



Report

Date: 15 March 2016

Security Level: IN CONFIDENCE

To: Hon Anne Tolley Minister for Social Development

Community Investment Strategy: Contracting changes from 1 July 2016

Purpose of the report

- 1 This report describes the ways in which Community Investment contracts will be different from 1 July 2016. Changes are being made to contract design and management which will contribute to the wider system change being brought about by the Community Investment Strategy.

Recommended actions

It is recommended that you:

- 1 **Note** that Community Investment is in the first year of the three year implementation of the Community Investment Strategy. **Yes / No**
- 2 **Note** that we now have a clear picture of what will be different about the procurement of social services from 1 July 2016. **Yes / No**
- 3 **Note** that by 1 July 2016, we will have: **Yes / No**
 - redesigned 209 contracts by resetting relevant procurement parameters based on market analysis
 - a tool for deciding how we go to market for different services
 - included results measures in contracts covering over 23% of funding in the Community Investment Strategy
 - established client level data collection in contracts covering 23% of funding in the Community Investment Strategy
 - introduced amendments to contracts where appropriate, to clarify Ministry, provider and client rights and interests.

4 **Note** that we will continue to progressively implement improvements to all contracts and services through until July 2018.

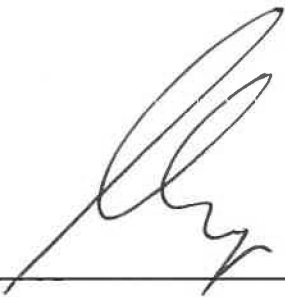
Yes / No

5 **Agree** to forward this report to the Associate Minister for Social Development.

Yes / No

6 **Agree** to forward this report to the Minister of Finance.

Yes / No



Murray Edridge
Deputy Chief Executive
Community Investment

15 March 2016.
Date



Hon Anne Tolley
Minister for Social Development

21-3-16
Date

Background

- 2 The Community Investment Strategy (the Strategy) is a long term programme with a three year implementation period that began on 1 July 2015. Our focus to date has been on developing the process and tools to ensure the investment in social services is:
 - Client-centric
 - Targeted at the people that need it the most
 - Data and evidence-driven
 - Focused on results
 - Regionally-led and nationally supported.
- 3 Once the Strategy is fully implemented, we will have a clearer understanding of the return on Government's investment based on evidence of what does and doesn't work for our clients and their whanau. We will be able to align how we procure services with the realities of the market and providers will have more flexibility in how they tailor services to best meet the needs of their clients. The new approach to contract development and management will mean we will be really clear with providers and communities about what we are trying to achieve, how and how well things are going.
- 4 We are now better placed to provide an outline of what will be different about the procurement of social services at 1 July 2016, and in particular how these changes will be reflected in the contracting arrangements we enter into with service providers.

A number of different aspects of the contracts and the contracting processes are going to start changing from 1 July 2016

- 5 By 1 July 2016 we will have the following:
 - 5.1 redesigned 209 contracts by resetting relevant procurement parameters based on market analysis
 - 5.2 a tool for deciding how we go to market for different services
 - 5.3 included results measures in contracts covering over 23% of funding in the Community Investment Strategy
 - 5.4 established client level data collection in contracts covering 23% of funding in the Community Investment Strategy
 - 5.5 introduced amendments to contracts where appropriate, to clarify Ministry, provider and client rights and interests
- 6 These changes are discussed under the headings below. We can provide you with more detail on these changes on request.

We will have redesigned 209 contracts to take account of the market

- 7 From 1 July 2016, 209 contracts with 194 providers will have been redesigned based on what is most appropriate for the market structure, the services being purchased and the desired results. This represents 27% of the contracts due for renewal as at 1 July 2016. The number of redesigned contracts is small at this stage because we are still developing elements of the contract redesign tool.
- 8 Traditionally, contracting arrangements have been standardised, with little scope for taking into account the number or type of providers available, or the nature of the results being sought. Once it is fully implemented, the contract redesign under the

Strategy will mean that contracts will no longer be “one size fits all”. Instead, contracts will be appropriate for the type of service, the goals or results being sought, the relevant client groups and the relevant level of service intensity. The contract redesign work has drawn on ideas and models from the Productivity Commission’s report *More Effective Social Services*.

- 9 Elements of contract redesign include shifting from outputs to results; from prescriptive standardised units of service to ones that are tailored and flexible and more relevant for the services being purchased. There will be options to structure payments to reward the achievement of milestones and results and to respond to changes in demand during the year. The redesigned contracts will also include consideration of how services are priced and whether they are fully funded or part-funded by the Ministry.
- 10 For example, we have redesigned the contract for specialist behaviour services, to allow the provider to decide how many sessions each client needs (based on an assessment) rather than giving each client the same number of sessions (as would have been contractually required previously). We have also introduced an ‘at-risk’ component in the contract, where extra funding is supplied for each client who completes the course, as research shows that clients that complete the full behavioural services intervention have more positive outcomes in the long term.

From 1 July we will have developed a tool for deciding how we go to market for different services

- 11 From 1 July 2016, when we go to market to purchase services, the method will be based on a systematic analysis of the market and an appropriate market strategy. This is because different procurement processes and tendering options are appropriate for different market conditions. These range from going to the open market, particularly where the services being sought are well-defined and there are many potential providers, to more targeted approaches such as limited or selected tenders and direct negotiations.
- 12 Tailoring the procurement approach to the market and the services being sought will be more efficient, create transparency for providers on the funding dedicated to a certain result, and therefore more effective service provision.
- 13 Having a better understanding of the market and the service sector will enable us to involve providers early in the contract design process, where appropriate. This will include opportunities to co-design contracts with the sector (again, where appropriate).
- 14 We have been trialling the co design approach with Budget Services by involving providers from all around New Zealand in an in-depth service and procurement co-design process aimed at getting services that work for communities in the most efficient and effective manner.

Results measures will be included in contracts covering over 23% of funding in the Community Investment Strategy

- 15 From 1 July 2016, there will be results-based performance measures in 133 contracts or grants which cover more than 23% of Strategy funding. These are listed in Table One (below):

Table One: Services with results-based measures in contracts

Service with results based measures and client level data in contracts	F16 Appropriation \$m	No. of F16 Provider Contracts
Family Start	\$30.65m	34
Early Start	\$1.21m	2

Social Workers in Schools	\$21.45m	43
Youth Workers in Secondary Schools	\$2.31m	8
Multi Agency Support Services in Secondary Schools	\$2.01m	8
Harmful Sexual Behaviour community based treatment programmes.	\$2.83	3
Children's Health Camps (STAND)	\$14.44	1
SKIP (client level data will not be collected for SKIP as it is not implemented with individuals)	\$2.01m	34 grants
Total	\$76.91m	133 contracts/grants

- 16 The results-based performance measures will provide a structure for measuring the effectiveness and efficiency of the services being delivered. Information from providers will tell us about the numbers and type of people accessing the service and how many are achieving the desired results. We will test the effectiveness and efficiency measures that will be in contracts from 1 July 2016 in order to ensure they tell us what we need to know in terms of return on investment.
- 17 The new approach may mean a greater level of reporting for some programmes and providers, but will also mean that providers will have better information on their clients' results and be able to track the progress of clients who have complex needs and are accessing multiple services. This will help us and the providers understand the collective impact on clients and build a system of continuous improvement in the quality of services.
- 18 Over time, the improved information on results and performance will enable us to make better decisions about the programmes and services that will make the most difference for vulnerable individuals and whānau.

Client level data will be included in contracts covering 23% of funding in the Community Investment Strategy

- 19 From 1 July 2016, the contracts listed in Table One (excluding grants for SKIP) will include requirements to collect data on individual clients. This is to enable us to learn more about what works for different types of clients and groups of clients.
- 20 Access to information that identifies individuals will be very tightly managed and requirements for clients to consent to the sharing of their information between providers will be rigidly adhered to. The Privacy Commissioner's Office has been kept informed of the changes.
- 21 Aggregated statistical information on clients will be more widely available for use by providers. We are trialling a data capture portal to collect this data from providers.
- 22 By collecting information on clients, and then assessing the effectiveness of different providers and programmes in achieving results for clients, we will have the basis of a system that can:
 - track results for individual clients (and cohorts of clients) in a meaningful way - first through the Results Measurement Framework, and eventually through data matching.
 - build an evidence base about who is accessing our services, where, and what works for different types of client cohorts.
 - enable effective practice to spread, and foster innovative new solutions through the shared measurement of results for different client cohorts.

Certain contracts will include clearer protections and we will have improved processes for managing provider issues

- 23 We are confident that the changes that we are introducing to our contracts will result in improved service delivery and improved outcomes for clients. The increased flexibility and ability to innovate does, however, need to have some counter-balance in the form of strengthening the Ministry's ability to intervene if there are problems.
- 24 Therefore, where appropriate, contracts will have step-in clauses that will improve the Ministry's ability to ensure service continuity in the event that the provider fails to deliver. Step-in clauses allow the Ministry to literally step in and provide some or all of the services themselves (or hire a third party to do so).
- 25 These clauses will be included in contracts for services where continuity of delivery is of paramount importance, e.g. Child, Youth and Family residential services. They will only be exercised when absolutely necessary. We are still gathering information on which contracts should have step-in clauses.
- 26 In addition, we are strengthening the processes by which we manage provider issues and remedial action will be strengthened so that we have clearer pathways for intervening when service delivery or provider issues become a problem. These improved processes will mean that we deal with issues and risks in a more timely, consistent and transparent manner, resulting in less disruption for providers and their clients.

We will continue to progressively implement improvements to all contracts and services by July 2018

- 27 The Strategy is not intended as a quick fix, and so it has taken time to design and set up the infrastructure and to progress the new arrangements. Because the system is complex and because it involves new ways of working with providers, the implementation of the Strategy is being done in stages.
- 28 Work will progress in an exponential manner. The numbers of providers and contracts that are changed as a result of the Strategy will accelerate sharply over the next two years, until 100% are operating under the new system by July 2018.

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