

## **Meeting the environmental challenges of the 21<sup>st</sup> century (B): sharpening the policy focus**

On 2 August 2010, the New Zealand Ministry for the Environment's (MfE) Policy Division leader, Guy Beatson, hosted his newly appointed group for breakfast to symbolise a fresh start for MfE's policy function. It was less than a year since he had been asked to set a strategy to reshape the Ministry's policy capacity to better align with current and future demands, and less than a month since applicants, many of them existing staff, were notified if they had been appointed to one of the new policy roles established after lengthy consultation.

Guy Beatson's view of a high-performing policy shop included understanding and communicating its operating context, considering multiple options, and delivering "advice that is first, best, but is delivered in a way that understands that context". An essential fourth element was to have "actually thought through enough of the implementation". The capabilities this called for included

"... intellectual grunt, an ability to solve problems, and [as] senior policy analysts, to think quite deeply on the basis of previous experience, and being able to apply the policy frameworks, and having the interpersonal skills to work within the department, coach and mentor junior staff and develop them, and work with other government agencies."

His challenge was now to demonstrate that MfE had selected the right mix of skills and capabilities, that new attitudes and approaches to policy development could be embedded,

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and new quality standards achieved. To do so, he was determined to find improved ways to monitor and evaluate the quality of the Ministry's policy advice.

The year had begun with the Ministry's chief executive, Paul Reynolds, saying to staff, "We are not going to tell you what the next round of changes should be. We are going to ask you." The process began with an in-depth analysis of what was and wasn't working. As Guy Beatson said,

"We had to do this review in a way which was consistent with good policy analysis: being really clear what the problem is before you start down the track and having some sort of framework for analysing it."

Six weeks of discussion and consultation, across the whole agency and also involving external stakeholders, began in February 2010. There was a high level of response to the new round of consultation, with many submissions focussing on policy capability and policy delivery.

### **Responsive, strategic and consistent policy**

Guy Beatson was delighted to see some forthright comments about the quality of policy advice submitters wanted: more responsive, and more strategic. There was quite scathing criticism of the current "differences of view from the different parts of the organisation...the lack of frameworks...the policy capability and the policy skills, particularly at the senior analyst level." At the same time, most submissions focussed on what would be best for the organisation, rather than personal advantage. Some of the most heartfelt comments came from analysts, both senior and junior, who had missed opportunities to broaden their own policy experience while having to manage consultants.<sup>1</sup> As one asked: "Why are we paying people to do a job that we ourselves could do better?"

Following the consultation, Guy Beatson and his team drafted a Review of Policy Function document for a further month of intense discussion. It spelled out the "desired future state" where, for external stakeholders,

"A high performing policy shop would ensure the Ministry is focussed on leading policy debate on major government priorities and is a Ministry which Ministers and others turn to first for advice on difficult, complex and emerging issues. The Ministry would have a robust policy framework, meaning stakeholders would know the Ministry's likely position on a given issue, and respect the Ministry for the depth, innovation and quality of its policy advice. It would be the employer of choice for top graduates and others and respected by stakeholders, including local government."<sup>2</sup>

Importantly, it would not just deliver advice and hand over to another agency to implement; it would have "a well-informed, well-connected view of how that policy might be followed through."

Within the organisation, as he made clear in the final document published in May 2010, "I want to ensure that we have the right people in the right roles and they have plenty of opportunities for learning and growth."<sup>3</sup> Staff could clearly see their feedback reflected in the final decision document, in the language used as well as changes such as an increase in some

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<sup>1</sup> At this point, payments to consultants accounted for a third of the Ministry's baseline funding.

<sup>2</sup> Ministry for the Environment, Review of the Ministry's Policy function, April 2010, p 3.

<sup>3</sup> Ministry for the Environment, Review of Policy Function, Final Decisions Document, May 2010, p.4

team sizes, greater support for international policy and the creation of a second team to work on water reform, where some major initiatives were under way. Guy Beatson explained:

“The principles underlying my thinking include: increasing flexibility to enable mixing and matching of capability and resourcing to meet changing policy demand, and collaborating and exchanging information across the Ministry including rotations of policy and programmes staff into strategic units, and working on projects across divisions.”<sup>4</sup>

### **New capabilities for a new environment**

The final report suggested a rebalancing of the ratio between senior analysts and junior analysts, cutting back the number of senior analysts from 45 to 25 but increasing the number of junior analysts working to each. Senior analysts would guide, mentor and direct their junior apprentices to “do the grunt work”. The new position of principal analyst was established to take a “thought leadership” role.

Most of the new policy positions were distinctly different from previous jobs at the Ministry, and expectations, especially of the senior roles, were also quite different. Policy experience was as important as policy skills in the new capability criteria. Senior roles must show intellectual leadership, and have the interpersonal and communication abilities to share and transfer knowledge. They would be at ease dealing with external stakeholders and their skills would be portable between one area of expertise and another. Rather than “narrowly-focused subject experts” or “jacks of all trades and generalists”, MfE wanted people with a combination of ability and relevant experience – “a set of skills around the policy craft that you couldn’t read in a text book.”

As MfE saw it, encyclopaedic knowledge of a specialist area was of little value for developing policy advice without the ability to use it analytically, or the interpersonal skills to communicate it. There was a need to rebalance the ratio of technical experts to policy experts, redeploying much of the technical expertise to the implementation-focussed Programmes Division. However, the intent to dispense with subject experts drew the greatest criticism, both internally and from influential external stakeholders, who argued that this would take out necessary technical expertise and institutional knowledge.<sup>5</sup>

But as CE Paul Reynolds reflected, distinctly different capabilities would be called for in future. New Zealand, despite its natural resource riches, would inevitably face increasingly difficult policy choices over pressures on fresh water, soil, air quality, space for aquaculture and land for houses. Different types of institutions, such as communities and interest groups, would become as active as policy analysts in the development of policy and identification of priorities (*see Appendix 1: Collaborative governance at the Land and Water Forum*). At the same time, those developing environmental policy would need to draw on a much wider range of tools. The policy view should look out 99 years “to ensure that our institutions not only can solve the problems of today but are resilient to deal with the unknown challenges ahead of us.”

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<sup>4</sup> Ibid.

<sup>5</sup> For example the Environmental Defence Society (EDS), which was prominent among the non-governmental organisations lobbying for the establishment of a Ministry for the Environment. It retains a close and strategic relationship with MfE which, for example, funds an RMA advice service run by EDS.

## Building the new team

As with the management restructure a year earlier, a clear timeline for the stages of the process and final decisions was set out, and adhered to. In July 2010, applications were called for the new positions. Applicants for a principal or senior analyst position would have to go through an assessment process designed to identify their capability to work in a complex policy area. Just over half – 11 out of 20 – who took the assessment process made it through to a new policy appointment, while others were reassigned to the Programmes Division. At the junior level, the 25 analysts already at the Ministry were confirmed in their position. However, all applicants for future positions would go through a modified version of the process.

Also as in the earlier restructure, there was a promise of targeted support for those moving into new roles. Every staff member was provided with two handbooks designed to support the “professionalising of policy development” at MfE. The “Policy Analyst New Development Aid” or PANDA explained the scope and responsibilities of each role, showing what career progressions were possible. The COBRA (Cost Opportunity Benefit Risk Analysis) (*Exhibit 1*) laid out the recommended policy approach and development process, a nine-stage cycle moving from identification of opportunities and issues, through construction and assessment of options, to implementation, monitoring and evaluation. As well as giving detail on each stage, the handbook emphasised the iterative nature of policy development and included some handy “Tricks of the trade” as well as reality checks like “What would happen if the policy intervention did not achieve its objectives? What would happen if ‘Murphy’s law’ were to apply?”

Although the Ministry’s strategic direction had been well advanced by the end of 2009, it was decided that it should not be launched until the policy function was established, with the people who would take the strategy forward in place. Monday 2 August 2010 was the day chosen both to launch the new strategic direction Ministry-wide, and to implement the policy function. Formal and informal internal communication systems were geared up to generate enthusiasm for the new ways of working.

Guy Beatson’s policy group met for breakfast, with the Deputy Secretary, his two directors and the Tumuaki serving the food, “to symbolise we were moving into a new place.” Over the following weeks, discussions in-house and on away days reinforced desired behaviours and attitudes as “The Way we Work”.

A number of key positions, for instance principal analyst, remained unfilled. The Ministry was prepared to wait, and would not appoint people who did not in its view meet the deliberately high-set bar, so the new policy team started with only 60 out of an intended 88 staff. Some who were considered policy stars by other agencies did not make the grade; some who had worked as consultants also missed out on permanent positions. To fulfil its work programme commitments, MfE would continue to employ some consultants, while some of those “restructured out” stayed on to complete some key tasks. “Looking back, we were really stretched around September 2010, and it’s amazing we achieved what we did,” Guy Beatson reflected.

## Setting a high bar for quality

Both Paul Reynolds and Guy Beatson had come to MfE determined to find improved ways to monitor and evaluate the quality of the Ministry's policy advice. After his experience leading MAF Policy, Paul Reynolds wanted to find ways of evaluating performance that could not be "gamed". In late 2010, as the Ministry was still establishing its own quality assurance procedures, it had the opportunity to benchmark its progress against the rest of the public service in what became known as the "Scott Review".<sup>6</sup>

Against the findings, published in April 2011, it seemed that MfE was measuring up well as a policy shop,<sup>7</sup> by implication showing the way in aspects such as leadership and investment in capability. The review found the quality and calibre of policy advice was highly variable across government. A worrying number of chief executives had little experience of dealing with policy, and the vacuum in policy leadership went further down in a number of agencies.

Compared to other agencies, MfE was pleased to note the "crispness" and clarity of its three strategic goals. However, as Guy Beatson said,

"the Scott review asked 'Where is the middle ground?' which made us aware that we hadn't done a good job of linking our one-year work programmes with our longer term statement of intent. We probably hadn't got a good enough handle on the bit in the middle, and we are working to get a three-year time focus, although there are some things – such as ocean policy – that just aren't amenable to doing within a three year time frame."

This would be remedied when the Outcomes Framework was developed as part of the Ministry's 2011 Statement of Intent (SOI) (*Exhibit 3*). In addition to the evaluative frameworks applying across government, such as preparation of Regulatory Impact Statements (RIS),<sup>8</sup> the SOI also introduced a new system for "assessing, reporting on and improving the quality of our policy advice products." Building on the COBRA approach, this set out detailed criteria to be used to assess a sample of the Ministry's policy advice every four months. It had already been successfully piloted with Professor Bob Buckle from Victoria University of Wellington as the independent external chair of a quality assurance panel made up of senior ministry staff.

"Rather than relying on external reviews conducted every few years, we wanted to create a system that would continuously improve quality over time, providing regular feedback to the authors of papers and the managers of staff," Guy Beatson commented. "We wanted to design measurements that could feature in our accountability documents" (*Exhibit 4*). He and Paul Reynolds were well aware of the challenges posed by attempting to evaluate the quality of policy advice in real time and even over the short term. However, these were challenges they were determined to meet.

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<sup>6</sup> *Improving the Quality and Value of Policy Advice*, Findings of the committee appointed by the Government to Review Expenditure on Policy Advice, December 2010. Known as the "Scott Review" after its chairman, former Treasury Secretary and international public sector management adviser Graham Scott.

<sup>7</sup> MfE was not one of the agencies closely examined for the report.

<sup>8</sup> A Regulatory Impact Statement (RIS) is prepared by an agency to submit to its Minister at the same time as a Cabinet paper. A RIS provides a high-level summary of the problem being addressed. To assist the Minister in making a decision, it sets out the policy development process followed, giving options and associated costs and benefits, the consultation undertaken, and the proposed arrangements for implementation and review.

## Appendix 1: Collaborative governance at the Land and Water Forum

In June 2009, at the annual conference of the Environmental Defence Society (EDS), traditionally a forum for the launch of environmental initiatives, Environment Minister Nick Smith announced *A New Start for Fresh Water*.<sup>9</sup>

The *New Start* would introduce a collaborative approach to resolving issues of allocation and quality of fresh water, a subject which in the past had been exemplified by “polarised, adversarial campaigns”. In one of the most prominent, the Fish and Game Council ran a “dirty dairying campaign” which was countered by Federated Farmers claiming “economic treason”.<sup>10</sup>

As a nation, New Zealand was well endowed with water. However quality, and more recently allocation, had been a priority and often an emotive issue for the Ministry. MfE’s first Freshwater Quality Strategy was developed in association with the Ministry of Agriculture and Forestry (MAF) in 1994.

The new approach was to be through the Land and Water Forum, chaired by former public service chief executive Alistair Bisley. It would expand the previous Sustainable Land Use Forum to include 58 participants. They represented a wide spectrum of interest in fresh water, from iwi to electricity generators and including both Fish and Game and Federated Farmers along with other conservation and industry groups. The Forum would attempt to reach consensus and make recommendations on the way forward, with government only in an observer role.

The Forum began in early 2010 with a lengthy trust-building process, through which all participants were encouraged to explain why water was important to them. A NIWA<sup>11</sup> scientist spent a long time presenting cumulative evidence about water quality. When deliberations began, Forum Chairman Alastair Bisley insisted that “everyone around the table had the ability to say ‘no’ so that when a position is reached, each person is able to speak for their organisation.”<sup>12</sup> Both MAF and MfE were present only as observers. Guy Beatson, present as MfE’s official observer, spoke rarely and usually to suggest ways in which public good aspects could be considered.

Despite early scepticism that anything would be achieved, the Forum reported back to government in April 2011 with 53 recommendations across numerous formerly contentious areas of water management. High on the list was a requirement to set national standards and limits for water quality. Government’s initial response in May 2011, a new National Policy Statement (NPS) on Fresh Water, was accompanied by the announcement of \$265 million in funds for clean-up activities, but made no mention of national standards. The monitoring of water quality and quantity was left to individual regional councils as before. There was no mention of charging for water use.

The *Dominion Post* editorialised that this was a “squandered opportunity” following an outstanding consultation process, and suggested that “Dr Smith, a minister with a history of championing the environment, has been rolled by Cabinet colleagues philosophically opposed to any restrictions being placed on the ability of farmers or industrialists to maximise their profits.”<sup>13</sup> Environmental Defence Society Chairman Gary Taylor, overall an admirer of the direction being taken by the Ministry since 2008, felt that the failure to set national standards would have to be rectified in future legislation. He

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<sup>9</sup> Nick Smith, Agenda for Fresh Water Reform, 8 June 2009.

<sup>10</sup> Background to this is in the ANZSOG case study 2005-7 *A voluntary environmental accord for the dairy industry*.

<sup>11</sup> National Institute of Water and Atmospheric Research.

<sup>12</sup> Eppel, E, Illustrative Case: Land and Water (Protection and Use) Forum, prepared for research project Future State 2: Experimentation and Learning in Policy Implementation – implications for public management. Cited with permission of the author.

<sup>13</sup> *Dominion Post*, editorial, Water, water everywhere, but... Friday, May 13, 2011. Cited in Eppel, op cit.

thought some blame for the unsatisfactory result could be linked to the removal of subject specialists, with experience to be strong advocates for the recommendations, from the Ministry's new policy team.

Within the Ministry the view was more positive. Sue Powell, a veteran of water management issues since her early career with regional councils, said the Land and Water Forum had achieved a major shift in attitudes, a huge step forward after years of limited progress, by generating a positive, relaxed and informed authorising environment for the NPS.<sup>14</sup> Without the work of the Forum, and previous work by the Ministry to provide evidence for individual stakeholders, the NPS would have been difficult to implement.

For MfE Chief Executive Paul Reynolds, the Land and Water Forum exemplified a style of decision-making, and the type of institution that would become increasingly common. The collaborative process created for the first time a "receiving" environment conducive to new policy solutions, he said. "That is, people have been prepared to listen to each other and work towards a common view. This offers the potential of a way forward."<sup>15</sup>

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<sup>14</sup> All local authorities are required to amend their regulations to ensure they comply with the requirements of a NPS. However the Policy Statement cannot prescribe how this is achieved.

<sup>15</sup> Reynolds, P., *Policy Quarterly*, Vol 7, issue 3, August 2011, p5.