

# Policy Measurement Report

2014/15

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<http://www.treasury.govt.nz/statesector/performance/policyadvice>

New Zealand Government



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# Overview

The performance of an agency's policy function is important as it informs government decisions on issues that affect the lives of New Zealanders; whether those decisions relate to how they are regulated or taxed, government expenditure, or other interventions.

The Policy Project<sup>1</sup>, led by DPMC in collaboration with public service policy leaders, is a key lever for driving improvement in policy quality, capability and the overall policy system. That said, responsibility for the provision of high-quality cost-effective policy advice remains with each government department and its chief executives.

Treasury coordinates an annual policy measurement exercise, which captures data on the policy advice functions of 12 policy agencies. The results of the 2014/15 measurement exercise are summarised in this report.

The purpose of this policy measurement exercise is to provide cross-agency and time-series data to provoke discussion and inform actions within and across agencies to lift policy performance.

The 2014/15 results show that the overall cost of policy advice for the 12 participating agencies was \$291 million, down from \$297 million in 2013/14.

For a number of other measures, which cover areas such as quality, capability, staff, and resource utilisation, there has been relatively little change in results at a system level since the policy measurement exercise commenced in 2012/13.

The relatively small change in the aggregate results could reflect that they cover only three years and benefits from any improvement initiatives typically take time to be realised. However, despite some agencies making significant investment in raising the quality of their policy advice, the results could also reflect little progress is being made in lifting overall policy performance across departments.

Whatever the case, the aggregate results show room for improvement and provoke the need for agencies, supported by the Policy Project, to review and ensure that current initiatives are sufficiently ambitious to drive desired improvements in policy quality and capability across the policy system.

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<sup>1</sup> Information on the Policy Project is available at <https://www.dPMC.govt.nz/policyproject>

# Context

## Scope of report

**This report covers the 2012/13, 2013/14, and 2014/15 reporting periods.** This is the third year the policy advice function has been measured by Treasury across the 12 agencies<sup>2</sup> with larger policy appropriations.

**This report summarises the data collected through the measurement exercise.**

This report does not draw conclusions about individual agencies. The underlying dataset – the Master Data Repository – contains the individual agency data and is published alongside this report<sup>3</sup>. A number of the key performance indicators in this Master Data Repository are also reported in participating agency's Annual Reports. A glossary of terms is contained in the supporting Master Data Repository.

## Interpreting results in this report

**Performance results should be understood within the operational context of each agency**, as no benchmarking exercise tells the whole 'performance story' on its own. While agencies have common features, each has their own unique function, cost drivers and other information to consider when interpreting results.

### Data Quality

1. Measuring the effectiveness and efficiency of policy advice is inherently difficult, as data quality is reliant on:
  - a. the maturity of the management information systems used by individual agencies (notably in capturing the amount of time spent on policy advice);
  - b. necessary judgements in applying data definitions to an agency's activities (notably in identifying what is policy advice, as opposed to operational activity or ministerial servicing); and
  - c. consistent interpretation of metric definitions by agencies.
2. Agencies should be aiming to improve data quality over time as their processes for reporting policy measurement become more embedded and the developing trend analysis helps identify areas to focus on.
3. However, at this time concern remains about the robustness of time recording systems and the influence these have on results. Currently, many agencies management information systems do not routinely capture time data. In some instances agency time data has been excluded from the analysis where it is found to be not comparable for certain metrics. These exclusions are shown in the Master Data Repository.

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<sup>2</sup> A list of participating agencies is outlined in Appendix 1.

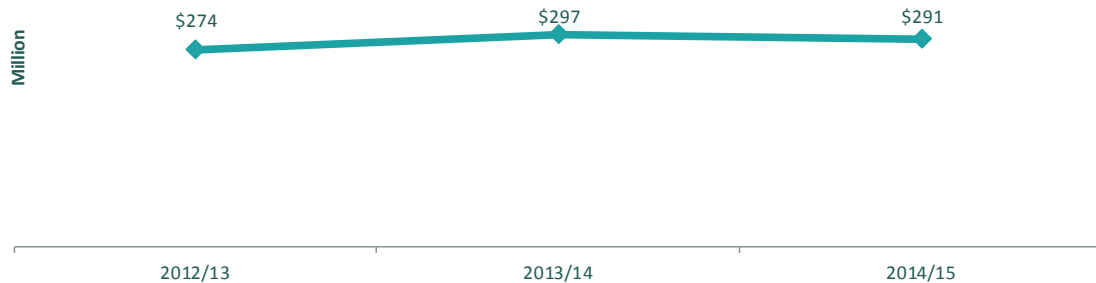
<sup>3</sup> This report and the Master Data Repository are at <http://www.treasury.govt.nz/statesector/performance/policyadvice>

# Overall Policy Cost

Across the 12 participating agencies, \$291 million was spent providing policy advice.

Policy advice cost  
**\$291m** in 2014/15

**Figure 1: Total policy cost**



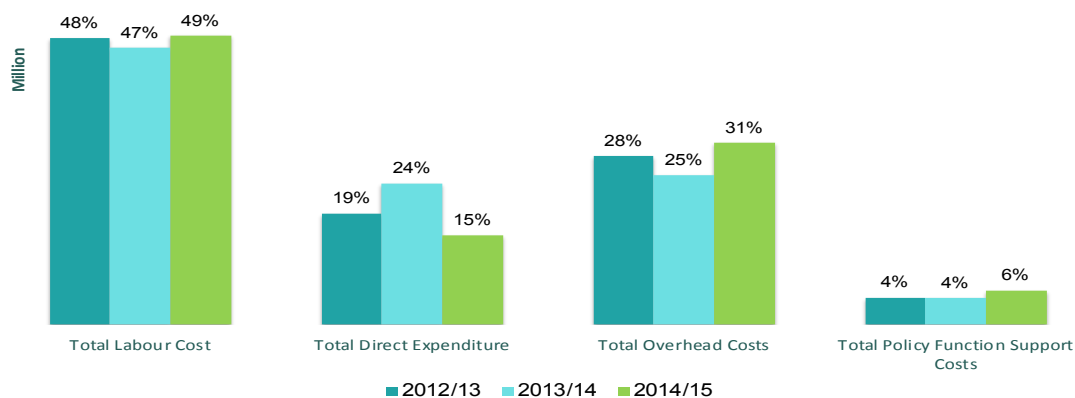
Labour costs (\$142 million in 2014/15) are the largest cost element of policy advice. As a percentage of total costs, these costs have remained relatively constant since 2012/13.

There has been greater year-on-year fluctuation in Direct Expenditure (\$44 million in 2014/15) and Overhead Costs (\$89 million in 2014/15) as a proportion of total costs.

However, when combined the proportion spent on these two items has been relatively stable since 2012/13 (between 46% and 49% of Total Costs). It is not clear whether this pattern of fluctuating costs at individual component level, but stable costs in aggregate, reflects real changes in the mix of costs or changes in how costs are allocated year-on-year.

Direct Expenditure also captures Outsourced Costs of \$21 million in 2014/15, an increase of \$2 million from the prior year.

**Figure 2: Breakdown of total policy cost**

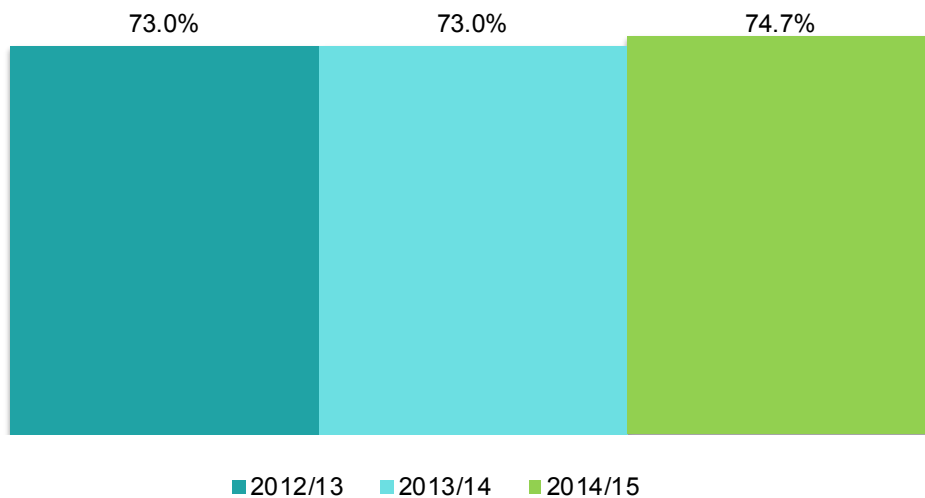


# Quality of Policy Advice

Agencies commission technical quality assessments on a sample of policy advice they provide. Key quality attributes considered were clarity, accuracy, analytical rigour, fitness for purpose and relevance to wider context. Overall the technical quality score has remained relatively unchanged since 2012/13.

Agencies Policy advice received a **Technical Quality** score of nearly **75%** in 2014/15.

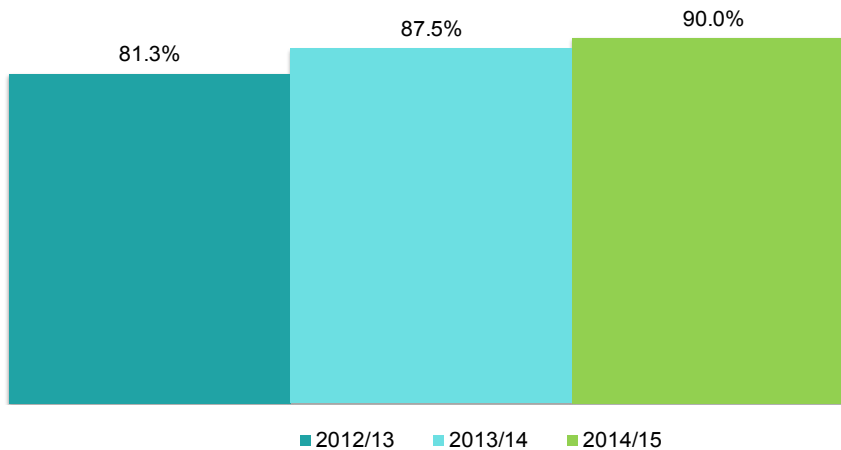
**Figure 4: Technical Quality Score**



A sense of the robustness of technical quality assessments is determined based on the average number of years of policy experience of the assessors, the number of quality attributes captured in the assessment, the sample size and how this sample size was chosen (eg, random sampling or chosen by the assessor).

The technical quality robustness has been increasing since 2012/13, with overall robustness now assessed at 90% (with all agencies scoring above 75%).

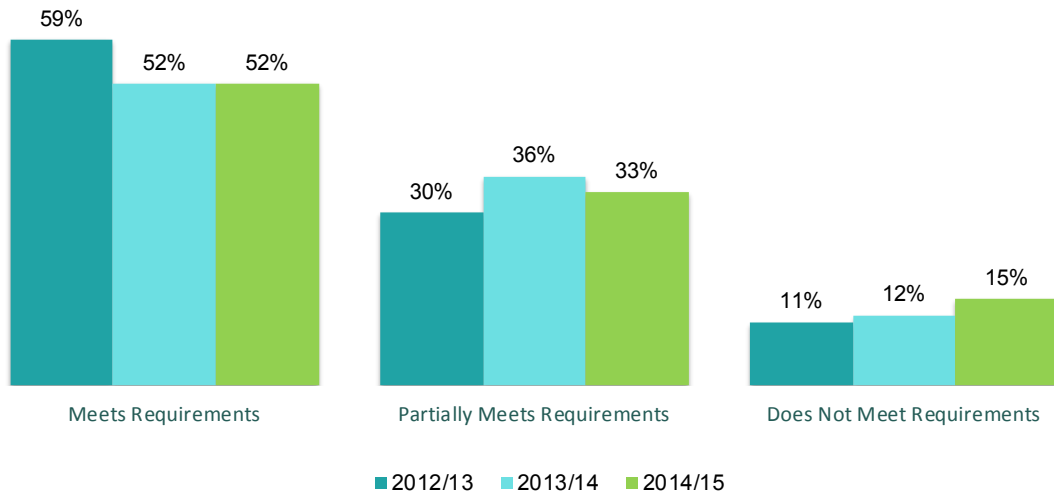
**Figure 5: Technical Quality Robustness**



Another perspective on quality is Treasury’s independent assessment of the extent that agencies’ Regulatory Impact Statements (RIS) meet Cabinet’s Regulatory Impact Analysis requirements<sup>4</sup>.

The score for RISs either partially or fully meeting these Cabinet requirements has remained fairly stable, between 85% and 89%, since 2012/13. However, the number that fully met Cabinet requirements remains at only 52%. To lift this performance Treasury has work underway to support agencies in improving the quality of their RISs.

**Figure 6: Regulatory Impact Statement Score**



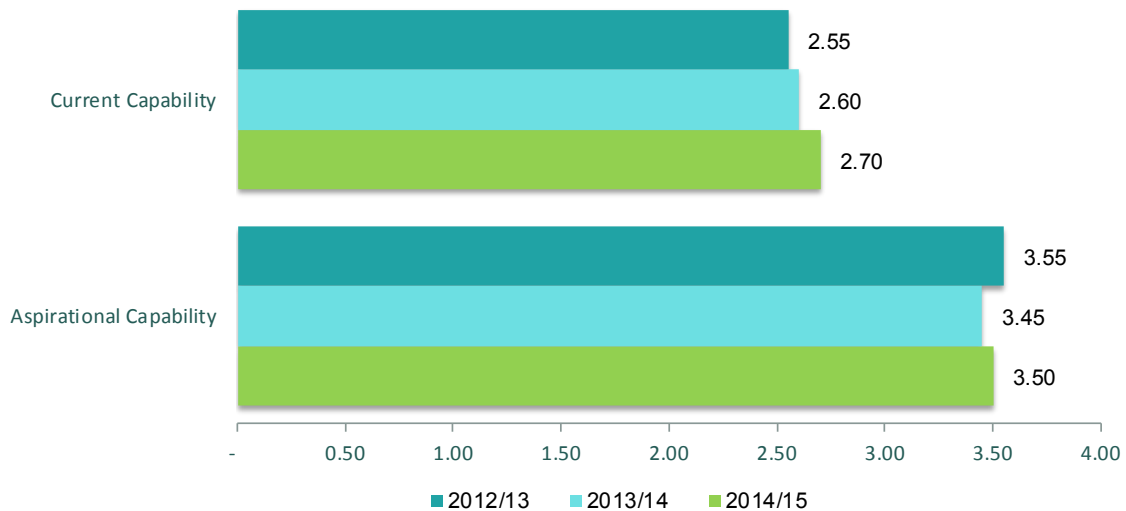
<sup>4</sup> Treasury assesses those Regulatory Impact Statements (RISs) that consider options with significant impacts or risks; it does not assess RISs that have only insignificant impacts or risks. Cabinet’s Regulatory Impact Analysis requirements are available at <http://cabguide.cabinetoffice.govt.nz/regulatory-impact-analysis-regulatory-impact-statements>

# Capability

Policy capability is measured using the Policy Capability Maturity Model (CMM). This is a self-assessment model<sup>5</sup> that allows agencies to assess their maturity across ten indicators of maturity.

Agencies rated their current **Capability Maturity** as **2.7** out of 4 for 2014/15

Agencies' aspirations of where they want their capability to be continues to exceed their current policy capability. This aspiration gap has only marginally closed since 2012/13.



Agencies rated their most mature capabilities as:

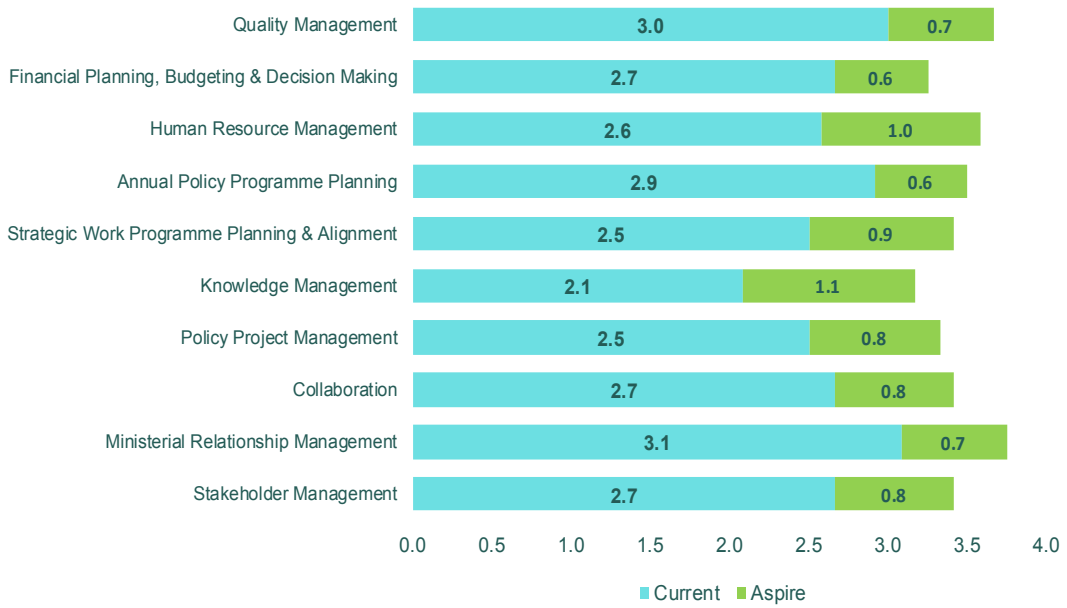
- Ministerial Relationship Management
- Quality Management
- Annual Policy Programme Planning

Agencies aspire to have the greatest increase in capability in 'Knowledge Management' and 'Human Resource Management'.

<sup>5</sup> CMM scores are self-reported by agencies, and the responses have not been moderated across agencies for consistency.



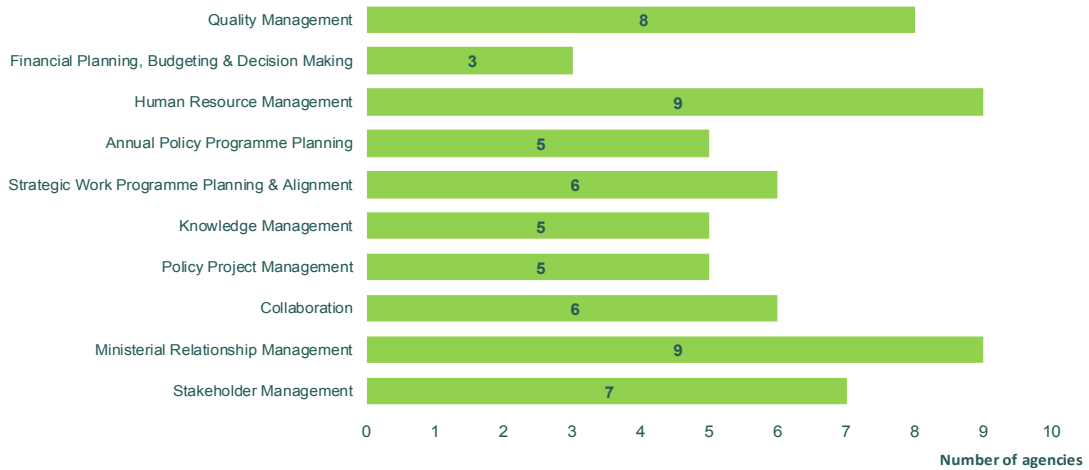
**Figure 7: Capability Maturity Model Score**



The capabilities with the highest priority for improvement across all agencies are:

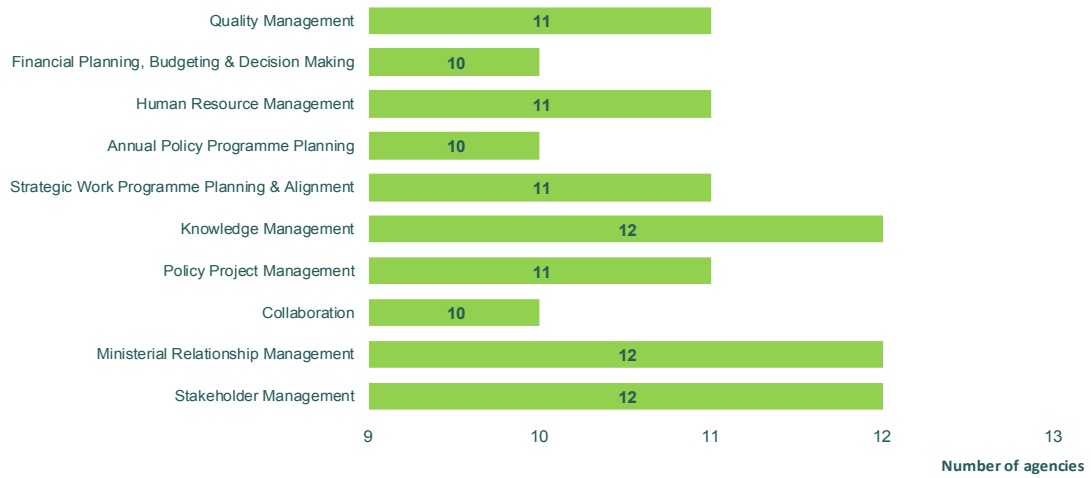
- ‘Human Resource Management’
- ‘Ministerial Relationship Management’
- ‘Quality Management’

**Figure 8: Management practices priority for agencies**



Agencies have initiatives in progress to improve capability across most if not all management practices.

**Figure 9: Initiatives for improving management practices**



The Policy Project's work programme includes improving how agencies assess their capability and policy quality. As this work develops it will influence how capability is captured in future for this policy measurement exercise.

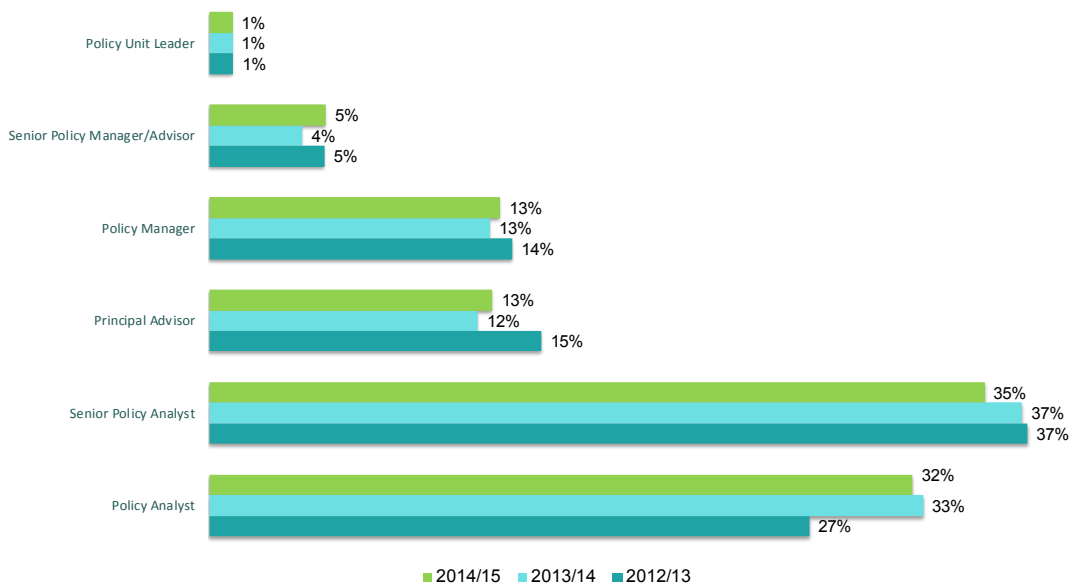
# Staff Mix

For the purposes of this measurement, agencies are asked to assign their policy staff (FTE equivalent of 1,110 staff in 2013/14) to one of six levels. Appendix 2 has for descriptions for each level.

**35%** of Policy staff are **Senior Policy Analysts**

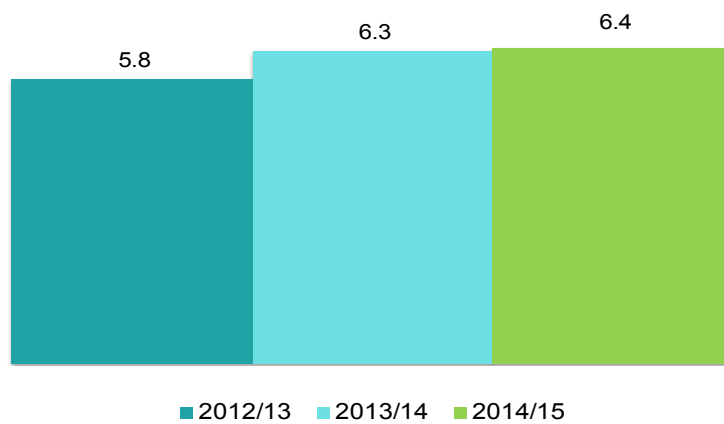
The distribution of roles has remained relatively consistent since 2012/13, with the exception in 2013/14 of the 22% increase in the percentage of Policy Analysts.

**Figure 10: Org chart**



Managers' span of control (Analysts, Senior Analysts or Principal Advisors per Manager) has remained constant following a slight increase in 2013/14.

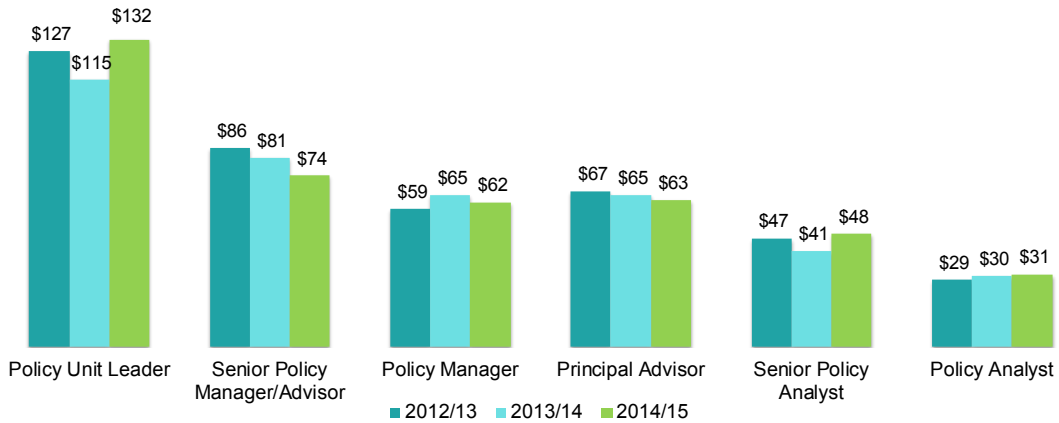
**Figure 11: Analyst, Senior Analyst and Principal Advisor FTEs per Manager FTE**



# Remuneration

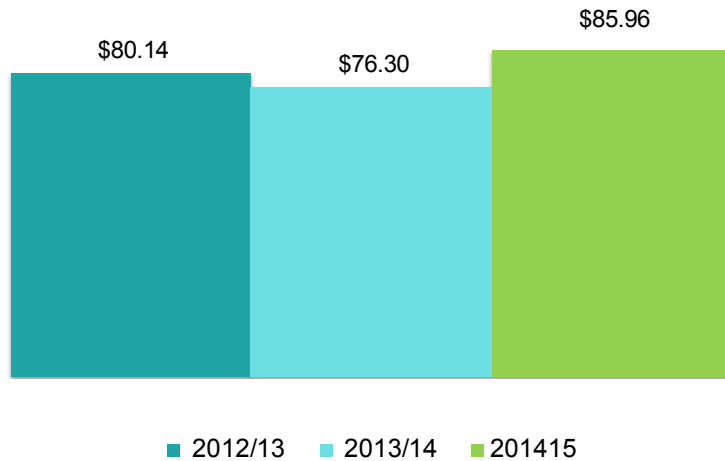
Across the six policy positions the hourly rate has remained relatively consistent since 2012/13, with the exception of the Policy Unit Leader and the Senior Policy Manager/Advisor. Due to the small number of FTE in these positions the mid-point of the salary band has been provided by agencies to prevent individual's remuneration level being disclosed.

**Figure 12: Hourly Remuneration per Position**



The increase in Labour Cost per Policy Advice Output Hour in 2014/15, to \$86 per hour, reflects a 2% increase in labour costs at the same time as the number of hours recorded on policy advice declined (by 1%).

**Figure 13: Labour Cost per Policy Output Hour**

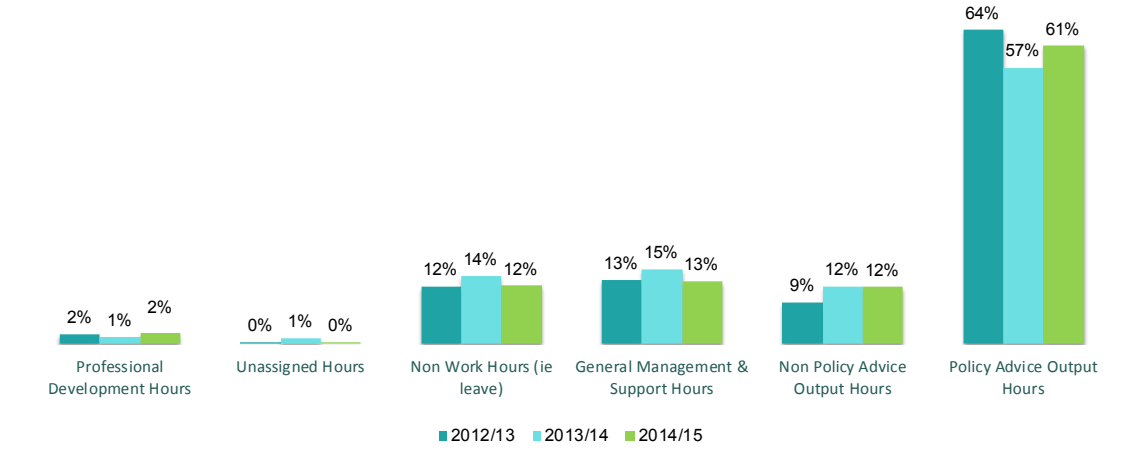


# Resource Allocation

The distribution of time across activities has remained relatively unchanged since 2012/13, with only a minor decrease (3% of time) in time spent on Policy Advice offset by an equivalent increase in time allocated to Non-Policy Advice Outputs. Non-policy advice outputs include time spent on operational activities as well as other tasks such as responding to Ministerials or Official Information Act requests.

**60%** of resource time is spent on **Policy Advice Output**

**Figure 14: Allocation of Resources**

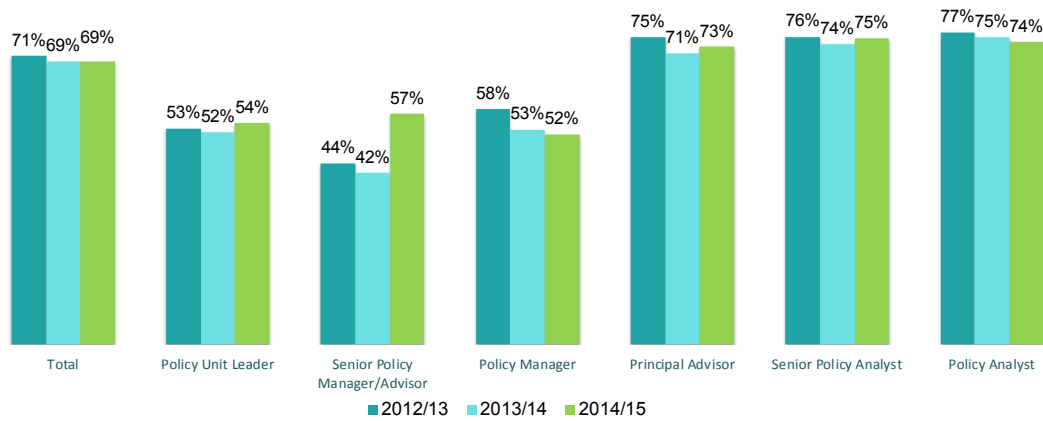


# Resource Utilisation

Resource utilisation looks at the ratio of time spent on outputs (both policy advice and non-policy advice outputs) to total time of an FTE (ie output hours as well as time on other activities such as management issues, professional development, and leave).

Analysts, Senior Analysts and Principal Advisor's have spent around 75% of their time on output delivery since 2012/13. Policy Managers and above spend a greater portion of their time on general management and support issues, and therefore less time directly on outputs, hence the lower utilisation scores for these positions.

**Figure 15: Overall Resource Utilisation**

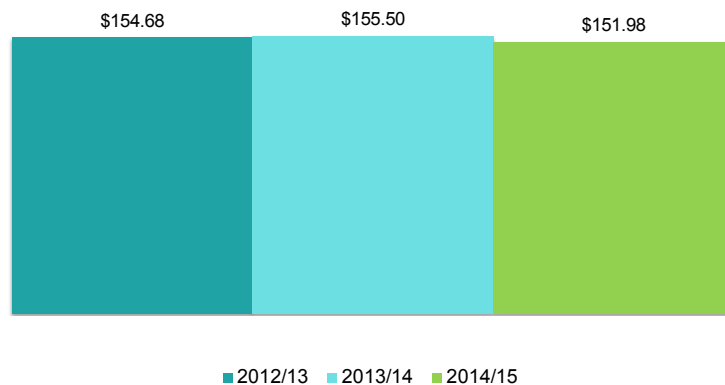


# Cost per Output Hour

The average cost across all agencies of providing policy advice to Ministers was \$152<sup>6</sup> an hour in 2014/15, which has been relatively constant since 2012/13.

It costs **\$152** per Policy Advice Output Hour

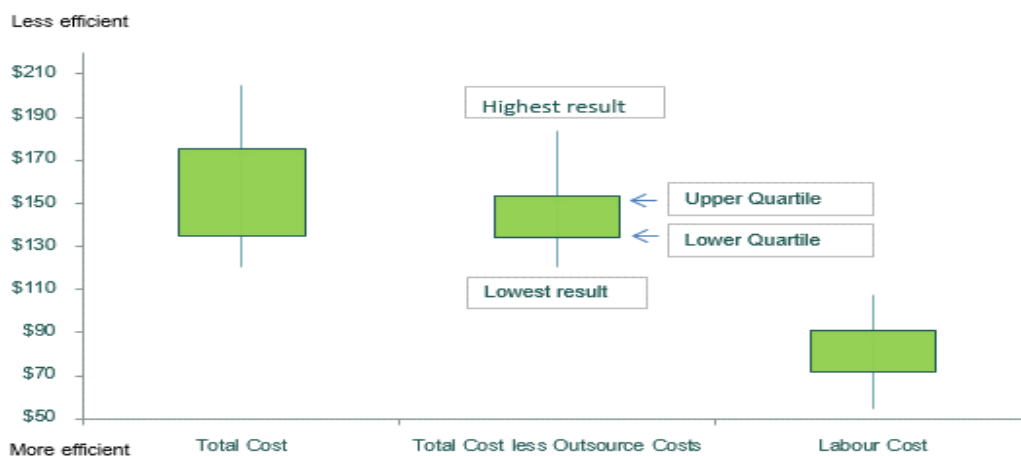
**Figure 16: Total Cost per Policy Advice Output Hour**



When looking at policy advice cost by agency there is a high degree of variation in the Cost per Policy Advice Output Hour, with costs varying from \$120 to \$205 per hour. However, as outsource costs are included in this calculation but not outsourced hours, the total cost per hour is less comparable (and overstated) across agencies.

Removing outsource costs from this calculation, reduces the underlying variability with costs falling between \$120 to \$183 per hour. If looking at only Labour Costs per Policy Advice Output Hour, these costs vary from \$55 to \$107 per hour across agencies.

**Figure 17: Variability of Costs per Policy Advice Output Hour – 2014/15**



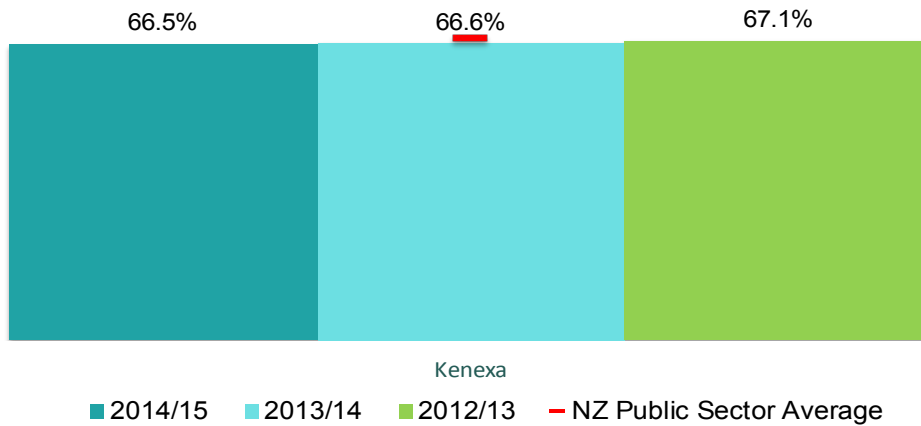
<sup>6</sup> For practical reasons the output hours provided by an outsourced supplier are not captured by the Policy Measurement exercise.

# Staff Engagement

Eight agencies carried out staff engagement surveys in 2014/15 (five used the Kenexa Survey and three used Gallup).

The average score, for both survey methods, have remained consistent since 2012/13.

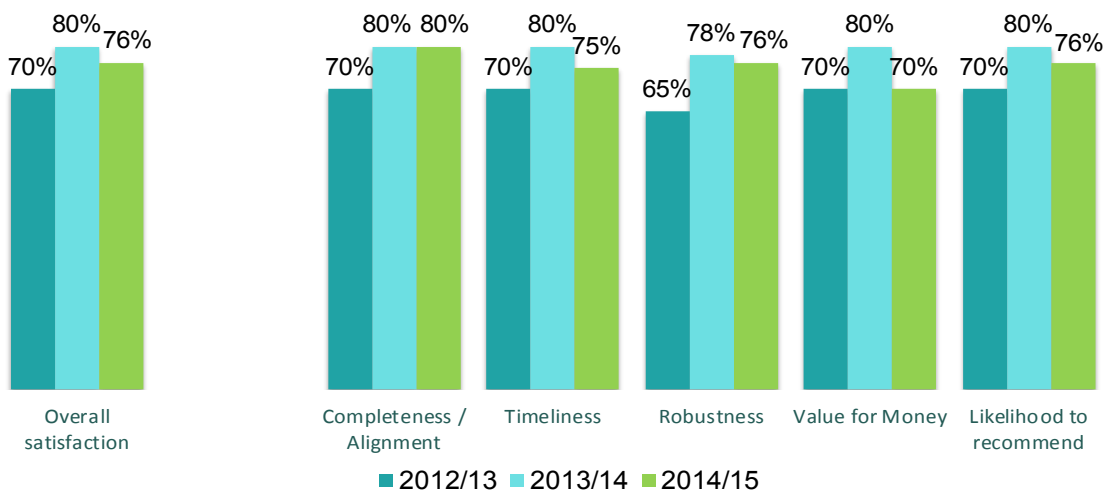
**Figure 18: Staff Engagement Score - Kenexa**



# Ministerial Satisfaction

The median Minister Satisfaction result is 76% in 2014/15. Ministerial Satisfaction ratings have consistently remained between 70-80% since 2013/14.

**Figure 19: Ministerial Satisfaction Rating**





# Appendix 1: List of Participating Agencies

**All agencies with large policy appropriations, except for MFAT, are included.**

While MFAT has a large policy appropriation, it does not apply the common definition of policy advice to this appropriation so the data is not comparable. As a result, MFAT's policy advice function is excluded from this measurement exercise.

The twelve agencies that participated in the policy measurement exercise for this report are listed alphabetically below:

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

## Appendix 2: Standard Job Levels

Job Titles	Job Description
<b>Level 1: Policy Unit Leader</b>	<p>The most senior policy position in the agency or one of a small number of policy leaders at the top management tiers with broad responsibility for leading a major policy unit encompassing several policy units with a broad range of subject matter responsibilities.</p>
<b>Level 2: Senior Policy Manager/Advisor</b>	<p>A Senior Policy Manager/Advisor is generally part of the agency's policy management team and accountable for a significant policy unit or a major sub-component. This is generally a manager of manager positions with direct reports who are themselves responsible for managing policy staff. In addition to day to day management, the Senior Policy Manager/Advisor is responsible for designing and leading complex policy thrusts and coordinating major policy initiatives. This level may also include experts who do not have any direct reports but are recognized as exceptional for their ability to advise on complex matters of direct relevance and importance to the agency's core mandate.</p>
<b>Level 3: Policy Manager</b>	<p>A Policy Manager is responsible for leading and coordinating major policy initiatives with minimal guidance and supervision. The Policy Manager will generally be responsible for managing a small policy unit and usually supervise up to eight policy staff.</p>
<b>Level 4: Principal Advisor</b>	<p>A highly qualified policy analyst primarily responsible for designing, leading and supporting complex policy projects and initiatives. A substantive expert with limited or no policy staff direct reports.</p>
<b>Level 5: Senior Policy Analyst</b>	<p>A qualified policy analyst with a minimum of five years of experience primarily responsible for carrying out complex analysis with periodic guidance from more senior policy staff. The Senior Policy Analyst manages small and mid-sized projects but does not have policy staff direct reports.</p>
<b>Level 6: Policy Analyst</b>	<p>An analyst with up to five years of experience who conducts policy analysis with regular guidance and support from more senior policy staff. Generally an entry level position and includes graduates hired on a probationary basis.</p>