Report Title:	**Setting and Managing for Government Priorities**		
Report No:	**2023-0290**		
Date:	**27 November 2023**		
To:	**Hon Nicola Willis, Minister for the Public Service**		
Action Sought:	**Discuss this briefing with officials**	**Due Date:**	**27 November 2023**
Contact Person:	**Hannah Cameron - Deputy Commissioner Strategy and Policy**		
Contact Number:	9(2)(a) privacy		
Encl:	**One appendix**	**Priority:**	**Medium**
Security Level:	**IN CONFIDENCE**		

Executive Summary

1 Setting clear and specific priorities is fundamental to good government, providing a means by which the Government can be accountable to the public, a focus for fiscal management, and a framework for driving the performance of the public sector.

2 Government priorities tend to be set at two different levels:

- 'whole of Government' priorities focused on complex outcomes or challenges that require action by multiple agencies, often in partnership with communities and the private sector – these are usually established via Cabinet decisions at the start of a Government term, and
- individual 'portfolio' priorities, which tend to be more focused on a particular domain of government (although they will often contribute directly to whole of government priorities) – these are usually discussed and agreed between the Prime Minister and individual ministers via letters of expectation.

3 The Government has expressed an intention to establish a programme of public facing, whole of government priorities defined by specific, measurable outcomes and targets, based on the Better Public Services programme that ran from 2012-17. **Appendix One** sets out the key learnings from the experience of that programme and subsequent analysis in international literature.

4 Other sections in this briefing discuss some first order choices and suggestions that you may wish to discuss with senior colleagues) in setting up such a programme, including:

- how to achieve coherence between whole of government and portfolio priorities
- the breadth and scope of your whole of government priority set, and
- how you might govern and drive work towards these targets.

5 Central agencies have established a dedicated, joined-up team (led by DPMC) to coordinate preliminary advice on:

- a ‘long list’ of specific, potential measures and targets based on the priority outcome areas the Government has signalled an interest in
- how they might relate to portfolio priorities in a coherent framework, taking into account any established measures and legislative frameworks, and
- specific governance and accountability mechanisms for driving progress towards these targets.

6 All specific priorities and governance arrangements could then be set via a Cabinet process in early 2024.

7 Following initial Cabinet decisions, a DPMC-led team could support you to actively monitor and manage the overall programme of public facing targets including:

- acting as a clearing house, disseminating learnings and providing a stream of comparative analysis across the programme
- providing a quality/ambition check on advice going to Cabinet at regular intervals about progress against the targets, and
- supporting your overall public reporting on the programme.

Recommended Action

We recommend that you:

a **forward** this briefing to the Prime Minister;

Agree/disagree

b **agree** to discuss this briefing with officials; and

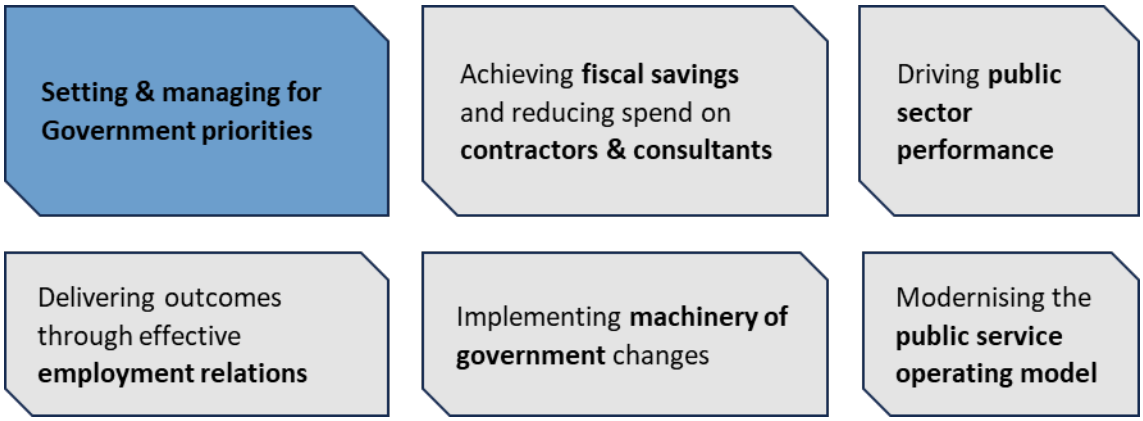
Agree/disagree

Hon Nicola Willis
Minister for the Public Service

Purpose of Report

8 This briefing discusses approaches for setting whole of Government priorities that can activate and provide a framework for driving the performance of the public sector.

9 It is part of the first tranche of interrelated briefings on key focus areas that we set out in our briefing on supporting your first 100 days [2023-0289 refers]:



Context

10 The Government has signalled an intention to provide a stronger framework for public sector performance by setting priority outcome targets similar to those used in the Better Public Services programme that ran from 2012-17.

11 Some public statements identified specific outcome targets or outcomes to which targets could be attached, including:

- doubling renewable energy production in New Zealand
- ensuring 80 percent of year eight children are at or above the expected curriculum level in reading, writing, maths, and science by 2030
- ensuring New Zealand students are in the top 10 PISA (the OECD's Programme for International Student Assessment) ranked countries for maths, reading and science by 2033, and
- reducing health system waiting times.

12 Other statements suggested a desire to achieve significant gains in the following areas:

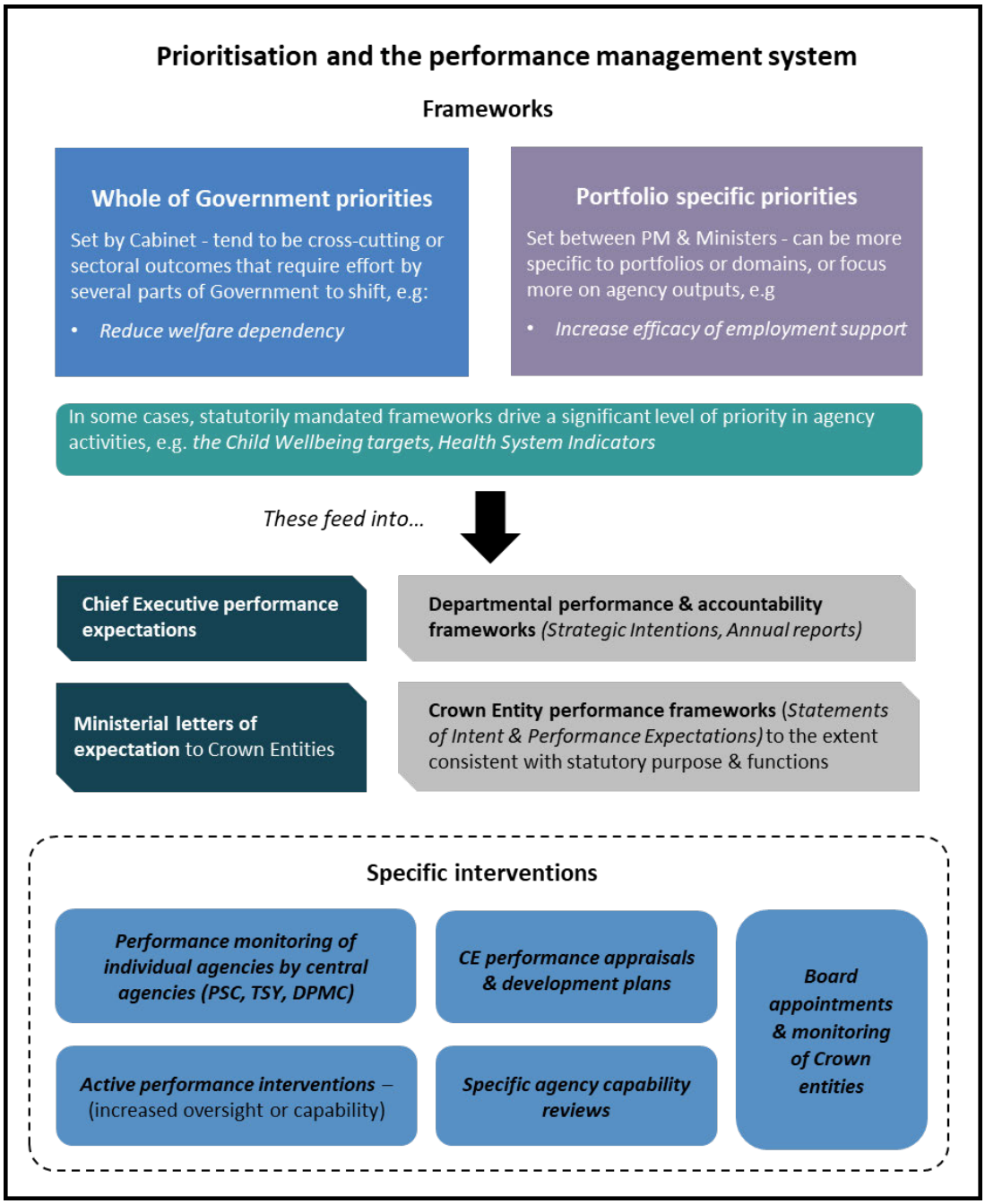
- trade and international connectedness
- infrastructure development and housing growth
- reducing crime
- educational attendance and achievement more broadly
- stronger support for senior citizens
- delivering on Net Zero Carbon by 2050.

13 Coalition agreements have also expressed a commitment to amend the Public Service Act 2020 to clarify the role of the public service, drive performance, and ensure accountability to deliver on the agenda of the government of the day.

Background

14 Setting clear and specific priorities is fundamental to good government. Identifying the outcomes you wish to change or achieve provides a means by which the Government can be accountable to the public and align the collective efforts of ministers, and a framework for driving the performance of the public sector.

15 Government priorities tend to be set at two different levels and can influence public sector performance in a number of different ways, as shown in the diagram below.[1]



[1] In this context, 'whole of government priorities' refers to priority outcomes experienced by citizens and affected directly by public services, rather than priorities for how government is conducted, such as 'fiscal sustainability' or 'size of government' (which can already be made subject to targets through other mechanisms such as the Government's fiscal strategy).

16 Our briefing on public sector performance [2023-0292 refers] discusses how the Commission can support ministers to use performance frameworks and specific interventions (as in the diagram above) to actively manage public sector performance at an agency and chief executive level, whereas this briefing focuses on the choices and considerations in setting the priorities that will frame that performance.

Previous experience and evidence about public sector prioritisation

17 From 2012-17 the Government publicly committed to 10 specific, 'whole of government' targets ('results') aimed at driving significant outcome gains through public services - the 'Better Public Services' (BPS) programme. In general, the BPS programme saw considerable success. Although not all targets were reached, significant improvement was seen across all results. There were also a number of learnings about the best types of measures to use and the risk of perverse incentives.

18 This programme has been reviewed and described favourably in academic and international publications[2], and a body of case studies and evidence now emphasises that approaches to 'whole of government' priority setting are most effective when:

- they are limited to a manageable number of outcome priorities to ensure focus, and when those outcomes are mutually exclusive or reinforcing of each other
- the priority outcomes are defined at a scale that is meaningful for citizens, but still amenable to change in a medium term (e.g. export **value** is heavily affected by extrinsic factors like international prices or exchange rates, and may not change quickly and causally enough to use for adaptive management, whereas an intermediate outcome like growth in export **volume** is likely to be more tractable and motivating)
- the measures used are statistically reliable and minimise incentives for gaming
- targets (how much you want the measures to move) are set at the 'edge of possibility', taking into account affordability
- the programme establishes clear accountability structures for cross-agency working and delivery, and is supported by a clear public commitment from the Government of the day and regular public reporting that explains what is changing as a result of work towards the targets, and
- the programme utilises data and strong intervention logic to drive adaptive management (changes in public interventions needed to move towards the targets).

19 **Appendix One** synthesises this evidence and sets out how you could implement such a programme. At a high level, this implementation consists of the following steps:

[2] See Challenges-for-goal-based-learning-in-public-investments (oecd.org)



Other specific design choices

20 Further specific considerations are discussed in more detail under the headings below.

Achieving a coherent framework of 'whole of government' and portfolio priorities

21 The need for a limited set of public-facing, whole of government priorities to maintain focus does not prevent you from establishing a comprehensive, wider set of priority outcomes (and targets) for individual portfolios.

22 We recommend you seek an aligned and coherent framework of priorities across these two different levels, starting with:

- 10-12 public facing targets representing significant cross-cutting (whole of government) challenges, and
- three to five (3-5) measurable priority outcomes for each portfolio minister that wrap around and complement your public-facing objectives.

23 Some portfolio priorities may simply be important outcomes that you wish to deliver on, but which do not require significant cross-government focus in order to do so. Such priorities may also be important drivers of your public-facing objectives (e.g. a Foreign Affairs portfolio priority to achieve a number or certain type of free-trade agreements is an intermediate outcome that would contribute to a wider outcome target of growing export volume by X%). In other cases, they may simply be about improvements you want to see in the nature of agency outputs, such as greater uptake or efficacy in particular services.

24 As noted above, some care is needed in setting specific targets to ensure the measures used are statistically reliable, communicable, and set positive incentives.

25 We suggest that senior ministers commission central agencies (DPMC, the Commission, and the Treasury) to provide preliminary advice on:

- a 'long list' of specific, potential measures and targets based on the outcome areas the Government has signalled an interest in, and
- how they might relate to portfolio priorities in a coherent framework, taking into account any established measures and legislative frameworks.

Breadth and scope of public-facing targets

26 There will be choices for you about how many different 'domains' of government (e.g. economic, social, cultural, or environmental) you wish to cover in a focused set of whole of government priorities. Some macro-economic and environmental outcomes (like productivity or emissions) can be influenced by a wide range of extrinsic factors, so can be less tractable and motivating, and therefore less suitable for public-facing targets. Nevertheless, we consider you could include economic and environmental outcomes in your target set as long as they are scaled at a level that would be tractable over the medium term (such as the export example above, or a specific infrastructure delivery metric).

27 You may also wish to consider whether any of your public-facing targets are focused on **how** public services are delivered. For example, the BPS programme had measures focused on the extent to which citizens and businesses could complete transactions with government in a digital environment. As outlined in our general Briefing to you as Incoming Minister, we consider that joining up digital services around common customers, clients, and citizens is fundamental to a high-performing Public Service and to maintaining trust and confidence in government. We can provide options for targets on this if you wish.

28 The government has also signalled the importance of reducing the regulatory burden on citizens and firms, and you may be considering including this in a set of whole of government priorities. There is no general measure of the total regulatory stock, and issues with the current stock are likely to be very different across the domains of government. For this reason we think it is best considered in portfolio priorities, where you could seek advice on particular parts of the regulatory stock that you may wish to focus on.

29 Finally, we note that some public statements seemed to anticipate developing better performance metrics for specific service outputs by agencies. Our briefing on public sector performance [2023-0292 refers] discusses the potential for stronger performance frameworks in agencies' accountability documents under the Public Finance Act 1989, and we think this idea is best explored in that context, rather than in whole of government or portfolio priorities.

Governing and driving the work

30 As raised above, a programme of whole of government priorities will require structures that facilitate clear accountability for cross-agency working and delivery. We recommend that senior ministers consider governance and working structures once you have made decisions on specific priorities and measures, with the potential to:

- nominate lead ministers for each target (or clusters of targets)
- establish clear governance structures at agency level, with a single official directly accountable to lead ministers (these could include interdepartmental executive boards[3] for related clusters of targets), and
- require these structures to report quarterly to lead ministers with clear action plans and choices for achieving the targets, and six-monthly to Cabinet on progress and significant policy choices needed to maintain momentum.

[3] These Boards facilitate collaborative approaches to cross-agency priorities. See Briefing on the Public Service operating model [2023-0295 refers]

31 **Appendix One** highlights that a data driven approach to the action plans would need to be embedded in the working arrangements. Governance groups would also be responsible for ensuring agencies have the capability needed to deliver on the targets.

32 Central agencies have established a dedicated, joined-up team (led by DPMC) to coordinate preliminary advice on possible targets. Following initial Cabinet decisions, this team could support you to actively monitor and manage the programme including:

- acting as a clearing house, disseminating learnings and providing a stream of comparative analysis across the programme
- providing a quality/ambition check on the advice going to Cabinet at six (6) monthly intervals from the different agency groups, and
- supporting your overall public reporting on the results programme.

33 The Commission would work closely with this team to ensure progress against targets is reflected in regular chief executive performance monitoring and management options. This can include common performance goals for a small number of chief executives where the target is led by an interdepartmental executive board.

34 DPMC will lead discussions with the Prime Minister about portfolio priorities and provide an ongoing tracking function for these.

Relationship to wellbeing objectives required under the Public Finance Act

35 It may be important to consider how any whole of government priorities relate to the statutorily required wellbeing objectives under the Public Finance Act. Following amendments to the Act in 2020, governments are required to state the wellbeing objectives that will guide their budget decisions in the Budget Policy Statement (which must be released by 31 March for the budget relating to the next financial year).

36 Our preliminary view is that your whole of government targets could simply become (or be incorporated into) the wellbeing objectives for the coming financial year, but we understand you will be receiving specific advice about this from the Treasury.

Relationship to coalition statements about the Public Service Act 2020

37 We consider that establishing the programme of priorities above, and the options proposed in our briefing on driving public sector performance [2023-0292 refers] would support the objective described in coalition agreements to clarify the role of the public service, drive performance, and ensure accountability to deliver on the agenda of the government of the day. We can provide further advice on possible legislative amendments separately.

Next steps

38 **Appendix One** provides a potential timeline for this work, from establishing whole of government priorities to a first public report on progress.

39 If you agree with the key ideas in this briefing, we recommend you discuss it with the Prime Minister and , if senior ministers are aligned, commission preliminary advice (led by DPMC) on:

- a ‘long list’ of specific, potential measures and targets based on the outcome areas the Government has signalled an interest in

- how they might relate to portfolio priorities in a coherent framework, taking into account any established measures and legislative frameworks, and
- specific governance and accountability mechanisms for driving progress towards these targets.

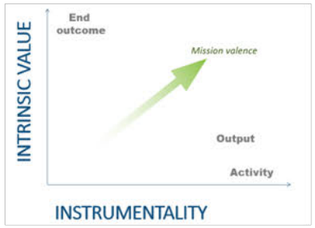
Appendix One

Lessons learned from experience & international evidence about setting and managing for whole of government priorities

Choose a specific but manageable set of priorities

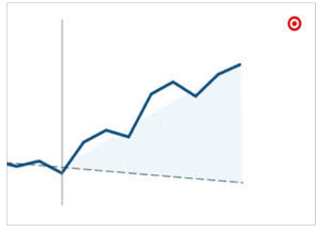
- Priorities need to be scoped at a level that balances intrinsic value & 'tractability', i.e:
  - high-level outcomes change slowly with poor attribution; **intermediate outcomes** have (or drive) intrinsic value but change quickly and 'causally' enough to use for adaptive management,

    *e.g export **volume** may be a better measure than export **value**, which can be heavily affected by international commodity prices & exchange rates*
- **Overall number of priorities needs to balance 'coverage' with focus** (10-12 likely to be manageable) - may be usefully grouped in themes for public communication.



Choose the right measure & target for each

- Choice of '**measure' for each priority needs to be a meaningful expression of the outcome, statistically reliable, and minimise 'gaming',** e.g:
  - *aggregated achievement targets for education could be manipulated by schools directing students to courses where credits are easier to achieve*
- Engaging the public service about choices for measures and targets will build collective ownership (skin in the game) and kickstart different thinking
- Trend measurement from existing measures is essential to build momentum & show what change has occurred from a projected counterfactual. **Targets (how much you want the measure to move) set at 'the edge of possibility'** will maximise motivation



Set clear governance, working & accountability structures that drive collaboration

- Designate **responsible Ministers & Inter-Departmental Boards (with a single, accountable Board chair) to drive clusters of related goals** and cut through siloed thinking – limit boards to a small number of agency leaders but convene 'communities of practice' at the working level
- Include targets in Chief Executive performance expectations
- Require **Boards to report quarterly to lead Ministers & 6-monthly to Cabinet on progress** & investment/adaptation choices and integrate programme with budget process)

Establish a dedicated stream of advice within or across central agencies to act as a clearing house, disseminate learnings, and provide a stream of comparative analysis across the programme

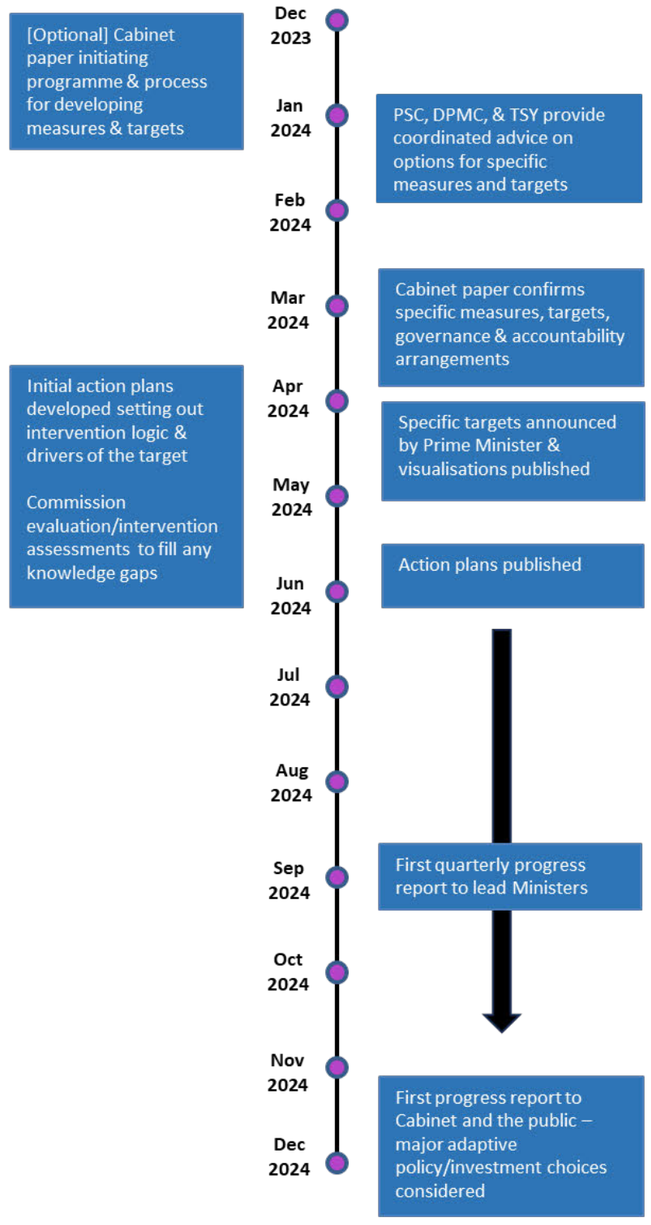
Take a data-driven approach

- Commission stocktake analysis to understand relevant levers, what we know about effectiveness, and where the balance of investment sits – invest in evaluation where lacking
- **Set action-plans based on the drivers of the problem (intervention logic) and convene regular, data driven conversations about what is working, what is not (and why), and the options for change**
- Balance evidence-based approaches with experimentation - mandate risk taking & stand by positive learning experiences

Publicly commit & communicate

- Publish target visualisations and 6 monthly updates and communicate clearly about progress and choices made (what is actually changing for New Zealanders & why)

A possible timeline…



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