

Frequently Asked Questions

Policy Measurement Report 2014/15

September 2016

Why has the Treasury undertaken this work?

The *Review of Expenditure on Policy Advice* – also known as the Scott Review – found that many agencies lack the management information necessary to deliver policy analysis and advice efficiently and effectively. In response, Treasury set out to establish a body of performance management information for the policy function across government.

In November 2012, Cabinet:

- directed agencies to report on three common performance measures (listed in Appendix 1) for policy appropriations in their Estimates, starting with the 2013/14 financial year
- directed 'larger' agencies to submit policy performance data on a wider set of performance indicators to the Treasury each year to support an annual report on the state of the policy function, starting with 2012/13 financial year data
- directed the Treasury to support data collection and to produce an annual report of policy performance data starting with 2012/13 financial year data

Subsequently, DPMC's *Policy Project*¹ was established with the aim to improve the performance of the policy function and quality of policy advice across government. This policy measurement exercise will help inform the *Policy Project's* work programme by providing insights to policy performance across agencies.

How were the agencies selected for measurement?

In November 2012, Cabinet directed selected agencies to submit performance data for their policy functions to the Treasury, based on a work effort threshold level for data collection. The participating agencies represent approximately 95 percent of policy expenditure across the State sector where agencies have aligned their appropriation to the common definition of policy advice. (This excludes MFAT).

The 12 agencies participating in the financial year 2014/15, and included in the report, are:

Department of Internal Affairs	Ministry of Health
Inland Revenue	Ministry of Justice
Ministry for the Environment	Ministry of Social Development
Ministry for Primary Industries	Ministry of Transport
Ministry of Business, Innovation and Employment	Te Puni Kokiri
Ministry of Education	The Treasury

¹ See <http://www.dPMC.govt.nz/policyproject>

What is the purpose of the measurement exercise?

The policy measurement exercise provides visibility to the cost and effectiveness of government agencies' delivery of policy advice to Ministers. The performance information in this report helps agencies better understand the cost and quality of their policy advice function. The measurement exercise should also support discussions within agencies, between agencies, and between them and their Ministers, on how to improve policy functions.

Does the report identify the performance of individual agencies?

This consolidated report provides a summary of these results. Participating agencies each receive their specific results and sample individual agency reports to support them in briefing their responsible Ministers.

While agencies have common features, and results are broadly comparable, some have unique functions and cost drivers and conclusions should be made in light of each agency's operational context (e.g. conclusions for a large policy-focussed agency having a stand-alone policy unit may differ to a small operational agency with a devolved policy function).

About the report

The Treasury is responsible for providing a benchmarking service across the public service and for compiling this policy measurement report. Individual agencies are responsible for the veracity of their agency data underpinning the report.

How were the metrics decided?

Eleven agencies took part in a pilot exercise with the Treasury in 2011/12 to develop and test a common indicator set for policy advice. Many of these indicators were already in use in some agencies, and some were adapted from private sector professional services organisations. The Capability Maturity Model used is derived from the Capacity Assessment Grid developed by McKinsey and Company.

Metric selection was based on three criteria:

- Metrics reflect performance – they provide meaningful management information that can support business decisions
- Results can be compared – they are comparable across NZ agencies
- Data is accessible within agencies – the measurement costs are reasonable.

What steps were taken to ensure a consistent measurement practice across agencies?

In Budget 2012 agencies² reorganised their policy appropriations to align with a new common definition of policy advice. Having a common definition of policy advice is essential to understanding the cost of this function and undertaking consistent measurement across agencies.

A Metrics Guide with detailed definitions for all data points supports consistency in data collection, and participating agencies attended workshops to understand the methodology. During data collection, the Treasury provided helpdesk support, and once data collection was complete, agencies submitted draft versions of their data for validation prior to final submission.

Time data was collected either through an agency time recording system (if the agency had one) or a time survey undertaken by the agency. Where agencies ran a time survey(s) these were undertaken at different times of the year. This data therefore needs to be interpreted taking into account how and when the agency collected this data. The Treasury will work with agencies to improve the robustness and comparability of this data point for future years.

What is the quality of data submitted?

For many metrics, underlying data is accurate. In particular, agencies are able to easily provide results for existing indicators such as staff engagement and technical quality scores. The Regulatory Impact Statements data is collected from the Treasury.

Underlying data is less accurate for FTEs and time. This is particularly so for those with devolved policy functions, where they have had to identify which FTEs are to be included in the measurement exercise, and for those agencies that don't regularly record time data.

As management practice maturity (CMM) is self-assessed and these are not moderated, there might be inconsistencies in how management terms and maturity levels are interpreted across agencies.

Are the results comparable?

While results are broadly comparable, results need to be understood within the context of each organisation. While agencies have common features, each has their own unique functions and cost drivers. Benchmarking results are a guide to relative performance, and conclusions regarding individual agencies' efficiency and effectiveness should be made in light of each agency's operational context.

² All agencies aligned their policy advice costs except for MFAT who retained their same appropriation structure

Appendix 1 – Performance Measures for the Estimates

Total cost per output hour

- This indicator provides the total cost of an hour of professional staff time devoted to policy advice output.
- Total cost includes labour, overhead, support staff, direct costs, and outsourced work to support output production.
- This indicator is calculated as follows:
 - Total Policy Advice Costs (excluding non-policy advice output costs)
 - Total Policy Advice Output Hours (excluding non-policy advice output hours)

Minister satisfaction score

- Based on a standard survey, this score provides a quantitative representation of a Minister's satisfaction with an agency's policy advice.

Technical quality assessment score

- Standardised score for policy technical quality reviews already undertaken in agencies. The result for this metric will be accompanied by information on the robustness of each agency's method.