

SECTION 7 IMPROVING POLICY-MAKING

7.1 Enhancing policy advice

7.2 Enhancing policy co-ordination

7.1 Enhancing policy advice

The context for change

If government is to make well-informed decisions on matters of public policy it requires high quality policy advice. Policy advice is now explicitly identified as an output of many of the core state sector agencies in New Zealand. In July 1991 the Minister of State Services directed the State Services Commission (SSC) to review the provision of policy advice from government departments in order to identify ways of improving its cost-effectiveness.

The New Zealand Government requires from the public service pertinent, timely, high quality policy advice which is efficiently produced. For the following reasons, emphasis has been placed on improving the quality of policy advice:

- The impact of poor quality advice on government decision-making is profound. In total, public expenditure in New Zealand exceeds \$30 billion, much of it on transfer payments such as pensions and benefits. Policy advice plays a key role in ensuring that these resources are used effectively and efficiently.
- The direct cost of providing policy advice is considerable (approximately \$400 million annually). There are about 1000 policy analysts working in the New Zealand public service.
- Following public service restructuring, a significant number of ministries have policy advice as their core business. Others have policy advice as a large proportion of their outputs. Virtually all state sector agencies undertake at least some policy development work. In seeking ways to improve the cost-effectiveness of this activity, government was signalling its concern both at the cost and the quality of the policy advice it was receiving.

By 1991, the New Zealand Government was sufficiently concerned about the following aspects of the advice it was receiving from its primary source of policy advice – the public service departments – to instigate the Policy Advice Review:

- the relevance of much of the advice to the government's long-term objectives and more immediate needs;
- the coherence of the advice and its use in a form that Ministers could make best use;

- the quality of the advice in terms its purpose, accuracy, logic, consultation, practicality and presentation.

The report *Review of the Purchase of Policy Advice from Government Departments* (also known as the Policy Advice Review) represented a major study into the policy advice function in the New Zealand context. One outcome of that Review was a *Policy Advice Initiative* – a series of ideas and actions focused on the production of policy advice within departments.

Implementing change

Preparation of the handbook, *The Policy Advice Initiative – Opportunities for Managers* represented the first of a series of steps intended to enhance policy advice.

Another step taken as part of the Initiative was to promote the exchange of policy staff within the public service. Benefits were seen as accruing to departments and individuals, as well as government from expanding the number and spread of policy staff exchanges.

The Initiative is part of on-going efforts to strengthen the quality of policy advice in the public service. This topic should therefore be read in conjunction with the entries on *enhancing policy co-ordination* (which cover the requirement to follow Cabinet Office procedures in the development of policy) and *ensuring contestable policy advice*.

There are a number of other related developments. In 1991 guidelines for the purchase of policy advice were approved by Cabinet and issued to departments. The purpose of the guidelines were to foster a consistent set of performance measures such as quality, quantity, cost, time and coverage of the policy advice function.

Another step in improving policy advice is a decision by Cabinet to adopt a *benchmark* approach to assessing the trade-off between price and quality in the purchase of policy advice. The Treasury has developed costing standards for policy based on an analysis of the costs of all policy units. The objective of this exercise is to give ministers and chief executives comparative price information to guide choices on the quality and quantity of policy advice purchased.

The New Zealand Ministry of Commerce (predominantly a policy agency), for example, has developed its own policy analysis framework for use as an analytical tool by the Ministry's staff. Introduction to the policy framework is part of the induction process for new staff and, in addition, a training video has been produced. It should be noted that the Ministry of Commerce is formally adopting a Total

Quality Management (also known as TQM) approach and has an extensive process improvement network throughout the Ministry.

Other departments have also developed their own quality indicators for their policy advice outputs. Treasury, for example, has a set of detailed quality parameters under the headings of: completeness, relevance, communicability, timeliness, cost-effectiveness, reliability and assessment of quality.

Many of the policy analysts working in the state sector have now received specialist training in methods and techniques used in policy analysis in addition to whatever formal academic qualifications they hold. Some staff have been involved in exchanges and secondments to overseas policy agencies or the policy units within departments.

A number of conferences and seminars devoted to the topic of improving policy advice have been held.

In addition, both private training organisations and Victoria University, Wellington, provide a variety of short and tertiary level courses covering the qualitative and quantitative aspects of policy analysis.

The policy advice review was undertaken by the SSC at the direction of its Minister and commenced in July 1991. The Review's report was published in December of the same year and contained, inter alia, a recommendation that a Policy Advice Initiative be launched to raise the quality of policy advice. The report recommended specifically that one department, the SSC, facilitate the initiative in conjunction with other departments and inviting the participation of specialist groups such as the Institute of Public Administration, the Institute of Policy Studies and the Public Policy Group at Victoria University of Wellington. The handbook, the first step taken under the Initiative, was completed in 1992.

A particular initiative in enhancing policy advice: the Policy Advice Initiative – Opportunities for Managers (a handbook)

Central to the preparation of the handbook was the premise that policy advice is a multi-disciplinary craft involving a body of theory and practice that can be applied by all policy agencies. Economics, law and statistics are frequently used as are a number of other disciplines.

Although policy advice is difficult to define, according to Professor Claudia Scott of the Public Policy Group at Victoria University of Wellington (a member of the Policy Advice Initiative Committee that oversaw production of the handbook) it includes the following characteristics:

- it is a method of synthesising information and research results to produce recommendations for policy decisions;
- it evaluates options in terms of explicit criteria, such criteria being formative and prescriptive, not descriptive;
- it involves theory and is value-based; the results are linked to concepts and frameworks and good analysis makes such frameworks explicit.

The Social Policy Agency, part of the Department of Social Welfare, has developed the following definition which encapsulates many of the key elements of policy advice:

"Excellent policy advice is based on rigorous objective analysis of relevant research and information, and operational feasibility and uses a wide range inputs from other interested parties."

The handbook entitled *The Policy Advice Initiative – Opportunities for Management* is designed primarily for use by policy managers as a reference source and as a quick tool for assessing particular policy issues. The four chapters bring together the issues of policy and good management practice and cover the following issues:

- Expectations
- Policy Analysis
- Human Resource Management
- Organising Resources

Each chapter concludes with a set of questions designed to help managers think about the performance of their unit. There is also a checklist for ministers when reviewing departmental papers.

Supporting material

- (i) *Efficient and Effective Policy*, AIC Conferences, June 1993, Wellington
- (ii) *Managing Quality Policy*, AIC Conferences, March 1994, Wellington
- (iii) *Review of the Purchase of Policy Advice from Government Departments*, State Services Commission, 1991, Wellington

- (iv) *The Policy Advice Initiative – Opportunities for Management*, State Services Commission, 1992, Wellington

7.2 Enhancing policy co-ordination

This entry looks at events in New Zealand over the past decade in terms of their impact on policy co-ordination. It outlines how one particular mechanism, the Cabinet Office system, is used for enhancing policy co-ordination.

In 1984, New Zealand commenced a decade of economic and public sector reform. Radical change occurred in the economic, social and environmental policies of the country as well as in the public sector. During this period of reform a significant number of machinery-of-government changes occurred, with departments being abolished, merged or created. As a consequence, many departments were faced with implementing major policy changes as well as re-organising themselves.

The State Sector Act (1988) placed particular emphasis on the vertical relationship between chief executives and their portfolio minister, and relatively less on the horizontal, or consultative relationships among chief executives. The net effect of all these changes was to add to the complexity of co-ordinating policy.

Against that background, one of the mechanisms adopted to improve policy co-ordination was to clarify, emphasise and more strictly enforce the Cabinet Office procedures for consultation. The Cabinet Office Manual, revised in 1991, contains a section that specifically sets out the requirements for consultation that are expected of departments.

Consultation is necessary to ensure that ministers receive properly co-ordinated policy advice. The aim of revising Cabinet Office procedures was to avoid situations in which departments were not given an opportunity to comment on issues in which they had a legitimate interest, before the proposal was submitted to Cabinet or one of its Committees.

The results of poorly co-ordinated policy can be seen as:

- conflicting or inconsistent policy;
- abrupt reversals or changes in policy;
- wasted resources.

Efforts to improve the co-ordination of policy advice have been initiated from time to time whenever deficiencies in existing procedures have become manifest. For example the single Department of The Prime Minister and Cabinet (combining the policy advice role of the Prime Minister Office and the Cabinet servicing role of

the Cabinet Office) was created in 1990 as a means of improving policy co-ordination.

A number of official committees are also in operation to service most key Cabinet Committees. The practice of having departmental officials attend most Cabinet Committee meetings has the advantage of allowing officials greater understanding of ministerial objectives and expectations.

Detailed requirements in respect of the consultation that is expected by government in respect of policy are set out in the New Zealand Cabinet Office Manual. In summary the key points are:

- The primary responsibility for good consultation lies with the department initiating a Cabinet paper. Departments must ensure that they consider all the implications for other government agencies and consult them at the earliest opportunity when preparing a Cabinet submission.
- The actual process of consultation needs to be tailored to the complexity of the issue, the resources available and the deadline to which departments are working.
- When the views of other departments are summarised, this must be done accurately.
- Departments are to certify, using a set form, to the satisfaction of their minister that they have consulted all government agencies with an interest in the issue and that the views of those organisations are reflected properly in the paper.
- Departments should endeavour to produce a single joint submission rather than attaching separate reports whenever possible.
- Cabinet Office staff are authorised to refer back to the minister who signed it, any submission where consultation appears to have been inadequate.
- All submissions that contain recommendations on expenditure and revenue, or which have financial, fiscal or economic implications, must be referred to the Treasury for comment.

Supporting material

- (i) *Manual 1991*, New Zealand Cabinet Office, Wellington

- (ii) The Problems of Policy Co-ordination: The New Zealand Experience, *Governance*, Boston, J., January 1992