoring, analysis and maintenance of policy advice-related appropriations as part of its work on Vote analysis.	<ul style="list-style-type: none"> Treasury will progress.
2	Appropriations and Performance Measures	The Treasury, working with agencies, should establish a common definition of policy advice that includes clear categories for classifying policy advice work into areas such as: <ol style="list-style-type: none"> a. long term policy advice investment (agency and cross-agency) b. part of an agency's agreed policy work programme, and c. responsive policy advice demands (unplanned but reflecting the capacity to address to issues as they arise). 	<ul style="list-style-type: none"> Treasury will work with other agencies to establish a common definition by June 2011.
3	Appropriations and Performance Measures	Following establishment of the common definition of policy advice, the Treasury should lead a process for agencies to reorganise the policy advice-related appropriations they currently administer around this definition, including, where necessary, establishing multi-class output appropriations that have policy advice according to the common definition in a separate output class from related outputs such as ministerial servicing or Crown entity monitoring.	<ul style="list-style-type: none"> Treasury will lead the reorganisation of appropriations for Budget 2012.
4	Appropriations and Performance Measures	The Treasury, working with agencies, should develop common methodologies and performance measures and standards for the cost, quantity, timeliness, quality and effectiveness of policy advice.	<ul style="list-style-type: none"> Treasury will lead the development of common methodologies for policy performance measures for Budget 2012.
5	Agency tools, systems, quality management, efficiency, work programmes	As expectations are established agencies should ensure and demonstrate that they have the tools and systems in place to assess the quality of their policy advice management.	<ul style="list-style-type: none"> Policy agencies to progress.
6	Policy savings and efficiency dividend	As consistent and coherent data and information is obtained Treasury should increasingly review policy spending and its effectiveness and demonstrate through its reporting the results of its assessments.	<ul style="list-style-type: none"> Treasury to progress.

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7	Policy savings and efficiency dividend	<p>The Treasury should review policy advice-related appropriations and policy advice expenditure and associated policy advice work programmes, with a view to seeking savings through targeted baseline reviews.</p> <ol style="list-style-type: none"> a. The priorities for the review of policy advice-related appropriations should be based on the size and growth of policy advice-related appropriations, agencies with extensive regulatory roles, appropriation structures that obscure expenditure on policy advice, and large differences between policy advice expenditure and policy advice-related appropriations. b. The review policy advice expenditure and associated policy advice work programmes should use data based on that collected by the Review and further data provided by agencies. 	<ul style="list-style-type: none"> • Treasury to provide advice on targeted reviews following Budget 2011.
8	Agency tools, systems, quality management, efficiency, work programmes	<p>Agencies should ensure that managers of policy advice groups have all the necessary management systems and tools in place to manage their policy advice work programmes and to report on their cost, quantity, timeliness and quality.</p>	<ul style="list-style-type: none"> • Policy agencies to progress.
9	PIF Reviews	<p>State Services Commission (SSC) should include specific and more detailed assessment of agency policy advice performance in PIF reviews.</p> <ol style="list-style-type: none"> a. Performance Improvement Framework (PIF) reviews should include a review of the cost, quality and quantity of advice, as well as the state of investment in human and knowledge capital to meet the needs of current and future governments for policy advice. b. SSC should ensure that PIF teams have the capability and capacity to undertake assessments of policy advice performance. 	<ul style="list-style-type: none"> • SSC will progress.
10	Policy savings and efficiency dividend	<p>The Government should reduce all policy advice expenditure by 2% per annum for a period of three years to generate an efficiency dividend to be refocused on cross-agency policy advice challenges.</p>	<ul style="list-style-type: none"> • Improving the efficiency of policy expenditure will be built into Treasury's wider work stream on fiscal savings.

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11	Multi-year agency work programmes, STR commissioning work	<p>Agencies should agree with ministers a multi-year policy work programme that is prioritised, linked to government policy goals and shows costs, deliverables and deadlines and the implications for further work such as legislation.</p> <p>The policy work programme should specifically include:</p> <ol style="list-style-type: none"> a. all significant and identifiable policy projects and work-streams <ol style="list-style-type: none"> i. the agency's contribution to work on cross-cutting policy issues ii. investment in capability, long-term and future thinking and work on big questions in its area of responsibility, and iii. evaluation of the effectiveness of existing policies. b. The policy work programme agreement should translate into the accountabilities in the appropriations, SOI, output agreement and Annual Report. c. Agencies should develop and agree with ministers a clear process for refreshing and reprioritising the policy work programme, including active in-year monitoring of progress against the output agreement and the SOI. <p>Agencies should develop and agree with ministers a clear process for commissioning new policy advice work on emergent issues that avoids waste from inadequate specification, prioritisation or follow-up.</p>	<ul style="list-style-type: none"> • Policy agencies to progress, and will report to Ministers at the same time as 2011 Briefing to Incoming Ministers.
12	Encapsulating Ministerial priorities within wider government goals	<p>Ministerial priorities should be encapsulated within the government's clearly articulated enduring policy goals.</p>	<ul style="list-style-type: none"> • To be noted.

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13	Clustering	<p>The Prime Minister, over time, should consider groupings of ministers, with a lead minister, in clusters of related and recurring policy issues to reduce overlaps and fill gaps (e.g. economic, natural resources and environment, human and social development, security and international relations), leading to the following changes:</p> <ol style="list-style-type: none"> Cabinet should direct that agencies' policy work functions be organised in the same clusters, recognising that a number of agencies will belong to several clusters, to address cross-cutting policy issues, to better integrate analysis, advice and policy research, to coordinate the policy advice budget process, to get more attention to big issues and to support achievement of the government's policy goals. Cabinet should mandate a lead agency in a cluster. Agencies in the cluster should ensure that cross-cutting policy advisory work in the cluster is effectively mandated, resourced, governed and supported with good project and programme management to ensure the effective monitoring and delivery of the work and reporting of performance. Agencies in the cluster should be accountable to the cluster for the quality of their input and support and be clear that they are working on behalf of the cluster, not simply representing an agency-specific viewpoint. Agencies in the cluster should consider the amalgamation of some of their policy advice and research functions order to provide better analysis advice and to build a stronger analytic capability. 	<ul style="list-style-type: none"> To be referred into wider work on State sector reform.
14	Clustering	<p>Central agencies should consider the implications for the number and structure of agencies of this clustering with a view to finding efficiency savings and performance improvements.</p>	
15	Agency tools, systems, quality management, efficiency, work programmes	<p>Central agencies should develop management systems to better support cross-agency policy projects. These should allow for the budgets and accountabilities for these projects to be captured within the existing frameworks of the Public Finance Act and the State Sector Act.</p>	<ul style="list-style-type: none"> Central agencies to progress, and report to the Prime Minister, the Minister of Finance, the Minister of State Services by 31 August 2011.
16	Crown entity reviews	<p>Ministers, on the advice of the host agencies should review the Crown entities for which they are responsible in regard to the appropriate role they should play in the provision of policy advice and how the knowledge embedded in the Crown entities is incorporated in advice to ministers without cutting out the monitoring department.</p>	<ul style="list-style-type: none"> To be referred into wider work on State sector reform.

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17	Multi-year agency work programmes, STR commissioning work	<p>The Cabinet Strategy Committee (STR) should commission work from the public service and/or external providers on cross-portfolio and/or long term work on big questions facing New Zealand and/or investment in capability development.</p> <ol style="list-style-type: none"> The efficiency dividend funding should be reallocated through a central budget process to support work commissioned by STR but budgeted and managed through the normal processes. Department of Prime Minister and Cabinet (DPMC), in consultation with lead agencies in clusters, should advise STR on the work to be commissioned. Lead agencies in clusters, in discussion with other agencies and ministers, should identify cross-portfolio and/or long term issues and/or needs for investment in capability and policy infrastructure and advise STR annually on the results on work on these issues. Lead agencies in clusters or the teams leading work commissioned by STR should develop clear programmes of work to ensure that the work is effectively mandated, resourced, governed and supported with good project and programme management to ensure effective monitoring and delivery of the work and reporting of performance. <p>Where work is conducted by teams drawn from across agencies and beyond, central agencies and chief executives should provide advice to ministers on people who should lead the teams and their membership and ensure that teams are supported and able to work effectively within the advisory system of government.</p>	<ul style="list-style-type: none"> Central agencies to consider and provide advice to the Prime Minister, Minister of Finance and the Minister of State Services by 31 August 2011.
18	Agency tools, systems, quality management, efficiency, work programmes	<p>Agencies should demonstrate that they have the processes and organisational culture needed to provide chief executives and ministers with assurances regarding how they maintain effective oversight of their policy programme, how they ensure overall effectiveness of both current and prospective policies, how they manage quality and how they build capability.</p>	<ul style="list-style-type: none"> Policy agencies to progress, and will report to Ministers at the same time as 2011 Briefing to Incoming Ministers.
19	Agency tools, systems, quality management, efficiency, work programmes	<p>Agencies should develop a quality management process for policy analysis and advice. This recommendation is especially relevant to advice on regulatory policies. It also applies to work done within clusters. The process should include the following features:</p> <ol style="list-style-type: none"> Quality management processes should emphasise deep understanding of the causes of the problem, the robustness of proposed solutions, the net benefits to society and the role of government in the solution. Advice on significant issues should be developed using accepted standards in the relevant professions to assemble evidence within a culture of analysis, open debate and peer review. Advice should be informed by relevant local and international literature and should make use of expertise from external experts and centres of excellence. <p>Analysis and advice should be subject to professional expert external peer review of analytical rigour and assessment of the policy advice provided.</p>	<ul style="list-style-type: none"> Policy agencies to progress, and will report to Ministers at the same time as 2011 Briefing to Incoming Ministers.

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20	Agency tools, systems, quality management, efficiency, work programmes	Agencies should review, rethink and revise their policy work programmes to ensure: <ul style="list-style-type: none"> a. they are focused on issues of sufficient substance to warrant policy work, and b. the interventions being considered are the most effective to address the issue on the scale that is required to effect necessary change. 	<ul style="list-style-type: none"> • Policy agencies to progress, and will report to Ministers at the same time as 2011 Briefing to Incoming Ministers.
21	Policy leadership and CE performance	SSC should take into account, in the appointment of chief executives, the attributes necessary to lead and organise policy advice , and review their performance on this.	<ul style="list-style-type: none"> • SSC will progress.
22	Policy leadership and CE performance	SSC should include in performance agreements with chief executives: <ul style="list-style-type: none"> a. the responsibility to develop and implement the necessary management systems and tools to manage their policy advice work programmes and to report on its cost, quantity, timeliness and quality, and b. a specific requirement to invest in developing and maintaining capability in policy analysis and policy management and to develop and maintain the capacity and capability necessary for policy readiness to address big questions. 	<ul style="list-style-type: none"> • SSC will progress.
23	Professionalisation	SSC should develop new performance expectations , specific to people in leadership roles for policy development for developing policy capability. SSC should develop its own capability in achieve this.	<ul style="list-style-type: none"> • To be trialled as part of the Heads of Profession pilot.
24	Agency tools, systems, quality management, efficiency, work programmes	Agencies should examine their internal policy advice development and policy advisory processes, including their quality assurance processes to identify ways to improve the efficiency of their policy process and the quality of analysis and advice, and make any necessary changes. This includes in some cases reviewing the protocols about how advice is tendered to ministers.	<ul style="list-style-type: none"> • Policy agencies to progress, and will report to Ministers at the same time as 2011 Briefing to Incoming Ministers.
25	Agency tools, systems, quality management, efficiency, work programmes	Agencies should eliminate low-value consultative processes and rethink consultation activities to ensure that they are effective in improving the design and implementation of high quality policy.	<ul style="list-style-type: none"> • Policy agencies to progress, and will report to Ministers at the same time as 2011 Briefing to Incoming Ministers.

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26	System wide changes to policy processes, and inter-agency consultation guidance	Central agencies should review the policy development process to find any system-wide changes that can improve its effectiveness and reduce unproductive effort and spending.	<ul style="list-style-type: none"> Central agencies to progress, and to provide progress report in December 2011 and June 2012.
27	System wide changes to policy processes, and inter-agency consultation guidance	Cabinet Office should provide clear guidelines about the need for inter-agency consultation to improve its effectiveness and reduce unproductive effort.	<ul style="list-style-type: none"> Central agencies to progress, and report to the Prime Minister, the Minister of Finance the Minister of States Services by 31 August 2011.
28	Knowledge management, information sharing, proactive disclosure	Agencies in a cluster should develop a shared approach to knowledge management . This should include: <ul style="list-style-type: none"> b. a proactive approach to systematically collecting data that can be used for research or policy development, and a. responsibility for managing data and developing capability in their research and policy functions. 	<ul style="list-style-type: none"> Central agencies to progress, and to provide progress report in December 2011 and June 2012.
29	Knowledge management, information sharing, proactive disclosure	Agencies should proactively access knowledge and expertise held outside the public sector in the process of policy development to inform policy judgments, approaches to implementation and policy effectiveness.	<ul style="list-style-type: none"> Policy agencies to progress.
30	Knowledge management, information sharing, proactive disclosure	Cabinet should direct agencies to publish background data, analysis, research findings and models routinely and under appropriate procedures, particularly on cross-portfolio and/or long-term issues and big questions.	<ul style="list-style-type: none"> Central agencies to progress, and to provide progress report in December 2011 and June 2012.

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31	Knowledge management, information sharing, proactive disclosure	<p>Cabinet should develop a policy that makes decisions about disclosure under the OIA routinely at the time that papers are prepared and reduces the costs of making disclosure decisions later. This should include:</p> <ol style="list-style-type: none"> a. a directive to agencies to routinely release to the public all material provided to requestors under the OIA b. a directive to agencies to routinely release briefing papers and supporting documents under the OIA once a Cabinet decision has been made, and c. the routine release of Cabinet papers after a Cabinet decision has been made. 	<ul style="list-style-type: none"> • Central agencies to consider and provide advice to the Prime Minister, Minister of Finance and the Minister of State Services by 31 August 2011.
32	Agency tools, systems, quality management, efficiency, work programmes	<p>Agencies should review their policy advice management structures and capability to ensure that:</p> <ol style="list-style-type: none"> a. they are appropriate for delivering high-quality policy advice and balance professional and managerial skills to best effect. b. policy advice managers have the necessary attributes, knowledge and skills to manage policy advice staff effectively and that they are incentivised to manage policy staff well with performance assessments including this aspect of their responsibilities. 	<ul style="list-style-type: none"> • Policy agencies to progress, and will report to Ministers at the same time as 2011 Briefing to Incoming Ministers.
33	Professionalisation	<p>Central agencies should investigate creating positions of Heads of Profession in specific disciplines including science, economics, law, accounting, social science, and multi-disciplinary fields such as public policy and regulation, located in appropriate agencies and led by a government head of profession. Heads of Profession would:</p> <ol style="list-style-type: none"> a. provide advice on specific expectations of core analytical and advisory competencies, knowledge, skills and qualifications for policy analysts and for other experts who provide subject knowledge b. develop measures to define, build and embed stronger professional disciplines in policy research, analysis and advice c. develop a programme of professional activities for peer learning and continuing education d. build professional networks outside the public sector, including with academics and groups with a strong professional interest in policy capability, policy practice and the management and development of professions in New Zealand and overseas e. build cross-agency professional networks, and f. create advisory boards of experts to provide peer review of policy research, analysis and advice. 	<ul style="list-style-type: none"> • Central agencies to pilot Heads of Profession positions, and to report to the Prime Minister, the Minister of Finance and the Minister of State Services on design by 31 August 2011.

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34	Professionalisation	<p>SSC and agencies in their clusters, in association with relevant Heads of Profession, should take collective responsibility for developing and implementing (across the system):</p> <ol style="list-style-type: none"> new and specific expectations of core analytical and advisory competencies, knowledge, skills and qualifications for policy analysts and policy at all levels new and specific expectations of core policy management competencies, knowledge, skills and qualifications for policy managers at all levels building on the above, clear pathways for career development that will create strong policy managers and policy analysts with skill sets that are transferable and valued across the system, and rationalised and pooled efforts in training and professional development in order to get the best mix of specific training and generic training across the group as a whole. 	<ul style="list-style-type: none"> To be trialled as part of the Heads of Profession pilot.
35	Agency tools, systems, quality management, efficiency, work programmes	<p>Agencies should invest in building the capability of policy analysts and policy managers by:</p> <ol style="list-style-type: none"> assessing the competencies, knowledge, skills and qualifications of policy analysts and managers at all levels, identifying the competencies, knowledge, skills and qualifications needed to provide high-quality analysis and advice and any gaps reviewing how they invest in building capability, and developing a plan for investing in capability to build and retain the competencies, knowledge, skills and qualifications necessary for high quality policy analysis and advice and for managing policy development. This plan should be reflected in work programmes and discussed with the SSC and Treasury during budget discussions, and should inform the recruitment and performance management of chief executives. 	<ul style="list-style-type: none"> Policy agencies to progress, and will report to Ministers at the same time as 2011 Briefing to Incoming Ministers.
36	Policy pay parameters	<p>SSC, in consultation with agencies in their clusters, should develop guidelines for pay parameters for policy advice staff that are linked to skills, knowledge and behaviours required for these positions.</p>	<ul style="list-style-type: none"> Will not be progressed at this time.