



# Occasional Paper No. 22

## High Fliers: Developing High Performing Policy Units



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## High Fliers: Developing High Performing Policy Units

### Summary

Providing high quality advice to Ministers is a key function for the Public Service. This component of the State Services Commission's work on *Improving the Quality of Policy Advice* investigates how policy agencies develop and maintain high performance in providing quality policy advice. It outlines a developmental model, based on an investigation of the strategies used by a small sample of policy units to enhance their performance. The model has three key stages that follow a decision to improve the quality of advice: building a foundation, developing people and systems, and maintaining and improving capability. Contextual factors affecting policy performance are also described.

The paper sets out possible indicators for each of the stages of the model, which can be used by policy units for self assessment and improvement and by the Commission for capability assurance. Feedback on the usefulness of the paper in practice will be most welcome.

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### **Introduction**

#### **Purpose of the Project**

This investigation into the characteristics of high performing policy units was one of several related State Services Commission (SSC) projects undertaken as part of its work on Improving the Quality of Policy Advice.

There were two main drivers for this project.

Firstly, earlier work on the quality of policy demonstrated that there was more to being a high performing unit than being able to produce good policy advice. Many policy units produced policy advice of variable quality, while a few developed advice of consistently high quality standards. Finding out why meant looking at how the production unit worked as a whole, not simply the policy development process.

Secondly, the Minister of State Services wanted the SSC to develop mechanisms for assuring Ministers that government agencies had the capability to undertake the tasks for which they were responsible. The SSC has therefore examined a range of issues it needs to consider to provide an assurance of future capability in all areas, including policy advice.

Identifying the characteristics of units that consistently produce high quality policy advice was seen, therefore, as serving two purposes:

- to provide guidance for policy units and departments; and
- to test the potential of the characteristics as a basis for assessing and assuring capability in the provision of policy advice.

#### **Structure of this Paper**

The methodology used to investigate high performing units, and to develop the high performance model is outlined at the start of the paper. This is followed by a discussion of the context in which policy advice is produced, including external factors that can impact on unit performance and the quality of policy advice. The model itself, and the indicators for each development stage, are then discussed. The final section outlines ways in which SSC and policy units may use the model and indicators, and invites feedback.

### **Investigating the High Performing Policy Units**

The growing literature on producing good policy advice does not appear to be matched by a similar literature on organising and managing a high performing policy unit. The project team was unable to find useful models providing a set of probable characteristics to use in identifying high performing policy agencies, or a basis for testing their relevance in the New Zealand context.

In view of the lack of useful material on developing policy capability, and the SSC's role in capability assurance, the project focused on policy advice capability. It did this by examining a sample of "high-performing" policy units to find out how they developed and maintained

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their capability. Six policy units were investigated, as case studies<sup>1</sup>, selected from units that met the following criteria:

- there was consensus that their policy products were consistently above average to excellent (as judged by senior advisors in SSC, the Treasury, and DPMC);
- formal steps had been taken to improve the quality of their policy advice; and,
- sufficient time had passed to judge the extent of success from the systems and practices adopted to improve the quality of advice.

The six case studies were purposefully selected from a larger list in order to include policy units from a variety of departmental organisational forms (stand alone policy ministries, central agency, policy and operations under one roof, policy and operations split etc). The focus was on policy units (as opposed to the wider organisation) because this is where policy products are produced on a day-to-day basis. Moreover, in some organisations there was evidence of variation in the quality of policy units. Although the policy unit was seen as an appropriate unit of analysis, wider organisational structures, process and culture emerged as important considerations.

Managers from the chosen units were interviewed by the project team in one-hour interviews, based on open-ended questions. The interviewed managers and an external expert review group then gave feedback on the preliminary findings and assisted with developing the high performing model.

Two additional steps were taken to address limitations of the case study methodology:

- Firstly, the lack of a comparative sample of “poor performing” policy units meant it was not possible to be sure that the identified characteristics represented high performance, and were not common to all policy units. To address this, there was a second round of interviews to test and refine the characteristics with the managers of three additional policy units. These units had already identified problems with their policy capability, and were in the process of doing something about it. Those interviews confirmed, and added to, the previously identified characteristics.
- Secondly, the characteristics identified were self-ascribed and not subject to any objective comparison across units, or to any external standard. To address this limitation, the analysis was augmented with insights from previous phases of the policy advice project and input from external reviewers.

Final vetting of the model occurred through a meeting with some of the policy managers interviewed at an earlier stage of the project, and others who were totally new to the model.

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<sup>1</sup> The chosen units were: competition and enterprise branch (Commerce); strategic policy unit (Environment); APEC and Trade and Economic Section (MFAT); labour market policy group (Labour); social policy branch (the Treasury); policy unit (Women’s Affairs).

### High Policy Performance in Context

The model that has been developed for high performing policy units is essentially a model of good management, which has been validated against actual practice to identify the factors that make a difference to performance.

However, good management alone cannot address all the varied, external factors that impact on policy advice. Some of these, such as our political system, are unique to New Zealand. Others, such as the complexity of the policy issues being considered, and the level of knowledge and research on those issues, are shared internationally and will impact more on some agencies than others. The understanding of context is important to making comparisons between the quality and risks of advice produced in New Zealand and other countries, and for comparisons between local agencies.

The main contextual factors that were identified as having significant impacts on policy performance within policy units are the political system, accountability system, alternative sources of advice, complexity of the policy issues, resourcing, labour market issues, and stability of the policy unit over time. These factors are outlined briefly below.

#### Political System

The uni-cameral political system enables, and the short election cycle encourages, rapid processes of policy development and implementation. This can be good news when urgent change is a priority, but also brings a risk of poor policy making when insufficient research, analysis, evaluation and consultation takes place. There are no requirements on Ministers to take advice, and the need to achieve a political majority can sometimes substantially reduce the scope of advice sought.

#### Accountability System

The purchase-driven accountability system, introduced to bring greater efficiency into the public service, focuses agencies and Ministers on short term, deliverable outputs. Some consider that this has reinforced a short-term focus, with few incentives on Ministers to develop policy over a long time frame, and with a long-term view. Others consider that the short term focus of Ministers has more to do with the short electoral cycle than the current accountability system.

#### Existence and Use of Alternative Streams of Advice

Policy advice, and the identification and evaluation of pertinent issues, will be better the greater and more diverse the debate. Important elements in achieving a rich analysis are multidisciplinary contributions within a clear decision-making framework, drawing in regional and delivery perspectives, and consultation. The likelihood of incorporating diverse perspectives can depend on the relative strength of different Ministers, bureaucrats and civil society organisations more generally in terms of getting their viewpoints heard and taken into account.

New Zealand is arguably weak, internationally, in terms of the diversity of the inputs into its advice. The bureaucracy has processes that enable contestable advice to be developed and presented inside the government system. This works to the extent that different paradigms or

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policy frameworks have been developed within policy advice agencies, and where Ministers seek, rather than get frustrated by, conflicting advice.

Advice streams from outside government are patchy. In part this is a result of a lack of demand for external sources of advice, and variable understanding of the usefulness of consultation to the policy process. In some areas, there is a problem of supply, including limited resources within many non-governmental agencies, such as social service providers and unions, and a lack of independently resourced policy think tanks. Effective challenges to policy initiatives tend to be more common in areas, such as agricultural policy, where the sector has a number of well resourced, well organised groups and industries.

### **The Perceived Importance of Policy Responsibilities**

While some areas of government spending and revenue are always a priority of governments, the importance of other areas waxes and wanes. Furthermore, the objectives governments have for particular areas of activity can vary over time, so that information developed to help advice at one time might be of little value at others. These changes in priorities flow through into the allocation of portfolios to Ministers inside and outside Cabinet, the priority given to discussing different policy concerns by Ministers and Cabinet committees, and resourcing.

### **Resourcing**

Some policy agencies consider themselves to be at a disadvantage in relation to other agencies in terms of resources for research, evaluation, training and remuneration. While resourcing is in theory contestable on an annual basis through the budget process, in fact historical baselines are highly significant in determining future allocations. There is no easy method to price the varied mix of policy development and policy process responsibilities. Nonetheless, all agencies have to tailor their scope to their budgets. Problems arise when agencies attempt to do more than they are funded for, thereby jeopardising the quality of their work.

### **Labour Market**

Agencies recruit staff from different labour markets, and face varying degrees of difficulty in recruitment and retention. Analysts with specialist knowledge are more difficult, and more expensive, to recruit in some areas than others. Agencies vary in their ability to attract and retain staff by offering developmental experiences, career paths and overseas work opportunities.

### **Stability of Policy Unit Over Time**

Developing policy capability can take a number of years. Agencies that experience numerous rounds of restructuring are likely to also experience adverse consequences for developing people, relationships, information and systems.

### **The Complexity of Policy Issues**

Policy issues vary immensely in:

- levels of existing knowledge and understanding;
- complexity;



- their responsiveness to regulation or incentives;
- the timeframes within which effects will occur;
- the extent of broader ramifications (including unintended consequences) and perverse incentives; and
- the scope for monitoring, evaluation and research;

For example, there are very different levels of research and expertise available to analysts reviewing benefit policies, compared with those advising on Treaty settlement processes, and a more limited scope for analysis and development of policy interventions on the issues of drink driving than on climate change.

In summary, these varied contextual factors will inevitably impact on the ability of any individual policy unit to achieve a reputation for consistent high quality advice. Furthermore, the New Zealand system as a whole faces a unique set of challenges, risks and strengths. Both these sets of conditions should be taken into account in assessments of policy capability and assurance.

## **The Stages of Developing High Performing Policy Units**

### **A Developmental Model**

All those interviewed in the course of the project, and the external reviewers, stressed the importance and usefulness of clearly articulating both the stages in developing high performing policy agencies, and the characteristics at each stage. The stages are cumulative, with each one building on the characteristics established at an earlier stage. The stages are outlined below, and shown diagrammatically in Figure 1, page 9.

### **Decision to Improve the Quality of Policy Advice**

The six units investigated all made a deliberate decision to improve the quality of policy advice. While we found that the specific triggers for developing strategies to raise the quality of advice differed between the six high performing units, all were primarily the result of self-assessment and a drive for excellence, rather than a response to some external criticism or outside demands to improve their game. Common to the development of all the strategies was an internal commitment and recognition of need for improvement, and ownership and development of strategy within the organisation, rather than looking to an off-the-shelf product or an externally developed process.

### **Stage One: Building a Foundation - Organisational Underpinnings**

The first stage, building a foundation, needs to be initiated from a clear decision to improve the quality of policy advice. This includes developing a clear strategy on how this is to be achieved, which is supported by the chief executive and fits with the organisation's overall strategic direction.

### **Stage Two: Developing People and Systems - Management of Policy Processes**

The second stage, developing people and systems, is based on an assessment of the unit's capability, and involves the development of a detailed strategy for improving performance, supported by senior management. This includes development of a policy framework supported by organisational, human resource and quality assurance systems and processes.

### **Stage Three: Maintaining and Improving Capability - Establishing an Upward Spiral**

The third stage, maintaining and improving capability, is an ongoing phase, where systems for managing policy processes are adjusted or fine-tuned in line with changing conditions and priorities, and the maintenance of reputation is a key goal.

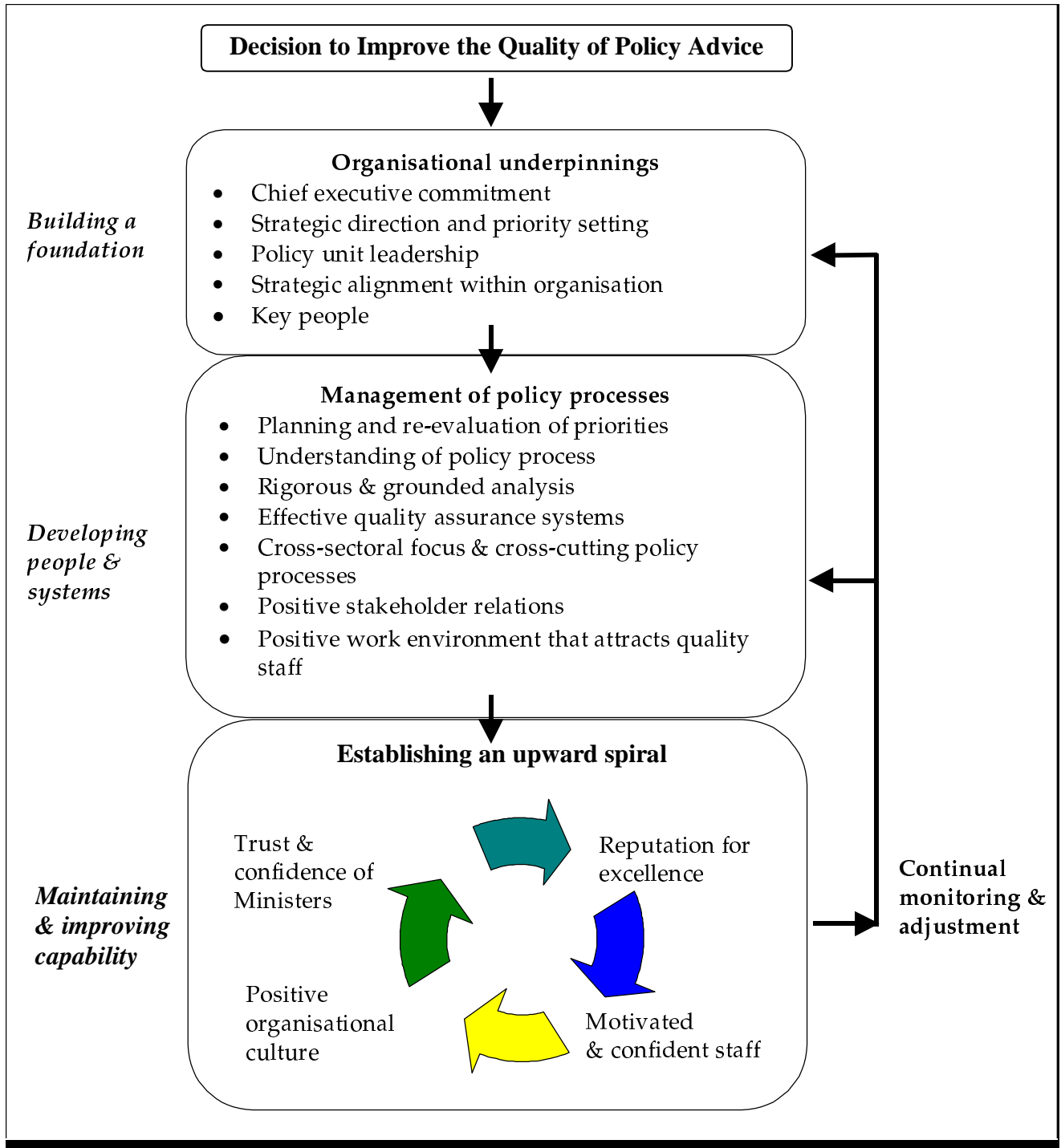
### **Indicators**

Following the identification and confirmation of the characteristics of high performing policy units, the project developed an initial set of indicators for these characteristics. Given the dearth of literature or previous experience in this area, the process to date has been largely experimental. It was found that some indicators related to several characteristics. Therefore the indicators have been grouped together for each development stage.

Often the absence of an indicator is more telling than its existence (for example, the absence of quality control systems is more observable than their presence). Further, some indicators relate more to the quality of future policy advice (for example, research information and evaluation capabilities may be used to improve the quality of future policy outputs).

## The High Performance Model

### Characteristics of the Different Stages



## **Stage 1: Building a Foundation – Organisational Underpinnings**

### **The Characteristics**

<b><i>Characteristic</i></b>	<b><i>Description</i></b>
<i>Chief Executive (CE) commitment</i>	CE understands the policy role and provides sufficient resources to policy unit, allocating some space aside from immediate delivery of policy products to develop capability (sometimes requiring explicit negotiation with the relevant Ministers); CE actively encourages and supports the policy manager.
<i>Strategic Direction and Priority Setting</i>	The organisation has: a clear focus on government’s desired outcomes; a medium term focus (balanced against short-term demands and requiring some management of expectations around these); explicit prioritisation of where energies and resources are best placed; and some capacity to adjust resources and talent in line with reprioritisation.
<i>Policy Unit Leadership</i>	Strong leadership or a “champion” to develop and drive strategy is required. This includes policy leadership to develop policy direction and frameworks (policy “sieve”), and management leadership to ensure that supporting systems and processes are put in place
<i>Strategic Alignment within Organisation</i>	Policy unit development and directions are consistent with broader organisational goals, so that the development of policy capability is not compromised by competing organisational priorities.
<i>Key People</i>	Sufficient quality analysts, maybe including some “stars”, are available to build initial capability and systems, score some policy wins, and attract other experienced analysts.

### **Possible Indicators for Stage One Characteristics**

- There is a clear policy direction and policy priorities (reflected in internal and public corporate documents, e.g. strategic business plan, annual report etc.) and the role of the policy unit in the wider organisation is reflected in those documents.
- The policy manager is clear about the CE’s role and stand on key policy issues and feels supported by the CE (tested through feedback from policy managers).
- The CE can engage on key policy issues (reflected in protocols about where policy fits in the organisation, public leadership of policy issues, senior management meeting agenda, communication to staff).
- Policy, operations and other functions are integrated, with no “gulfs”, or conflicts, between advice provided by different units within the same organisation.
- Both policy and operational staff understand the role of the policy unit.

- Operational policy reflects broader government objectives, such as contestability and efficiency, rather than being driven by supply (e.g. staff income and career needs).
- The policy unit is allocated resources sufficient to ensure both policy output delivery and the development/maintenance of capability (reflected through ability to deliver service to required standards over time).
- The unit gains an early reputation for the quality of its people (positive indicator); the policy manager is prevented from developing and implementing strategy by the lack of skilled staff (negative indicator).

## Stage 2: Developing People and Systems – Managing Policy Processes

### Characteristics

<i>Characteristic</i>	<i>Description</i>
<i>Planning and Re-evaluation of Priorities</i>	Planning processes ensure that unit and other staff in the organisation understand roles, responsibilities and priorities. Plans are not rigid, and priorities are re-evaluated to meet changing needs.
<i>Understanding of the Policy Process</i>	Policy staff understand and apply government policy processes, including Cabinet and legislative processes, policy instrument choice, and implementation issues for all parties involved.
<i>Rigorous and Grounded Analysis</i>	There are policy frameworks to guide analysts within the organisation but diversity, innovation, challenge and debate are also encouraged. Analysis is backed by information generated through capability in research, monitoring, evaluation and public consultation, and managed through robust information management systems.
<i>Effective Quality Assurance Systems</i>	Robust peer review within a culture of critique and challenge, senior management review and sign-out of significant policy advice, and ex-post review and feedback all ensure that only quality policy advice products leave the department's door.
<i>Cross-sectoral Focus and Cross-cutting Processes</i>	This involves proactive involvement in cross-cutting issues and interdepartmental policy processes, participating in strategies for integrating cross-sector goals, acknowledging and building links with the activities of other agencies, commitment to overall government policy coherence and sustainability, adopting a broad perspective, and going beyond the departmental "silo".
<i>Positive Stakeholder Relations</i>	Building relationships takes place with internal and external stakeholders to ensure the agency understands, and takes cognisance of, their perspectives, and that stakeholders understand policy goals. Communication and marketing of products develop visibility and reputation.
<i>Positive Work Environment Attracts Quality Staff</i>	Staff are motivated by being given responsibility and a variety of work and some time "off-line"; pay is recognised as just one in a number of motivators; there is a balance between buying and "growing" staff (requiring coaching capacities); behavioural competencies, including relationship management and political judgement, are sought in policy analysts and managers as well as technical and implementation abilities.

### Possible Indicators for Stage Two Characteristics

- There are documented plans to improve the capability and performance within the policy shop. The implementation of plans is discussed and action is evident on the ground.
- The manager communicates the vision and expectations (policy directions as well as policy systems and processes). Staff know the policy direction of their unit, can describe it, and know who is driving it. (N.B. – also cross-references to strategic alignment).
- The policy agenda is driven by current and future demands (informed by Government priorities and environmental scanning) rather than by supply (ie not determined by what existing staff and capability can supply). (Negative indicator: unit too focused on day-to-day immediate operations; positive indicator: preparations for possible future demand include identification of who to hire/buy should the Minister want significantly different products).
- Policy staff understand and can apply the stages of government policy development, decision making, and implementation. This includes understanding of Cabinet and legislative processes, instrument choice and implementation issues.
- The policy unit adds value in cross cutting work and its involvement is sought by others formally and informally (this goes beyond the centrally mandated consultation requirements of the Cabinet Office).
- The unit is aware of the activities/work/priorities/perspectives of other related agencies and this knowledge is built into their work. Other agencies are also aware of the unit's work.
- Networks with stakeholders are established and effective at all levels.
- Policy priorities provide a framework for guiding where energy and resources will be spent in the unit, including the balance between long term focus (including some “blue skies” or “off-line” work) and immediate outputs.
- New ideas, recent research/ publications and information about international experience is actively sought and debated.
- Research, information and evaluation capabilities are integrated with policy priorities (evidence may be a plan).
- Policy advice includes intervention logic, evaluation criteria, references to information sources, and is informed by lessons from the past (including ex-post evaluation). Warnings are provided when the advice is “risky” (ie on weak grounds) and missing (e.g. unobtainable) information is signalled.
- Good understanding of the range of clients and their needs, and ensuring impacts on clients of policy and programme changes are understood.

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- Consultation strategies and guidelines ensure comprehensive input to policy analysis and feedback from external sources, including those involved in and affected by implementation.
- Information management systems enable analysts/ advisors to access, use and share up to date, accurate and wide-ranging information (negative indicator: advisors collect and keep information to themselves; positive indicator: policy advice is well informed and comprehensive).
- Guidelines on the quality of policy advice, including process and presentation issues, are used consistently throughout the unit (evidence may include review of a sample of policy advice papers).
- Implementation issues are tested and understood. Consultation includes regional and local operational units where applicable.
- Pilots and other strategies are promoted and used to test different mechanisms to achieve the Government's goals.
- Recruitment and development strategy includes statements of required skills, competencies and personal attributes, based on the unit's policy direction (evidence – EEO & training plans, and evaluations). Training is proactive.
- There is balanced turnover (enough to acquire “new blood”, not so much as to leave skills gaps and loss of institutional knowledge).
- Vacancies are not left unfilled, i.e. unit is “spoiled for choice” in recruitment.
- Mechanisms are in place to allow staff to raise concerns/suggest improvements to the working environment/systems/processes (e.g. periodic climate surveys, focus groups etc. as a tool to “test” mood of the unit).
- Guidelines on peer review and sign off are operationalised and used consistently; there are incentives for staff to actively peer review/critique colleagues' work.
- Ex-post review and feedback systems (including from Minister(s), central agencies etc) ensure learning from past successes and failures.
- Papers are rarely/never “turned back” from Cabinet Office, officials committees etc. on grounds of poor quality or not following correct procedures.
- There are periodic independent reviews of a selection of policy advice and processes.



## Stage 3: Maintaining and Improving Policy Capability - Establishing an Upward Spiral

### Characteristics

<i>Characteristic</i>	<i>Description</i>
<i>Trust and Confidence of Ministers</i>	Ministers look to the agency for advice; the agency has “influence”.
<i>Reputation for Excellence</i>	The unit’s reputation for excellence leads to demands for conference presentations, publications etc, thereby further enhancing reputation; having a “credit balance” enables risk taking and innovation.
<i>Motivated and Confident Staff</i>	Staff want to remain part of a “winning team” and others want to join.
<i>Positive Organisational Culture</i>	Staff “walk the talk”, embrace systems and processes, and are more self-managing requiring fewer resources attached to monitoring their work.

### Possible Indicators for Stage Three Characteristics

- Results of Ministerial satisfaction surveys/questionnaire<sup>2</sup> or conveyed by Cabinet Office/DPMC staff/officials groups supporting Cabinet Committees.
- Agency is frequently asked to lead policy processes (extending their scope and influence). Ministers feel comfortable about the agency leading policy processes.
- Climate surveys reveal staff satisfaction across all kinds of staff.
- Frequent job inquiries from potential recruits.
- Invitations to speak at conferences, publications commissioned, work referred to in publications from other sources.

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<sup>2</sup> While most agencies have some process for soliciting their own Minister(s)’ view(s) on the quality of the policy advice tendered by that agency, these tend not to provide robust or useful information to the agency. They often involve scoring an agency on a scale of 1 to 5, where most agencies consistently score 3. In that sense, they reveal common denominators rather than the highs and lows that would offer more learning potential for the organisation concerned. A more revealing inquiry might ask Ministers (including those not directly responsible for the agency) to give their views on whether they would trust the agency to lead a policy process that was important to the Government, whether they generally trust the advice tendered by that agency, or how they would rate the agency’s policy advice in relation to other agencies. Potential problems with this approach include the Ministers’ time, getting them to engage in this sort of exercise, Ministers protective of their own agencies, and criteria for “rating” agencies and policy advice difficult to develop. Furthermore, some advisors in an organisation may be trusted while other are not (ie. “uneven” result). It would also be possible to get “second opinion” advice from Cabinet Office, DPMC policy advisory group and officials committees.

- Ministers are confident advice is not captured by the business interests of operational activities.
- Operations and policy units respect and seek out each other's input into their policy development, monitoring, evaluation and research programmes.
- Cutting edge ideas and new thinking attributed to the agency.

### Use of Characteristics and Indicators

From the outset of the project, it has been the intention that the model, characteristics and indicators would be available for use by departments and the SSC in undertaking assessments of policy advice capability and developing strategies for improvement. Ownership of the model and indicators by policy units has also been seen as important.

Several policy units have been involved in the development of the model, so that it contains elements of practical reality as well as theory. However, it is expected that policy units will adapt part or all of the model to suit their own stage of development and policy capability review needs and processes. Any assessment (internal and external) needs to take account of the context of the department or policy unit being assessed, for example type of policy unit, difficulty of the subject area or changes in the organisation.

The model does not include guidance on how to address the issues that emerge from the assessment process. While, in the longer term, SSC intends to develop links to “best practice” guidance on the various aspects of the policy process, this will never substitute for the detailed work necessary within agencies to develop tailored solutions to address the issues they face within their own particular context.

### Use by Policy Units – Self Assessment and Improvement

Policy units can use the characteristics framework and associated indicators as a self-assessment tool to analyse and manage their policy advice capability. As stated above, units may select, modify or develop indicators to suit their own circumstances.

Departments may also wish to use the characteristics and indicators to structure their on-going capability assessment dialogue with the SSC.

### Use by the SSC – Capability Assurance

The SSC is moving towards a role where it will be expected to provide an assessment of the policy advice capability in particular departments and assurance to government that capability in this area is being appropriately managed.

The SSC would use the characteristics framework, within the operating context of the department, to guide its assessment of capability. It regularly assesses and classifies organisation into risk categories (based on feedback from various sources about policy performance).

Where departments were assessed as low risk, the SSC would focus at the level of the characteristics and overall framework. The indicators would be used as guidance to help

assess the existence or otherwise of characteristics. The characteristics (and to a lesser extent indicators) would be used as a basis for cross-departmental comparisons.

Where departments were assessed as high risk or a problem area, the SSC would conduct a more rigorous assessment using the indicators as a guide. The indicators may form the nucleus around which qualitative information is assembled. In problem areas, SSC may use an appropriate set of indicators to track progress.

### **Feedback and Review**

The SSC welcomes feedback on this paper. In particular, we encourage organisations to consider the model and indicators in their planning process and to provide feedback on how the framework worked for them. As SSC applies the model in its own capability assurance process, it will also be reflecting on its usefulness and making changes based on practical experience.