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Submission on the New Zealand Productivity Commission's Draft Report on Inquiry: More Effective Social Services (the Report)

To the New Zealand Productivity Commission

This submission is from:

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We would be available to speak to this submission. It follows on from our submission to the Inquiry on 9 December 2014; therefore background information about our organisation, members and other previously submitted material are not repeated except where appropriate in this submission.

Ngā mihi nui,

Tara D'Sousa
National Manager

Introduction:

1. SSPA notes the time and effort of the NZPC in its Inquiry and into incorporating the views of the 134 submissions into its draft findings and recommendations. It is very affirming of our sector that our *mahi* is taken seriously and our role acknowledged in working for the benefit of society as a whole.
2. Given the breadth of the report, its 81 draft findings, 47 draft recommendations and 8 posed questions, we recognise our limitations to comment on the whole. Therefore SSPA has isolated those sections we are best able to comment on.
3. In order to do this, SSPA National Office summarised the draft report findings and recommendations and posed a set of 6 questions to our 230 members via a survey.
4. This submission is prepared through a synthesis of member views, in-house experience, dialogue with others in the sector, research and specialist advice.
5. Please note the views in this submission do not represent the views of all SSPA members, rather they are the initial conclusions reached by the National Executive supported by survey feedback of a small number of members
6. This submission is presented as follows:
 - (a) General comments;
 - (b) Comments on key sections of the NZPC Draft Report;
 - (c) Recommendations.

(a) General Comments:

7. In the overview of social services, the report observes that the “system as a whole is underperforming”. We are in broad agreement with this view; however we wish to point out some nuances that are characteristic of this sector but not captured in the report:
 - Some government and sector representatives may not know what works, but most service providers and clients do (refer to Para 10).
 - Clients do have a choice of services; they usually will not present to services that do not work for them, many Māori or Pasifika will present to mainstream services and vice versa. There is a self-selection process that discourages duplication but supports specialisation.
 - Service integration, working together and collaboration are already happening in the sector. Innovation is born of limited resources and tight budgets against high commitment to provide to the highest standard for clients’ needs.

- The NGO sector is highly efficient because it maximises resources and delivers services for the government at a much cheaper rate than the government itself.
 - Services that make a difference to minimise the number of people with multiple and highly complex needs are often overlooked in terms of their full value.
 - We agree the focus of a sector restructure should be on systems and processes that will reduce the number of people represented in negative social statistics. This would include: improving access to social services and supports; increasing ability for clients to remain engaged over time to achieve significant change and progress in their lives and in the lives of their families and communities; improving collaboration and networking (including efficiencies) between all agencies - government and NGO; encouraging and enabling clients who have achieved significant change to become part of the solution.
 - One SSPA respondent observed that if reducing the amount of money spent in social services is the main priority, we will continue to see high numbers in negative social statistics - which in-turn will continue to put the social services sector under increasing pressure.
8. Clients' needs are not a defined set or subset of issues; they present in unique permutations and are best managed developmentally. At SSPA we use the metaphor of the ambulance at the bottom of a cliff (e.g. statutory services such as CYF), the fence at the top (preventative services such as Children's Teams) and another fence further back which acts like the safety net to reduce pressure at the cliff-edge fence (early intervention services such as Whanau Ora), noting in this metaphor that many services deliver programmes in all those positions.
 9. Examples of services behind this last fence are those specialist counselling services, parenting programmes, holistic family services, domestic violence prevention services and so on that are anchored in strong community relationships. Without the safety net, many more client families will present at the cliff-edge and many more will fall over the cliff-side.
 10. The point we make is that because those safety net and cliff-edge services have not been adequately evidenced, they are not being seriously considered as effective. We acknowledge that this is a failure of the sector as a whole: Government contract reporting does not adequately capture this evidence; NGOs have not had the capacity (in time and resources) or capability (in tools) to tell our story. SSPA recommends that an investment in evaluation will assist providers to better articulate the quantifiable outcomes of services and to measure their real impact. When we ask that contracts be fully funded, this is additional investment that should be factored into the equation.

i. **System Stewardship**

11. The report suggests that Government has a unique role as the major funder of social services to take responsibility for system stewardship. The report further suggests that an Office of Social Services be established within Central Government to perform the role of system stewardship.
12. In reality, the general New Zealand public are reported as giving \$2.67 billion to charitable and community causes (in 2011¹) which is 8 times the MSD annual spend on social services at \$330 million.
13. We agree with the concept of "system stewardship"; however we submit that the rationale for core responsibility has to be more than the weight of funding, and we question that it should emanate from Central Government. We are concerned that this may eventuate in another layer of bureaucracy in an increasingly complex landscape of similar government agency mechanisms e.g. the Social Sector Board, the Children's Action Plan Board/Directorate which are relatively new and yet to demonstrate effective high-level stewardship.
14. Further, it is in the interests of providers, clients and civil society as a whole to become system stewards, to be involved in setting standards, investing in data infrastructure, monitoring overall system performance, improving capability, and prompting change when the system under-performs.
15. SSPA proposes a truly collaborative mechanism of stewardship whereby Government and representatives of civil society (such as iwi leaders, umbrella bodies, church leaders, philanthropists, ethnic representatives etc.) come together to provide system stewardship. This process is likely to be more time-consuming and complex, but it is a fairer interpretation of the responsibilities and role of the sector, and will ensure ownership and sustainability.

ii. **Market approach**

16. We would like to highlight the relational aspect that is a hallmark of the social services sector. In a 2013 Report on Contracting for Social Services, Treasury notes "The relationship between NGO providers and government has strengthened over time as there has been a greater recognition by government agencies of the unique contribution made by NGOs as independent providers rather than just delivery arms of government (Sanders, O'Brien, Tennant, Sokolowski & Salamon, 2008)"²
17. Even in a contracting environment, the providers of services compete through non-price differentiation for example demonstrating 'best fit' for a contract. In many regions or among groups of providers servicing the same community of interest, there will be internal discussion and

¹ http://www.philanthropy.org.nz/sites/all/files/2011%20PhilanthropyReport_final%20HRes.pdf

² <http://www.treasury.govt.nz/publications/informationreleases/socialservices/pdfs/cossm-2789883.pdf>

agreement to determine which provider is best placed to tender for a contract; other providers will not tender and support through referral and by providing complementary services.

18. In the same report Treasury has also said "NGOs have already expressed that they are only partially funded for the cost of their services and therefore there would not be any desire to 'undercut' each other on a price basis in this collaborative environment. Price as a lever to incentivise efficiency within NGOs will be limited".
19. The NZPC Report uses the term *productivity* to capture efficiency improvements; however community, provider and government relationships are as much a contributor to productivity and must not be overlooked even if difficult to measure.
20. Given that outcomes for the people they work with constitute the usual motivational imperative for workers in the NGO sector it is important to maintain a perspective on market-models of social service provision that are about incentivising efficiency in the sector.
21. SSPA has an open view to any innovative ideas for providing social services more effectively, for example such models as social impact bonds (SIBs). SSPA has recently run a national seminar series on SIBs by UK-based provider Core Assets³. In this instance the outcomes were related to children being successfully placed in foster care from residential settings. This model fits certain outcomes, ensures long-term funding for them, but will only ever fill a small/discreet facet of social services; they are not suitable to be seen as the new standard model and will need to be tested in the New Zealand context.

(b) Key Sections of the Report:

The report findings, recommendations and questions upon which SSPA has chosen to comment have been determined by our focus on services for children, families and communities and the fact that most of our members deliver services contracted by MSD; some contracts are held with MoH, MoJ and Corrections.

i. Commissioning Agencies

22. There was equal support for the devolution of social services to a Commissioning Agency as not from the providers who responded to the SSPA survey. Those who supported the idea did so because of their potentially better responsiveness to local needs. Some respondents were dubious about the benefits of devolution – does this ensure a bottom-up approach?
23. Those that did not support the idea of commissioning agencies were concerned for the potential of large sector groups to capture the commissioning agency, and the possibility of a conflict of interest unless the commissioning agency were not able to deliver services. One

³ <http://www.sspa.org.nz/events/sspa-seminars/past-seminars>

respondent said they “would rather see the government put more energy into getting experienced people to be contract managers”.

24. Some providers’ responses were “maybe” – “much depends on who is commissioning, (their) relationships, (their) knowledge base (...to ascertain new fancy renamed initiatives versus tried and tested)”.

ii. **Fully Funded Services**

24. SSPA is pleased to read the report’s recommendation that Government should fully fund those services for which it desires full control over service specification, and payments should be set at a level that allows an efficient provider to make a sustainable return on resources deployed, and so encourage investment by existing providers and entry by new providers.
25. Funding for services has remained the same for well over a decade. New initiatives have sometimes drawn funding away from existing services, sometimes without sufficient evidence. For example at one social sector trial site, 6 providers lost funding that was shifted to the trial.
26. Providers suggested that careful consideration be given to mechanisms to determine appropriate levels of funding. It is not a simple formula, for e.g. % over base service delivery costs. This is because large organisations can usually create economies of scale, so this approach may not benefit small and rural providers. The unique needs of some specialist providers may warrant more investment (e.g. those that travel large distances to meet client needs – Far North, West Coast). There needs to be a minimum starting point and additional funding based on demonstrable needs.
27. Most respondents felt there should be an independent body to resolve funding disputes, but there was no agreement about whether this should be an arbitrator or regulator for lack of a model. There were suggestions that the body should have the authority to set rules, but be flexible enough to mediate fairly and regulate both funders and providers.

iii. **Data-Sharing and Analytics**

28. All SSPA respondents favoured the sharing of data between non-government and government agencies in the interests of the client/tamariki/whānau. However they are clear that this should be identifiable only where appropriate, whether this be by permission levels or other means of maintaining appropriate privacy.
29. There was less support for sharing of data with academics unless it is clear for what purpose.
30. SSPA is also concerned about the potential of data analytics which will result in the profiling of client families with unforeseen consequences.

iv. **Social Insurance**

31. The report provides some examples of social insurance such as ACC, the Australian National Disability Insurance Scheme and some overseas health insurance schemes. SSPA and our members are not sufficiently informed from these examples to comment on the question about social insurers for enrolled populations.
32. It is not clear what is being proposed. Would this be another form of taxation? Would a multiple-insurer model out-perform a government model, say in the case of ACC? What percentage of the population will engage with social services, and how would they perceive and agree to the rates for specific services – housing, poverty/hardship, etc.?
33. Taking the example of private health insurers, this could be questioned given that 1.34m New Zealanders had health insurance (approximately 30 percent of the population) as at March 2013, with a decline of 50,000 lives covered, or around 4 percent since 2008.
34. Affordability is a key factor, and risks could outweigh the benefits for the general population.

v. Māori and Pasifika

35. The report has noted Māori and Pasifika representation in the social services statistics and recognised the level of crisis in the demographics. It was observed by some providers that the “Māori Dimension” would have been better knit through the entire report rather than written as a separate chapter.
36. Not enough emphasis has been placed on prevention to break the cycle. The issues are linked to capacity and resourcing. There is also a tension between allocating scarce resources to increase the capacity of Māori and Pasifika providers while still resourcing mainstream providers whom these client groups may choose to see. Funding silos currently increase fragmentation instead of encouraging mutually beneficial collaboration between culturally specific and mainstream providers.
37. It was noted that some Māori are represented by iwi very well, but others want to speak for themselves or may not affiliate to an iwi. All Māori providers are not iwi-mandated but would like to be involved in commissioning.

(c) Recommendations:

38. That an investment in evaluation will assist providers to better articulate the quantifiable outcomes of services and to measure their real impact.
39. A truly collaborative mechanism of stewardship whereby Government and representatives of civil society (such as iwi leaders, umbrella bodies, church leaders, philanthropists, ethnic representatives etc.) come together to provide system stewardship. This process is likely to be more time-consuming and complex, but it is a fairer interpretation of the responsibilities and role of the sector, and will ensure ownership and sustainability.

40. That outcomes for the people they work with constitute the usual motivational imperative for workers in the NGO sector; therefore it is important to maintain a perspective on market-models of social service provision that are about incentivising efficiency in the sector.
41. Caution for commissioning agencies: much depends on who is commissioning, (their) relationships, (their) knowledge base.
42. Full funding of services, the specifications of which are controlled by government and that careful consideration be given to mechanisms to determine appropriate levels of funding.
43. There should be an independent body to resolve funding disputes which should have the authority to set rules, but be flexible enough to mediate fairly and regulate both funders and providers.
44. The sharing of data between non-government and government agencies in the interests of the client/tamariki/whānau, regulated by permission levels or other means of maintaining appropriate privacy.
45. With respect to social insurance affordability is a key factor, and risks could outweigh the benefits for the general population.
46. The issues regarding Māori and Pasifika are linked to capacity and resourcing. Some Māori are represented by iwi very well, but others want to speak for themselves or may not affiliate to an iwi. All Māori providers are not iwi-mandated but would like to be involved in commissioning.