

Aide-mémoire



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Cabinet paper

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For: Hon Carmel Sepuloni, Minister for Social Development

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THE FUTURE OF SOCIAL SECTOR COMMISSIONING

**Cabinet
Committee**

Social Wellbeing Committee

Date of meeting

29 July 2020

Proposal

The Ministry of Social Development (MSD) has prepared this Cabinet paper on your behalf. The paper provides an update on the work to improve the commissioning of and support for social services, including the development of six guiding principles, and seeks agreement to publish a document, *Social Sector Commissioning: progress, principles, and next steps*, providing this update for social services.

Key issues

Current approaches to commissioning are often not meeting the needs of people, whānau and communities. Service users would like more tailored, holistic and whānau-centred responses; and greater accessibility of services. Communities want to be empowered to develop their own solutions. Traditional approaches to commissioning have failed to achieve equity of outcomes for Māori.

The key issues raised by service providers include: a lack of coordination across government agencies; a lack of flexible funding models and transparency about how funding is determined; financial viability, capacity, capacity and pay equity for NGOs; and onerous reporting requirements that do not generate meaningful insights. Reflecting the Crown's Treaty obligations, Māori need more opportunities to be involved in commissioning decisions.

In December 2018 a cross-government work programme on social sector commissioning was established, led by MSD and Oranga Tamariki. While this wider strategic work has been

underway, progress has been made in addressing key issues including:

- moving towards sustainable funding models.
- client and whānau-centred design and innovation.
- devolving decision-making and support for community-led initiatives.
- longer-term contracts to provide greater certainty and stability.
- simplification of contracting and procurement
- partnering with iwi and Māori communities.
- building knowledge infrastructure and addressing issues of data sharing and privacy.

Government agencies have worked with representatives from the sector to develop a set of commissioning principles designed to help drive change:

1. Individuals, families, whānau and communities exercise self-determination.
2. The Māori-Crown partnership is at the heart of effective commissioning.
3. The sector works together locally, regionally, and nationally.
4. The sector is sustainable.
5. Decisions and actions are taken transparently.
6. The sector is always learning and improving.

While these principles can continue to help drive improved practice across the social sector, the longstanding and enduring nature of many of the issues faced by the social sector means that there are risks and challenges to fully realising the principles that will need to be managed. There remain ongoing funding challenges for many services and there is significant variability in capability and capacity across the social sector that will take time to address. The potential costs and resources needed to fully realise these principles will be extensive and difficult choices will need to be made about what actions to prioritise.

Government will need to work openly and transparently with the sector about some of these difficult trade-offs and investment choices that may need to be made in the coming years.

MSD has sought advice from the State Services Commission (SSC) on releasing Appendix 1 during the pre-election period, consistent with the guidance set out in Cabinet Circular 20(1). The SSC advised on 19 June 2020 that they do not have any concerns about MSD's approach to publication. This advice was provided to your office on 19 June 2020.

While there is likely to be further engagement with the social sector later this year, there is still work that can continue now. The next steps of this work will focus on building better partnerships and improving the sustainability and transparency of funding.

Links with other Cabinet papers

This paper is aligned with the proposal in the Social Workers Registration Board Cabinet paper, which you are also taking into this meeting. The proposed statement of scope and expectations to be released is well-aligned with the proposed draft principles of this paper.

We also understand that the Minister of Finance and Minister of State Services will also present today on the Framework for the oversight and support of funded sector pay equity claims. We have suggested that the proposed work to be undertaken by the Social Wellbeing Agency to identify the challenges of current funding models across the Funded sector and identify potential sustainable solutions for funding and implementing potential pay equity settlements in the Funded sector be undertaken in conjunction with the Social Sector Commissioning work programme.

Suggested talking points

- Social service users, NGOs and the community sector have been calling for change and improvement in way social services are commissioned for a very long time.
 - In 2018, I commissioned the Social Wellbeing Board, to look into how we could improve the way we work with social service providers to ensure they are supported to be effective and responsive to need in our communities.
 - This work is underpinned by the Governments commitment to improving the wellbeing of all New Zealanders.
 - Given the longstanding and enduring nature of the issues raised by users and providers, there are many risks and challenges to manage, but the long-term positive impacts for people, whānau and communities of a more effective social services sector are significant.
 - There is substantial interest in this work from the sector and from social service providers in particular.
 - Publishing the progress document now is important to provide key stakeholders with an update and continue the progress of this work.
 - Over the last three Budgets this Government has invested significantly in services contracted by MSD, Oranga Tamariki, the MoH and the MoJ. These have gone a significant way towards addressing historic NGO price and volume pressures, but there is still more to do.
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- Now more than ever we need an effective social sector. COVID-19 is likely to exacerbate existing and persistent hardship and inequality. In addition, the economic and employment fallout means we are likely to see new groups needing social support for the first time.
 - The response to COVID-19 has proven that the sector can work differently and more effectively. NGOs have adapted and innovated at speed in order to respond to the needs of their communities, including through joined up responses with other providers.
 - COVID-19 also resulted in better collaboration across government agencies, and positive feedback received from providers on the government working in partnership with them and their communities.
 - Many iwi, hapū and Māori collectives have been instrumental in supporting and protecting their communities during the immediate COVID-19 response period, and are well placed to continue. There is now an opportunity to ensure that the longer-term response to COVID-19, and the system that supports it, involves more collaborative and equitable partnerships with Māori.
 - The Social Service Accreditation operating model will be enhanced to support capability building in the sector, especially to increase the number of Māori organisations, Pacific and other community-specific providers.

Back pocket responses

Q: Principle 1: 'Individuals, families, whanau and communities exercise self-determination': What exactly does this mean?

A: Social service users should have a say in the way in which they are helped, rather than simply decisions being made by other people on service users' behalf.

Q: Should we not be referring to the Maori Crown relationship instead of partnership given that we're all committed to Te Arawhiti Maori Crown Relations?

A: 'Partnership' is referring specifically to Treaty obligations. Māori are Treaty partners. 'Partnership' is one of the key principles underpinning the Treaty and is frequently used across government agencies, the courts, and the Waitangi Tribunal to describe the relationship between the Crown and Māori.

Q: How does or will this commissioning processing and principles link in with Oranga Tamariki's existing commissioning processing and principles?

A: The principles set out in *Social Sector Commissioning: Progress, Principles and Next Steps* are well aligned with Oranga Tamariki commissioning processes and its direction of travel. They support the work Oranga Tamariki is doing to

improve outcomes for children and meet its legislative obligations, including its Treaty obligations. Oranga Tamariki has been closely involved in the development of the document and strongly supports its contents.

Q: Will these principles, if agreed, then apply across all social sector agencies or just to MSD?

A: The document is intended to cover the broader social sector. The principles are direction setting rather than prescriptive. Principles were chosen rather than a framework or rules to ensure that there is flexibility for individual agencies to continue to use existing processes, while exploring opportunities to move in the direction set by the principles. Government agencies, including Oranga Tamariki, have provided feedback on these working principles on this understanding.

Q: How does this work align with other work across government?

A: This work to improve social services commissioning aligns with a range of other government work:

- This work contributes to the overhaul of the welfare system medium-term priority 'building partnerships and enhancing the community sector' and helps respond to Recommendation 42 of the final Welfare Expert Advisory Group report, which directs MSD to 'develop the capacity and capability to engage with, promote and fund community organisations'.
- The direction of this work is broadly consistent with the recommendations of the Health and Disability System Review regarding commissioning of health and disability services.
- This work is complementary to DIA's work on a first principles review of approaches to grant funding for community organisations.
- The proposed commissioning principles align with the Pacific Aotearoa *Lalanga Fou* report (2018) which highlighted that Pacific communities are more than capable of being the drivers of their own solutions and that this requires a different approach to the ways in which government supports Pacific initiatives.
- This work aligns with work by the Pay Equity Taskforce, as well as work to address the gender pay gap.
- This work aligns with Social Wellbeing Agency's Data for Communities work: collaborating with community organisations and using prototype data tools to capture the needs of community organisations.

Q: How accurate is the estimate spend of \$7.8 billion in 2020-21 in social services through non-government and community organisations, as reported in the Cabinet Paper?

- Officials from the Social Sector Commissioning project along with Treasury have undertaken preliminary work to provide an estimated total investment in the social sector through third-party providers.
- This estimate uses a broad definition of social services and third-party providers outlined in paragraph 12 of the Cabinet paper. A tighter definition of the sector would result in a smaller estimate.
- The estimate does not currently include expenditure through District Health Boards as closer consultation with each Board is needed to establish an estimated figure and to ensure a consistent methodology is applied.
- The estimate currently still only contains a high-level assessment which has not yet been confirmed with portfolio agency finance teams for the following Votes: Housing and Urban Development, Tertiary Education, Internal Affairs and Corrections.
- The Social Sector Commissioning project team will continue working with the Treasury and relevant government agencies to refine this estimated figure over the next month.
- Establishing a more accurate estimate will help understand the changes to investment over time, the share by outcomes and Votes and to better contextualise analysis of future demand for services.

We understand that the Minister of Finance has reviewed the draft Cabinet paper and has suggested some areas of priority focus.

We consider these areas are consistent with the next steps identified, in particular the actions under 'Work to continue improving the sustainability and transparency of funding'. The project team will look to continue working alongside Treasury officials on these matters.

The areas for priority focus include:

- Developing an approach to monitoring investment that helps us understand wellbeing impacts while moving towards a more partnered approach with reduced compliance and reporting requirements.
- Further quantification and clarity of what is currently spent across the social sector annually. MSD will need to work closely with the Treasury to discern these figures.

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- A quantification of the fiscal cost of moving current contracts to a full-cost model (where Government agrees the service should be funded at full-cost).
 - Ensuring the partnership approach continues to manage expectations in a fiscally constrained environment.
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