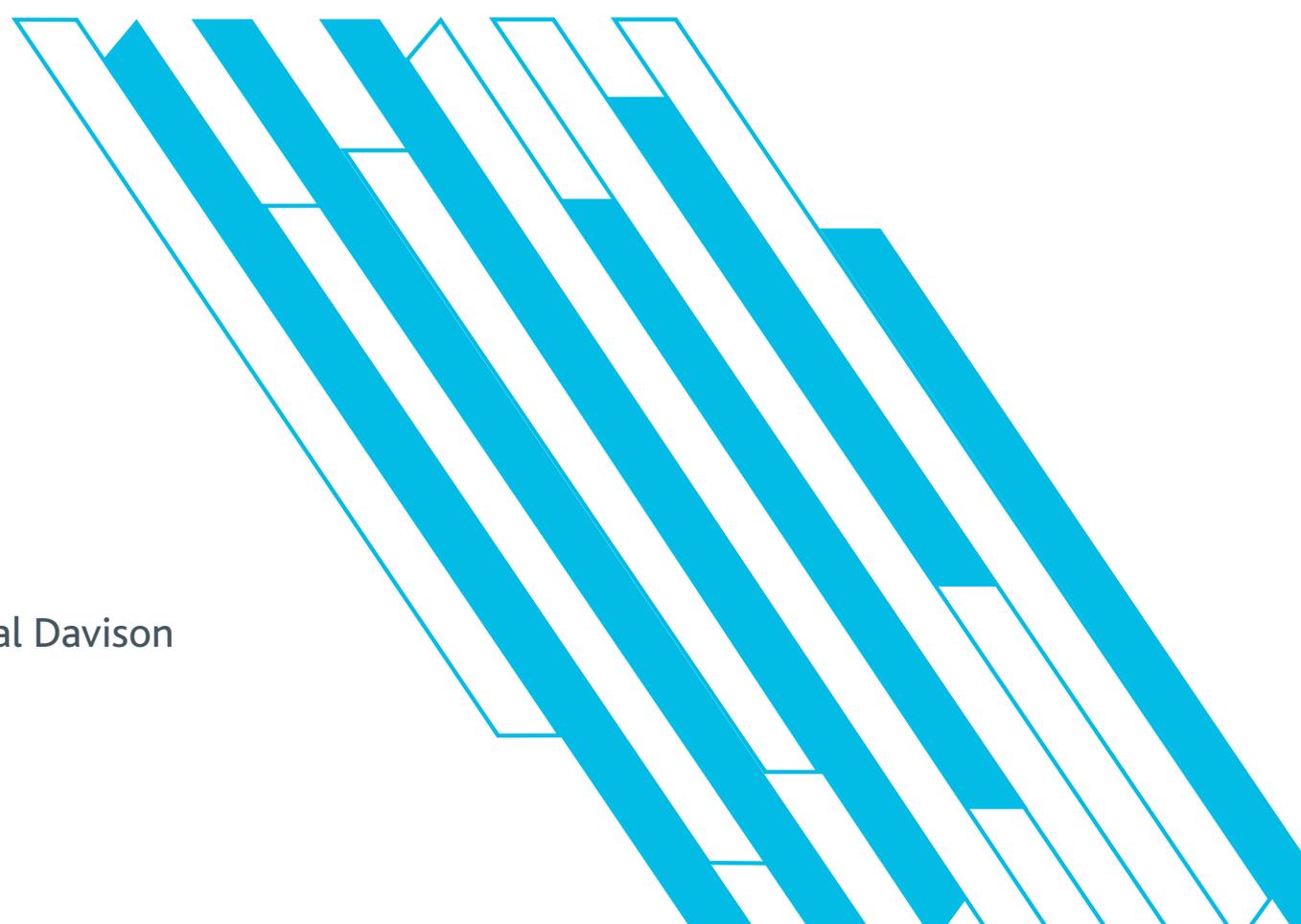


Whole-of-government reforms in New Zealand

The case of the Policy Project

Nehal Davison



About the author

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Executive summary

In 2015 and 2016, Nehal Davison spent six weeks working in New Zealand's Public Service through a secondment to the Department of the Prime Minister and Cabinet (DPMC), and as an international visitor in the Department of Internal Affairs (DIA). Being embedded both in the centre of government and in a large delivery department gave her an insider's perspective on what cross-government initiatives can achieve, as well as the inevitable challenges they face.

In this case study, Nehal takes stock of one of these initiatives – the Policy Project¹ – the cross-agency team she was based in during her time at the DPMC. This short report tells the story of the Policy Project – how it began, its objectives and current state – drawing on the Institute for Government's framework for assessing civil service-wide reforms.²

The paper draws on the following:

- review of relevant internal documentation
- 10 interviews with senior officials in the New Zealand Public Service, including the Chief Executive of the DPMC (and Head of the Policy Profession), the Head of State Services, a number of Deputy Secretaries involved with the Policy Project and members of the Policy Project team
- conversations with the core team to test findings and conclusions throughout the secondment.

Background to the Policy Project

The Policy Project was established in 2014 and tasked with 'lifting the policy game across the system' (one of the DPMC's 'Top 10 challenges' in 2014). It aims to 'professionalise' the policy workforce and tackle a number of challenges in the New Zealand Public Service system:

- the lack of a cross-government view on 'good' policy advice and 'good' policy advisers
- difficulties in finding, paying for and retaining talent
- insufficient use of evidence and user insights in the policy development process
- limited focus on the capability needed to meet future policy challenges.

Previous reforms had demonstrated that imposing a set of guidance or standards from the centre was not an effective recipe for driving improvements across the system. Collaboration was therefore designed into the process from the outset and policy leaders from across the Public Service were involved in testing and co-developing the Policy Project's aims, approach and methods.

Taking stock of the Policy Project

The Policy Project has been running as a funded programme since September 2014 and has reached a critical transition point. It is seen to have been effective in building a community of practice around an agenda; encouraging cross-fertilisation of ideas and initiatives; and providing a mandate to try new ways of working. The team have also developed three prototype 'improvement tools', which draw on practice from around the Public Service to provide policy professionals with a set of common standards and tools to help them improve the quality of their policy advice to ministers. In order to make the most of the progress made during the first

year and embed long-term changes in behaviour, interviewees highlighted the need to focus on the following areas:

- clarifying goals and purpose, including how different workstreams fit together
- moving from dependence on the leadership of a few individuals to broader 'collective ownership' among the policy community
- building dedicated capability and resources to drive the vision and model
- balancing collaborative values with the right use of governance, accountability and incentives.

As with any far-reaching reform programme, the biggest challenge lies in tackling the deep-rooted silo tendencies of agencies. Whole-of-government activities – such as the Policy Project – tend to attract less priority than the demands an agency and its leadership are held to account for delivering. Real and lasting system change will require agencies to shift priorities to embrace the notion that the whole is greater than the sum of its parts and that 'system trumps agency'. If that occurs, the Policy Project, as a reform programme, has the potential to land in the 'embedded' arm of the Institute for Government's model for assessing civil service reform rather than 'limp on' or 'close down' (see page 9).

The New Zealand context

New Zealand took the New Public Management reforms of the 1980s³ further than any other country in the world. Performance of agencies are measured by outputs and managed by a 'contract' between ministers and chief executives (the equivalent of the UK's permanent secretary grade); these reinforce strong vertical accountabilities for the delivery of agency-specific outcomes. This approach has clear benefits – a focus on clearly defined areas – but leaves few incentives for public servants to work together to address complex problems. The Better Public Services (BPS) reform agenda,⁴ formally launched by the New Zealand Government in 2012, aims to correct this by pulling back some of the autonomy of individual agencies and encouraging cross-agency collaboration around 10 priority outcomes (or 'results'), in areas such as welfare dependence⁵ and vulnerable children.⁶ Recent innovations include:

- **Strengthening horizontal linkages between agencies** – The BPS reform agenda formalised the role of functional leaders⁷ in property, procurement and IT, and saw the establishment of heads of profession in legal, communications, policy, finance and human resources. It also laid the basis for a strengthened 'corporate centre' (consisting of the New Zealand Treasury, State Services Commission (SSC) and the DPMC) to lift the performance of the state sector as a whole.
- **Empowering chief executives to 'steward' the Public Service system** – The State Sector Amendment Act, passed in 2013,⁸ introduced a legislative requirement for chief executives to 'steward' the Public Service system, which means that they have a responsibility to not only respond to ministers' immediate needs, but to also proactively identify and respond to the capability needs of future governments. This often requires putting agency objectives to one side in favour of the long-term interests of the whole system.
- **Introducing new performance expectations** – All chief executives' performance agreements now include the expectation that they will pay greater attention to the 'good of the system as a whole', and are accountable for progress against objectives relating to this at regular performance appraisals – a model that has attracted interest in the UK (see the Institute for Government's report *Accountability at the Top: Supporting Effective Leadership in Whitehall*⁹).

Despite this progress, the largely autonomous nature of New Zealand's government agencies continues to hinder system-wide improvements in performance. This paper focuses on the most recent attempt: the Policy Project, the cross-agency team I was based in during a secondment to the DPMC in 2015.

The Policy Project

Origins

Improving the quality of policy advice that officials provide to ministers has proved thorny and intractable for New Zealand's public servants. There have been a number of centrally-driven attempts to address this – the *Policy Advice Initiative* (1991–1995)¹⁰, *Improving the Quality of Policy Advice* (1997–1999)¹¹ and the *Review of Policy Expenditure and Advice* (2010) to name a few.¹² These were seen to be analytically compelling, but, crucially, lacked an implementation strategy and ultimately failed to stick. By 2013, many senior officials felt a number of challenges remained to be tackled:¹³

- 1) **The lack of a cross-government view on 'good' policy advice and 'good' policy advisers.** Unlike in the UK, there is no fast stream or civil service learning which aims to provide civil servants with core skills, regardless of the department they work in, which means that the quality of policy advice varies significantly between agencies.¹⁴
- 2) **Difficulties in finding, paying for and retaining talent.** Most agencies are adopting a 'buy not grow' workforce strategy and there is limited investment in the development of analysts and senior analysts (roughly equivalent to the senior executive officer/ Grade 7 in the UK Civil Service).¹⁵ High turnover of people at that level is common, which means that competition between agencies for skilled resources is fierce.¹⁶
- 3) **Insufficient use of evidence and user insights in the policy development process.** Limited use of new policymaking methods and techniques (for example, user-centred design, behavioural insights and data analytics) means that policies developed in Wellington do not always respond to the diverse needs of communities across New Zealand.¹⁷
- 4) **Limited focus on the capability needed to meet future policy challenges.** Public servants' sole focus on meeting ministers' immediate demands means that insufficient attention is being paid to developing the skills and ways of working needed to tackle long-term issues that require a cross-cutting approach.¹⁸ This is central to chief executives' stewardship responsibilities introduced as part of the wider BPS reform agenda.¹⁹

However, these challenges were not new and previous attempts to address them had ultimately failed to drive system-wide changes. Senior officials felt that one sticking point was that no single agency or individual had a mandate for leading the 'policy system' as a whole and maintaining a constant pressure for improvement.²⁰ This conclusion was drawn against the backdrop of the functional leadership agenda, which aimed to introduce greater standardisation across 'professions' in the Public Service.

Helen Wyn, then Deputy Secretary of Policy at the DPMC, and Sally Washington, then a Principal Analyst in the SSC, had both been involved in developing the functional leadership model and decided to apply a similar system-wide approach to the policy dilemma.²¹ It was in this context that the Policy Project was born – a small cross-agency team hosted by the DPMC, tasked with 'lifting the policy game across the system' (one of the DPMC's 'Top 10 challenges' in 2014). Andrew Kibblewhite, Chief Executive of the DPMC, became the sponsor of the programme.

A collaborative approach

Previous initiatives had demonstrated that imposing a set of guidance or standards from the centre was not an effective recipe for system change.²² To be sure, different agencies were already trying to improve the capability of policy professionals in different ways.²³ The Policy Project wanted to leverage that activity, while giving the agenda some structure and push by building on initiatives already underway in agencies, connecting people and scaling up pockets of good practice (for example, around role expectations, career development pathways and competency frameworks for policy professionals).

It was clear that the agenda could not be driven by the Policy Project alone: it had to be owned by deputy chief executives with policy responsibilities – referred to as Tier 2 policy leaders (the equivalent of directors-general in the UK Civil Service).²⁴ As Washington explained: 'I don't believe in the model "build it and they will come", but rather "build it together and they are already here."' Collaboration was therefore designed into the process from the outset. A key engagement route was the Tier 2 network meetings, through which Wyn and Washington began working closely with policy leaders to test and co-develop the Policy Project's aims, approach and methods. From April 2014 onwards, a number of workshops were held with this group to develop a vision of what 'success' looked like²⁵ and a narrative paper was produced that sought to generate consensus around the current state of the policy function and the desired future state.²⁶ This early engagement proved crucial in building the momentum and buy-in that was needed to get the Policy Project off the ground.

Leadership and mandate

It became increasingly clear to those involved that the Policy Project needed more than a sponsor to really drive and embed changes across the system. The idea was mooted that a formal head of the policy profession, akin to the role that exists in the UK, should be established to provide the system-wide focus and mandate needed to promote lasting change.²⁷ In order to increase support for the idea of dedicated leadership of the policy function, efforts were made to build on the momentum created by the BPS reform programme, which formalised the role of functional leaders in property, procurement and IT; saw the establishment of heads of profession in legal, communications and human resources²⁸; and provided the impetus for a strengthened corporate centre consisting of the New Zealand Treasury, the SSC and the DPMC – a visible manifestation of this being the creation of a Performance Hub (a joint Treasury and SSC team) in 2013 to support the BPS reform programme and improve the performance of the system as a whole.²⁹

These developments changed the public management environment, and there was greater appetite for, or at least acceptance of, more standardisation and co-ordination in functional areas, especially in relation to capability building.³⁰ The Policy Project aimed to leverage these existing initiatives, 'professionalise' the policy workforce and build an active network of policy leaders to trigger system-wide changes.³¹

Decisions, funding and governance

In September 2014, a formal decision paper was submitted to the State Sector Reform Leadership Group (SSRLG)³² to request voluntary club funding (which means that agencies are invited to contribute to a central fund) for the Policy Project, to cover staff salaries and a modest operating budget, and to endorse the creation of a new head of the policy profession. The expectation was that if agencies had some 'skin in the game', it would incentivise them

to engage with and participate in initiatives.³³ The SSLRG agreed that the Policy Project be club funded for an initial period of two years, and it was recommended that the Head of the Policy Profession post should be held by Kibblewhite, as Chief Executive of the DPMC. This decision proved helpful over the following year: as head of the DPMC, Kibblewhite was seen to have the personal attributes, credibility and leverage to influence others in the system.³⁴ His speeches, in particular, were seen to carry significant weight and provided a mandate for new ways of working.³⁵

Following the formal endorsement, Kibblewhite wrote to the large policy agencies requesting a voluntary contribution to the Policy Project. The response was universally positive, although it took several months for the budget to come through. By October 2014, the core team consisted of Washington as Programme Manager, and an analyst, who were joined by a senior analyst the following January. Over the next few months, a small number of short-term staff – many of whom worked part-time – were seconded from other agencies.

The governance arrangements were explicitly designed to encourage engagement and take-up from the wider Public Service. Kibblewhite pulled together a chief executive sponsor group from various agencies to champion the Policy Project and challenge the Tier 2 policy leaders group to ensure a collective improvement in policy capability and performance. It was also responsible for signing off the direction of travel and monitoring performance by reviewing regular half-yearly progress reports. Alongside this, the Tier 2 policy leaders network was the key group responsible for prioritising activities within the broad programme of work agreed by the sponsor and SSLRG. A smaller reference group of Tier 2 policy leaders was established to act more as a 'critical friend' to the Policy Project and help iterate the programme of work.³⁶ In addition, a number of cross-agency working groups were set up around parts of the work programme to test prototype tools and frameworks.

These workshops and forums collectively helped to identify the following main workstreams:

- **System leadership** – The Policy Project would act as a champion for the policy profession and socialise the desired future state (i.e. what 'good' looks like) through the role of the Head of the Policy Profession.
- **People capability** – The Policy Project would build a high-performing policy cadre by identifying the skills for policy excellence, supporting greater consistency between agencies (including identifying gaps and generic training options) and developing future policy leaders.
- **Products and services** – The Policy Project would develop a common understanding of what excellent policy advice looks like, including shared quality standards and processes to support high-quality policy advice.
- **Policy leadership** – The Policy Project would focus on ensuring the policy infrastructure is fit for purpose, including anticipating the big policy challenges that require joined-up and collaborative approaches. It also includes working on the 'demand side' with the Cabinet Office to support ministers (especially new ministers) to get the most out of the policy services available to them.³⁷

Although there had been many past attempts to tackle the first three elements (that is, the 'supply side' of policy advice), the emphasis on ministers in 'policy leadership' was new. It was felt that any improvement initiative could only succeed if the 'demand side' of the issue was also addressed. This meant enabling ministers to work effectively with public servants to translate policy aspirations into real changes on the ground.³⁸

Engagement, activities and products

The Policy Project has been running as a funded programme since September 2014 and the big question is whether it is making any difference. Transformational programmes rarely deliver results quickly. Changes in routines, behaviours and ways of working – especially on this scale – naturally take time to become embedded.³⁹ The challenge lies in showing and attributing this impact, especially when it is slow to appear, dispersed across the system, and often captured in and attributed to agencies. Therefore, it is too early to make a conclusive assessment of impact. Interviewees, however, highlighted the following intangible benefits:

Building a community of practice around an agenda

Much of the first year has focused on building an active community of policy leaders and embedding collective responsibility for the policy function across the Public Service. Workshops were typically co-produced with another agency (and sometimes funded by that agency). By September 2015, the Policy Project team had facilitated 10 Tier 2 policy leader network workshops, 19 inter-agency workshops, and a number of speaker events (either led by external experts or the Head of Profession) to stimulate debate and increase engagement. The Policy Project is seen to have reinvigorated the Tier 2 network of policy leaders by giving it a meaty agenda to focus on⁴⁰ and 'seeding enthusiasm for new methodologies' through its speaker series.⁴¹

Cross-fertilisation of ideas and initiatives

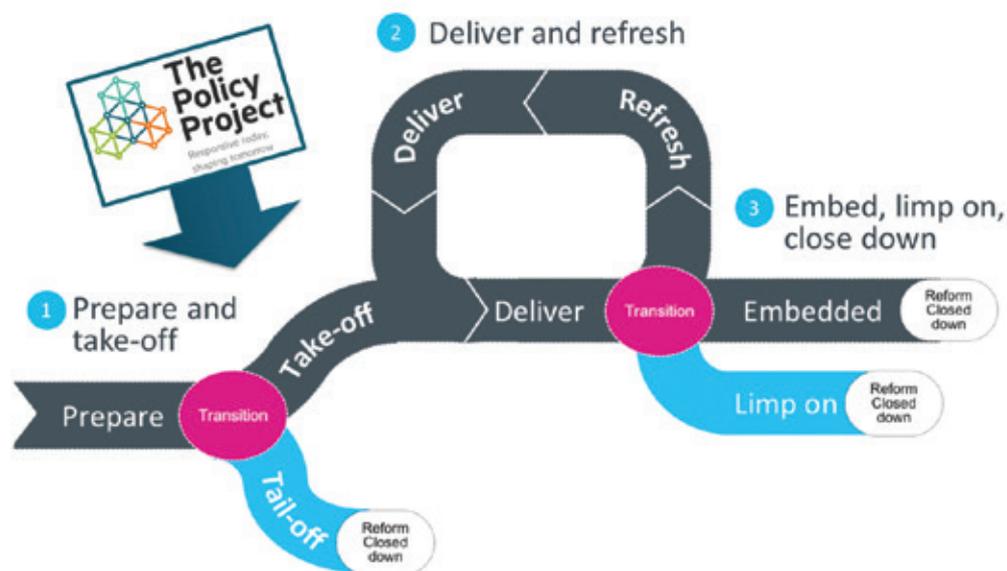
The Policy Project is seen to have encouraged greater exchange, relationship building and cross-fertilisation across the Public Service, partly through its brokerage role (the team connects agencies and people that are grappling with similar issues).⁴² The Programme Manager's role of brokering, connecting and supporting is seen to have been critical to creating the conditions for this.⁴³ The team have also developed three prototype 'improvement tools': these draw on practice from around the Public Service to provide policy professionals with a set of common standards and tools to help improve the quality of their policy advice to ministers. These are currently being tested with volunteer agencies so they can be revised and then rolled out more widely.

Setting expectations and providing a mandate to try new ways of working

Kibblewhite's speeches have been circulated to all agencies to increase awareness of the Head of the Policy Profession and the Policy Project objectives.⁴⁴ The speeches are seen to have set expectations (for example, on what 'free and frank' advice means in practice), and provide 'permission' and a mandate to the rest of the Public Service to try new things; many agencies are using them as an impetus for conversations with their staff.⁴⁵

Taking stock of the Policy Project

The Institute for Government has conducted research into several UK cross-civil service reforms to understand why some take off, while others limp on and tail off. The most recent report on this issue – *Civil Service Reform in the Real World* – identifies 10 factors that can lift or drag down a reform process.⁴⁶ The lessons and insights are intended to help those either starting a new process of reform or attempting to refresh one that is already underway. Based on this, the following observations can be made about the Policy Project – where it is at and the challenges and opportunities that lie ahead.



Source: Panchamia/Davison, N., and Thomas, P., *Civil Service Reform in the Real World: Patterns of success in UK civil service reform*, Institute for Government, March 2014, p. 82

Clarity on goals and purpose

The Policy Project was never designed to solve one problem in isolation – ‘lifting the policy game across the system’ is a complex and far-reaching endeavour that requires steering multiple parts of the system at the same time. As one interviewee put it: ‘We are attempting a ‘systemic’ intervention, using as many levers as we can – encompassing changes to behaviour, practice, performance expectations and setting a clear long-term direction.’⁴⁷ This holistic, system-wide approach was effective in galvanising people, building momentum and ultimately getting a mandate from other Tier 2 policy leaders – all of whom wanted to be reassured that their views about the weaknesses of the system were reflected in the overall vision. As one interviewee stated: ‘It’s hard to start small.’⁴⁸

However, this broad approach has inevitably meant that the Policy Project is susceptible to being pulled in many different directions. In the early days, the project team prided itself on being responsive to requests for information and support. However, with a limited number of staff and an ambitious work programme, this may have resulted in the team being stretched too thinly and unable to focus on an achievable number of deliverables. The need to secure

more club funding, given the original contributions are soon to run out, is placing pressure on the team to refine, focus and deliver some tangible products and results quickly.

At the same time, a second pillar of the project has been developed to explore how the policy system best engages with emerging strategic and future policy. This speaks to the need for greater 'stewardship' and a longer-term perspective on the overall policy agenda. A Chief Adviser has been brought in to lead on this as a separate, but related, stream of work. The project would benefit from having a clear articulation of how these workstreams fit together, which would in turn send a clearer signal to the policy community about what the Policy Project is seeking to achieve and how. The agility to add new work to respond to demand and changing conditions, without compromising ongoing work, is a challenge for any reform or change programme.

Personalised versus collective leadership

It is clear that much of the drive, energy and momentum for the Policy Project initially came from the original DPMC Deputy Secretary and Programme Manager. As the Institute's research on UK civil service reforms explains, this personalised leadership is a critical success, as well as risk, factor.⁴⁹ Often the personal ambition and energy of a few individuals is needed to get things off the ground, but changes in leadership can stall momentum.

In the case of the Policy Project, there were various periods of hiatus following Wyn's departure in May 2015 (to take up an acting chief executive role) and Washington's absence (for family reasons) between August and December 2015. Due to a full workload from her role as Head of the Policy Advisory Group, which directly advises the Prime Minister, it took time for the new Deputy Chief Executive (who arrived in August 2015) to have the capacity to engage fully with the Policy Project. Despite its name, she now sees the Policy Project as much more of a long-term culture change process rather than a 'project' *per se*.

The Policy Project is thus at the stage where it is sufficiently connected to the DPMC leadership, but needs to move from dependence on the support and sponsorship of a few individuals to broader 'collective ownership' among the policy community. The team are working hard to build on the goodwill and momentum that has been generated through the collaborative process over the first year. Importantly, this means encouraging Tier 2 policy leaders to translate their commitments into active support through road-testing the prototype tools (which is currently underway), offering in-kind resources and taking responsibility for driving work forward. Encouraging Tier 2 policy leaders to lead or sponsor aspects of the work programme, akin to the UK's head of policy profession operating model whereby departmental heads of profession are responsible for various workstreams, might also be an avenue to pursue more explicitly, to encourage greater 'ownership' in agencies.

Dedicated capability and resources to drive the vision and model

The continuation of a transformational agenda is highly dependent on its ability to weather transitions such as a change in leadership and team members. Changes to the Policy Project team (including expected turnover because of short-term secondees) mean that current staff, apart from the original Programme Manager, are relatively new to the project. New team members are being recruited, but they will have to get up to speed while the Policy Project needs to refine, focus and deliver.

As previous Institute research has found, a stable core group of staff is crucial to the success or otherwise of a cross-agency team or unit. This requires the freedom to bring in the right people for longer periods so that they can see things through.⁵⁰ However, finding talent has at times been problematic. This 'shortage of great policy analysts', however, has been identified as an issue by the New Zealand Public Service and is not unique to the project designed to fix the problem.

More fundamentally, the Policy Project – like other recent cross-agency reform agendas – suffers from voluntary, short-term funding. This reflects a systemic issue – the 'attention deficit disorder' of central agencies, as one interviewee put it.⁵¹ When programmes offer short contracts (reflecting time-limited funding), maintaining a core team and building institutional knowledge and momentum is difficult. Indeed, the Policy Project is now only able to offer contracts running until June 2016 and is spending time recruiting staff – time that could be spent delivering long-term change.⁵²

The Policy Project therefore needs to make some difficult decisions about where best to deploy its resources to maximise impact. While the creation of a new team brings uncertainties, it also provides an opportunity to re-think the project's focus and priorities over the next year, in order to maximise influence and reach.

Balancing collaborative values with the right use of governance, accountability and incentives

Collaborative values and ways of working were explicitly designed into the Policy Project from the outset, to combat the default assumption that it was 'just another central-agency team' that imposes frameworks, guidelines and standards from the centre, but adds no real value. Wyn and Washington thus tested the aims, methods and deliverables of the Policy Project so that it chimed with the prevailing interests, concerns and priorities of public servants with policy roles – whether through the Tier 2 policy leader workshops or the various governance arrangements established to inform the project's work programme. This approach takes time, but is seen to have been effective in creating a high degree of buy-in and reflecting real needs.⁵³ Indeed, the current team are building on this investment to test the prototype tools in three agencies, based on similar principles of collaboration, support and exchange.

However, as the Institute has found, collaboration has to be balanced with some form of compulsion to actually embed long-term changes in behaviour. For example, the UK Performance and Innovation Unit (PIU) and Prime Minister's Strategy Unit (PMSU) produced reports and implementation plans, but ultimately struggled to get traction as there was no effective mechanism to require take-up.⁵⁴ Our research found that success is far more likely if personal accountability – rather than over-formalised governance – is integral to a reform's operating model. For example, the Prime Minister's Delivery Unit (PMDU) stocktake model provided a strong sense of theatre in the Cabinet room to make ministers and civil servants feel accountable to the Prime Minister for performance against clearly specified targets in key public services.⁵⁵

In the case of the Policy Project, the key challenge will be to tackle the competing incentives at play. Although all chief executives' performance expectations include metrics around collaboration and cross-agency working, this change at the top tier of government has yet to trigger changes further down the chain. Tier 2 policy leaders are still largely expected to deliver agency-specific outcomes, which means that those who do engage with cross-government activities do so because they are enthusiasts rather than because they will be rewarded and recognised for this behaviour.⁵⁶ As one interviewee put it: 'The translation

mechanism isn't working. High-level incentives are not translated into changes in incentives and ways of working at a more junior level.¹⁵⁷

The Policy Project is therefore at the stage where it might need to line up system-wide improvement activities with the incentives operating in the system so that people believe it is in their interest to engage and actively contribute. One interviewee suggested that this could be achieved if Tier 2 policy leaders saw trialling one or more of the frameworks as an opportunity to showcase areas of success and enhance their reputation in front of chief executives and ministers.⁵⁷

How and where the Policy Project chooses to strike a balance – between collaboration on one hand and the right use of governance, accountability and incentives on the other – will be critical to its success.

Conclusion

In recent months, staff changes have brought a degree of uncertainty and the temporary loss of some institutional knowledge to the Policy Project. But the opportunity to make the most of the 'relationship capital' nurtured in the first year to build 'collective ownership' of the project and its goals of system-wide change remains. This requires incentivising agencies and their leadership to actively provide support through testing, and subsequently adopting, the prototype improvement tools – which may inevitably require them to give up or adapt their own agency-centric tools and processes. There are early indications that this could occur, provided that the Policy Project tools resonate with policy teams. Those tools need to be both functional and accessible, and be applicable to a diverse group of agencies without being overly simplistic.

However, as with any far-reaching reform programme, the biggest challenge lies in tackling the deep-rooted silo tendencies of agencies. Whole-of-government activities tend to attract less priority than the demands an agency and its leadership is held to account for delivering. Real and lasting system change will require agencies to shift priorities, to embrace the notion that the whole is greater than the sum of its parts and that 'system trumps agency'. If that occurs, the Policy Project, as a reform programme, has the potential to land in the 'embedded' arm of the Institute's model for taking stock of civil service reforms rather than 'limp on' or 'close down'.

List of acronyms

Better Public Service reforms (BPS)
Department of Internal Affairs (DIA)
Department of the Prime Minister and Cabinet (DPMC)
Performance and Innovation Unit (PIU)
Prime Minister's Delivery Unit (PMDU)
Prime Minister's Strategy Unit (PMSU)
State Sector Reform Leadership Group (SSRLG)
State Services Commission (SSC)

Terms

There are a few terms which differ in meaning between New Zealand and the UK. This paper uses the language used in New Zealand to provide a more accurate record of events.

These include:

Public Service rather than Civil Service (and by extension, public servants rather than civil servants)

Agencies rather than departments

Chief executives, the equivalent of permanent secretaries in the UK Civil Service

Tier 2 policy leaders, the equivalent of directors-general in the UK Civil Service

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