Thank you for your request on 11 June 2019, under the Official Information Act 1982, for information about *follow-up actions, projects and progress reports from [the Review of the Centre] that specifically focused on children and young people with high and complex needs.*

As you know, your request was transferred from the State Services Commission to the Ministry of Social Development for response.

In 2001, the *Report of the Advisory Group on the Review of the Centre* highlighted the need for government to achieve better integrated service delivery to address complex social problems involving multiple agencies.

The Ministry of Social Development, along with the Department of Child, Youth and Family, the Ministry of Education and the Ministry of Health, implemented the *Intersectoral Strategy for Children and Young People with High and Complex Needs* (the Strategy). The strategy was approved by Cabinet in 2000, resulting in funding for the Strategy, as well as the establishment of a High and Complex Needs Unit (HCN) in 2001. The Strategy was designed to improve frontline collaboration and provide vital cross-agency support to young people with high and complex needs.

The strategy worked across three systems:

- System 1 - strengthening local case management, cross-sectoral co-ordination and collaboration, as well as providing additional resources for use at the local level.
- System 2 - facilitating the development of new joint sector services where there are groups of children and young people with high and complex needs that are not catered in existing services.
- System 3 - developing cross-sectoral individually planned case managed services/support packages for those individual children and young people with the highest and most complex needs.

Please find enclosed the following documents relevant to follow up action, projects and progress reports about the Strategy:

- *Review of the High and Complex Needs Fund and Unit*, 22 May 2012
- *Update on Review of High and Complex Needs (HCN)*, 11 October 2012
- *Process Review of the Strategy for Children and Young People with High and Complex Needs: System 3*, September 2002
- *Strategy for Children and Young People with High and Complex Needs: System 2 Review (incorporating S1 & S3*, October 2002
- *Strategy for Children and Young People with High and Complex Needs: Joint services development strategy review*, November 2002
- *Strategy for Children and Young People with High and Complex Needs: Progress Update*, 4 December 2002

The High and Complex Needs Unit is now coordinated through Oranga Tamariki. It supports families/whānau, caregivers with children, as well as young people who have high and complex needs through collaboration across government and non-government agencies. The HCN is made up of a team working across the Ministry of Health, the Ministry of Education and Oranga Tamariki.

More information about the High and Complex Needs Unit is available at: www.hcn.govt.nz/about-hcn/index.html.

You may also be interested to read the following publicly available documents, some of which have previously been provided to you:

- *Review of the Centre Integrated Service Delivery: Regional Co-ordination, Final Workstream Report*, available at www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/archive/2003-integrated-service-delivery-final-workstream-report.pdf.
- *Integrated Service Delivery and Regional Co-ordination, Literature review*, available at: www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/archive/2003-integrated-service-delivery-regional-coordination-literature-review.pdf
- *Mosaics: Whakaāhua Papariki: Key findings and Good Practice Guide for Regional Co-ordination and Integrated Service Delivery*, available at: www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/archive/2003-mosaics.pdf.

I hope that you find this information helpful.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and

- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public shortly. The Ministry will do this by publishing this letter and attachments on the Ministry of Social Development's website. Your personal details will be deleted and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response concerning the Review of the Centre, you have the right to seek an investigation and review by the Ombudsman. Information about how to makes a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Yours sincerely

pp

Julia Bergman
General Manager, Community and Families Policy

Review of the High and Complex Needs Fund and Unit

Date:	22 May 2012	**Report no.:**	REP/12/5/456
Security level:	IN CONFIDENCE	**Priority:**	Medium

Action Sought

Hon Paula Bennett Minister for Social Development	Note	26 May 2012

Contact for telephone discussion

Name	Position	Telephone	1st Contact
Bernadine MacKenzie	Deputy Chief Executive ,	s 9(2)(k)	☑
Jo Field	General Manager Residential and High Needs Services ,		

Report prepared by: s 9(2)(a)   Manager High Needs Services

Minister's office comments

☐ Noted ☐ Seen ☐ Approved ☐ Needs change ☐ Withdrawn ☐ Not seen by Minister ☐ Overtaken by events ☐ Referred to (specify)	**Comments**
Date received from MSD	*Date returned to MSD*

report

child, youth and family

A service of the Ministry of Social Development

Date:	18 May 2012
To:	Hon Paula Bennett, Minister for Social Development

Security Level: STAFF - IN CONFIDENCE

Review of the High and Complex Needs Fund and Unit

Purpose of the report

1. This report updates you on our intention to review the operation of the High and Complex Needs (HCN) Fund and the systems and structure of the HCN Unit.

Background

2. The Strategy for Children and Young People with High and Complex Needs Requiring Cross-Sectoral Services was first approved by Cabinet in 2000 [CAB (00) M40/2a refers]. The funding for the strategy and the HCN unit was established in 2001 [CAB (01) 12/6(41) refers]. In 2003/04 the strategy was reviewed and re-published as the *Intersectoral Strategy for Children and Young People with High and Complex Needs* (the Strategy).

3. The Strategy involves the Ministries of Social Development, Education and Health. It is aimed at the small but significant group of children and young people in New Zealand who have been involved with multiple existing services over a period of time and will sometimes have exhausted all existing services without their outcomes having significantly improved. They may present a danger to themselves and others, and may require 24-hour care arrangements.

4. The Strategy works at three levels:
   - effective local case co-ordination and access to service responses within sectors
   - development of effective intersectoral responses
   - individual packages (HCN plans) financed by the HCN Fund for a small number of children and young people who present highly complex idiosyncratic needs and challenges that cannot be met through existing services.

5. The HCN Unit is responsible for promoting and implementing the Strategy and manages the funding for packages of services available through the HCN Fund. The HCN Unit (with 9.6 FTE staff) is hosted by the Ministry of Social Development, Child, Youth and Family.

6. The annual budget for the HCN Fund for individualised packages is $5.274m with an additional $0.473m per annum to cover HCN Unit costs (total $5.746 million). There are currently around 90 plans providing services and support to children and young people with high and complex needs.

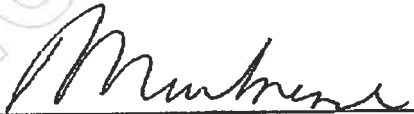7. The total appropriation for HCN is in your vote (Vote: Social Development, Child, Youth and Family).

Proposal

8. It is now nearly 10 years since there have been any significant reviews of HCN. We consider that it is timely to review the processes involved in creating and monitoring the HCN plans and allocating and administering the HCN Fund. The review will consider whether the current processes enable the efficient and effective allocation of funds and timely decisions to be made in the best interest of the child or young person.

9. I have discussed the review with my counterparts in the Ministry of Health and Ministry of Education. Jill Lane, Director National Services Purchasing, National Health Board from the Ministry of Health and Rawiri Brell, Deputy Secretary of Education have agreed to the review, the scope and process we will follow.

10. The review process will begin on Monday 21 May. Child, Youth and Family will work with the Ministries of Health and Education to advise the HCN Board, and staff will be advised of the review on Monday 21 May. Other stakeholders will be advised following this. The review will be finalised by the end of July 2012 and we will report to you on the outcomes by mid August.

Recommended actions

11. It is recommended that you:

   1. note that the Ministry of Social Development, in conjunction with the Ministries of Health and Education, is leading a review of the operation of the HCN Fund and the systems and structure of the HCN Unit

   2. note that the Ministries of Health and Education have been consulted and are in full support of the review

   3. note that the Ministries of Health and Education will update the Ministers of Health and Education on the review

   4. note that we will report to you on the outcomes of the review in mid-August 2012.

Bernadine MacKenzie
Deputy Chief Executive
Child Youth and Family

18 MAY 2012
Date

child, youth
and family

A service of the Ministry of Social Development

Update on Review of High and Complex Needs (HCN)

Date:	11 October 2012	**Report no.:**	REP/12/10/1032
Security level:	IN CONFIDENCE	**Priority:**	High

Action Sought

Hon Paula Bennett Minister for Social Development	Note	16 October 2012

Contact for telephone discussion

Name	**Position**	s 9(2)(k) **Telephone**	**1st Contact**
Bernadine MacKenzie	Deputy Chief Executive ,		☑
Grant Bennett	General Manager, Residential and High Needs Services,		

Report prepared by: s 9(2)(a) Manager High Needs Services

Minister's office comments

☑ Noted
☑ Seen
☑ Approved
☐ Needs change
☐ Withdrawn
☐ Not seen by Minister
☐ Overtaken by events
☐ Referred to (specify)

Comments
- Discussed at CYF Agency meeting on 24/10/2012.
- Review outcomes noted and supported.

Date received from MSD
1 ? OCT 2012

Date returned to MSD
1 4 NOV 2012

Bowen State Building, Bowen Street, PO Box 1556, Wellington – s 9(2)(k)

report

Date:	11 October 2012	**Security Level:**	IN CONFIDENCE
To:	Hon Paula Bennett, Minister for Social Development		

Update on Review of High and Complex Needs (HCN)

Purpose of the report

1   This report updates you on progress on the review of HCN.

Summary

2   On 18 May I reported to you that I intended to review the operation of the High and Complex Needs (HCN) Fund and the systems and structure of the HCN Unit (REP/12/5/456 refers). With my colleagues from the Ministries of Health and Education, we have agreed on a proposed new service design for HCN.

3   We consider this will improve outcomes for very high needs children and young people, and their families, by reducing the time taken to deliver services to them, increase the resources available for service delivery through more efficient processes and increase local collaboration and decision making.

Review Process

4   KPMG were commissioned to provide advice to the Joint Governance Group (CYF (Chair), Health and Education). The Joint Governance Group (JGG) then identified two service re-design options and we sought feedback from users of the HCN system on the workability of these.

- Option One: Combined application and plan, removal of the national application and approval panels and a greater role for Inter-agency Management Groups (IMGs)[i]
- Option Two: Regional HCN planning, decision making and funding through 4 regional committees.

5   Feedback was obtained from HCN Unit staff, a range of people across Child, Youth and Family, health and education who administer the current HCN system and from a small number of young people and their families. Those who provided feedback acknowledged the need for change and the potential for making the system more responsive and effective. Most of the feedback expressed support for Option One and for a simplified process.

6   The JGG met on 2 October and agreed to a preferred service design for HCN.
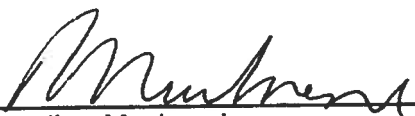
Preferred Service Design

7   The preferred approach is a development of the IMG option proposed in the KPMG report and takes account of the feedback we have received. This 'enhanced IMG' service design option:

- Locates HCN decision-making with IMGs, subject to sign-off by the HCN Manager that the plan is within budget and meets high-level quality standards
- Reduces the number of IMGs from the current 26
- Changes the way resources are made available for plan development, particularly enhancing the support for IMGs and practitioners for identification and planning once a young person is first identified
- Combines the current Case Presentation and Application processes into one step
- Removes the National Application and Approval Panels
- Makes IMGs responsible for reviewing plan progress, but extends reviews from three monthly to six monthly.

8   The design as proposed will

- Speed up the approval process
- Make the system more responsive to clients, by putting plans in place more quickly
- Give the local Interagency Management Groups (IMGs) a greater role in decision making and the management of plans
- Provide consistent and accessible practice support to IMGs and the teams around children and young people
- Make the best use of the available funding
- Make a greater proportion of the HCN budget available for services.

9   The changes we are proposing touch on many aspects of the HCN system – from the local IMGs and the teams around individual children and young people, to the approval process through the Panels, the role of the HCN Unit and its staff, and the functions of the HCN Board.

10 We intend consulting with staff on the service design and associated staffing changes and undertaking a final round of feedback with key HCN stakeholders over a two week period starting on 23 October.

11 Once the consultation/feedback process is complete we will report to the JGG for a final decision, outlining the results of the feedback. The decision on the structure and composition of the HCN Unit will be decided by CYF as part of this process.

12 We are planning to have decisions on the new service design by mid-November and advise stakeholders about the implementation process and timeframes. Because many aspects of the HCN system will change – and because three agencies are involved – we anticipate that roll-out of the new service design will need to be phased over the six months following the final decision.
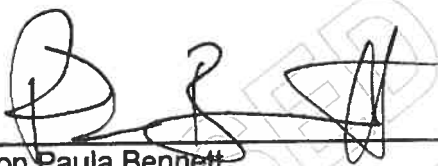
Recommended actions

It is recommended that you:

1   **Note** progress with the review of the service design for HCN

2   **Note** that I have, with my colleagues from the Ministry of Health and Ministry of Education, agreed in principle to a new service design for HCN that will improve outcomes for very high needs children and young people

3   **Note** that, under the proposal, the local IMGs will have a bigger role in decision making and the management of plans and this, along with other changes, is expected to deliver a more responsive and timely service

4   **Note** that because a number of roles will change and staff of the HCN Unit will be affected we intend to start a consultation/feedback process on the proposed design starting on Tuesday 23 October

5   **Note** that we will update you on progress and the implementation once the shape of the final proposal has been decided.

_____   12 OCTOBER 2012
Bernadine Mackenzie   Date
Deputy Chief Executive
Child, Youth and Family

_____   20/10/12 .
Hon Paula Bennett   Date
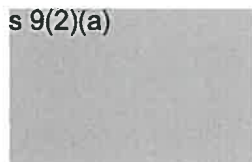Minister for Social Development

File ref: REP/12/10/1032
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[i] IMGs are multi-agency groups comprising CYF, health and education management and clinicians who identify children and young people who need HCN plans. There are currently 24 IMGs spread over New Zealand. The feedback process confirmed there is scope to reduce the number of IMGs

Process Review of the Strategy for Children and Young People with High and Complex Needs System 3

September 2002

synergia

Synergia Limited

Contents

1 Summary

The Department of Child, Youth and Family and the Ministries of Health, Education, and Social Development, along with Te Puni Kokiri have requested a review of the strategy developed for children and young persons (CYP) with high and complex needs. The focus of this review is System 3 (S3), a system that involves developing cross-sectoral individually planned case managed services/support packages for those individual children and young people with the highest and most complex needs.

S3 has been implemented in conjunction with other strategies for addressing serious service gaps and shortfalls and enhancing collaboration across sectors in service development and funding, including: System 1 (S1), strengthening local case management, cross-sectoral co-ordination and collaboration and providing additional resources for use at the local level, and; System 2 (S2), facilitating the development of new joint sector services across two or more sectors where there are groups of children and young people with high and complex needs not catered for in existing services.

1.1 Situation

The general conclusions of the review on the current state of S3 are:
- A number of elements external to S3 itself have conspired to make its establishment more difficult and will continue to constrain development unless addressed.

- The objectives and goals of the system are not well translated into practice and have contributed to significant stress between agencies as each interprets the goals of the system through their own agency perspectives.

- Sub-system development has been uneven, due in part to external pressures to increase the inflows to the system, hence the focus on applications management and criteria development has dominated

- The quality of applications is generally poor with little evidence of explicit improvement objectives or planning for eventual transition out of the system. The quality of the plans will limit the ability to evaluate achievement of overall S3 objectives ad outcomes.

- The system is about to significantly over commit spending and exceed budget. This is due to planned spending commitments driven by inflows into the system. S3 simultaneously continues to be under pressure to increase those inflows due to the current short term budget under-spend.

- A major refocus of the key stages in the system (inflows, improvement and transition out) is required in order to achieve the original S3 goals within, or close to, budgeted resource levels

- There have been difficulties differentiating between the roles of HESSOG and the steering group. The boundaries of the authorities of the parties has been unclear, and led to poor oversight and managerial practices.

1.2 Budgetary considerations

Based on the analysis of this review:
- spending commitments in S3 will exceed FY 02 – 03 budget by January 2003
- but due to the decline in budgeted spend for FY 03 – 04 expenditure commitments for the next financial will exceed budget by as early as November 2002
- Spend for this year will be under budget by between $750,000 - $1m despite efforts to ramp up numbers entering the system

- Under the base case scenario of the current operating settings, annualised expenditure continues to increase, reaching a peak of $36 million caused by the limited number of children leaving the system, until a steady state is reached where 'age-outs' equal the numbers coming in.

1.3 Strategic Options

This review is recommending six basic changes to the operation of S3:

1. Refocus the outcomes, goals and objectives framework
2. Improve inflow management
3. Develop an improvement path and transition process
4. Develop and integrate the S1 functions required by S3
5. Revise the system/sub-system structure and focus
6. Redevelop inter-agency partnerships on a different basis

Items 1 and 2 are critical to enabling management of inflows in the short term. Items 3 and 4 are central to the medium term changes required to manage improvement and transition and, in the longer term, reduce the base demand for S3 CYP by diverting the flows elsewhere. Items 5 and 6 are the enabling mechanisms of the refocused strategy to develop the resources and capabilities required.

Of critical concern is the integration and sequencing of these components given that S3 faces a mixture of immediate and medium term needs.

The mechanisms that will enable larger outflows (improvement/transition) or divert the inflows (S2 and improved S1 capacity) will all take time to implement and take effect.

Of the two short term levers, reducing inflows and reducing the permissible cost per CYP, the first is difficult to implement with the current eligibility criteria and also requires substantial justification in the face of continued budget under spend, the second is possible relatively quickly through capping the extremes of high cost or, with a delay, through improving plan quality.

The critical question becomes:

"*What is the right mix, level, balance or sequence of interventions to both handle the short term needs (maximise CYP into the system without incurring a budget blow out) and the longer term needs to establish a sustainable S3 that is integrated with the S1 and S2 components of the overall solution?*"

Three scenarios are explored:
- Scenario 1: "Manage for short term gain": The scenario essentially explores the range of action available to rapidly bring a budget blow out under control, as might be required later this year. It shows that to mange within budget levels for next year a set of drastic actions are required that will severely compromise the long term goals of S3:
    - Virtually closing down S3 by limiting inflow to 20% - after having sent signals in the previous quarters that will have significantly raised sector expectations
    - Capping spend per child
    - Forcing the exit of existing S3 CYP after 2 years

- Scenario 2: "Drive for rapid outflow improvement, minimise short term disruptions to S3 inflow": This strategy is based on driving for rapid improvement while minimising short-term disruptions in S3. The strategy relies on rapid implementation of outflow management

(improvement and transition management) and achievement of significant S2 and S3 changes that would reduce the base inflow to S3. The budget implications are that short – term budget under spends would be required to be rolled over and that S3 runs a medium term budget deficit prior to the improvements taking effect, with budget surpluses available in out years to invest in S2 type operations.

- Scenario 3: "Prudent action to maintain a sustainable S3": This scenario is similar to the above except that there are lower expectations of the speed of implementation and magnitude of effect possible from outflow management and S1/S2 effects. This scenario acts more promptly to influence things directly under S3 control, reducing inflows and managing plans to achieve a more aggressive reduction in average cost.

The review recommends that an initial start is made on an inflow strategy that falls between Scenario 2 "Rapid Improvement" and Scenario 3 "Prudent S3 sustainability" while the opportunities and risks of a more aggressive improvement/transition strategy are identified and the review of S2 is completed.

The pathway options should be presented to Chief Executives and Ministers for their consideration and testing – especially the issues of:

- The understanding of the basic system flows and the outcomes opportunities and political/agency risks entailed by the scenarios
- Confirming the ability to manage budget issues and out year funding
- Their sense of comfort with the outcomes achievable
- Their commitment to making S3 a sufficient priority to exert the sector leadership required and to prioritise staff resources to enable the proposed strategy shifts to occur.

1.4 The pathway forward

There are some immediate steps to develop momentum that should be pursued independent of option chosen:
- Emphasise the 'highest and most complex' as the criteria for all applications in the pipeline

- Reassess high cost applications

- Emphasise that development focused an improvement pathway and transition management is mandatory

- Hold a national meeting of S3 (and S1) people before Christmas to build shared understandings of goals, common S3 candidate profiles and templates for inter-sectoral approaches to CYP's in S3.

1.5 Governance and management issues

- HESSOG should focus exclusively on matters of strategy and policy, and inter-sectoral oversight.

- The operational oversight of S3 should reside in a 'Purchasing Board' that can provide oversight of the effectiveness of S3 purchasing decisions in achieving S3 goals and is - accountable for the flow through S3, entry and exit decisions, and progress reviews.

- The Unit should be unequivocally accountable to the Management sub-committee for their day to day 'board and lodgings'. The Host manager should chair the sub-committee.

- S3 should be conceived as a number of interlinked projects, each with its own milestones and timetables, each managed under project management disciplines.

- Project teams should be assembled to implement the refocused strategy, including the policy, design and implementation elements. These should be time bounded and task focused, managed through the HCN unit with HESSOG as the project sponsor.

- Within the HCN unit urgent attention is required on the information systems that will enable reliable analysis of applications under consideration, spending commitments, actual costs and the management of reviews.

2 Review

The Department of Child, Youth and Family and the Ministries of Health, Education, Social Development and Te Puni Kokiri, through HESSOG, sought a process review of the Intersectoral Strategy for Children and Young People with High and Complex Needs.

2.1 Purpose

The purpose of the review is to determine the following:
- The effectiveness of the systems and processes in meeting policy objectives,
- The effectiveness of intersectoral collaboration structures and arrangements,
- Key system/process failures and successes,
- Recommendations for overcoming process failure and enhancing the functioning of the strategy, including the future capability requirements of the intersectoral unit, and
- More general recommendations that may inform the development and implementation of other future intersectoral strategies.

The review is being conducted in two phases. This report covers the first phase: the implementation and functioning of 'System 3' – Individualised Purchasing of Services, (within the context of the whole strategy).

The second phase will cover 'System 2' – Development of Joint Services.

2.2 The Approach

This review has taken a 'whole systems' approach within which the Intersectoral Strategy is regarded as the primary system, and System 3, intersectoral arrangements and the Intersectoral Unit are regarded as sub-systems.

- The approach used 'systems tools' to understand and portray the primary system and the complex interactions between
- the purpose and goals of the system,
- the subsystems and their goals,
- the processes designed to deliver the outputs and outcomes required, and
- the stakeholders and organisations managing the system and delivering the outputs.

Within the review, governance, accountabilities and the success of operating processes were studied, including the dynamics of the intersectoral relationships, and how the sectors worked together. The High and Complex Needs Unit capabilities, capacity and location issues were considered.

Finally the dynamics of the 'system' – how it actually works and the important cause and effect relationships have been developed into an initial model of the major system elements, sufficient to identify the financial implications and risks of the system.

2.2.1 The framing orientation

There are a number of founding assumptions underlying this research and its findings
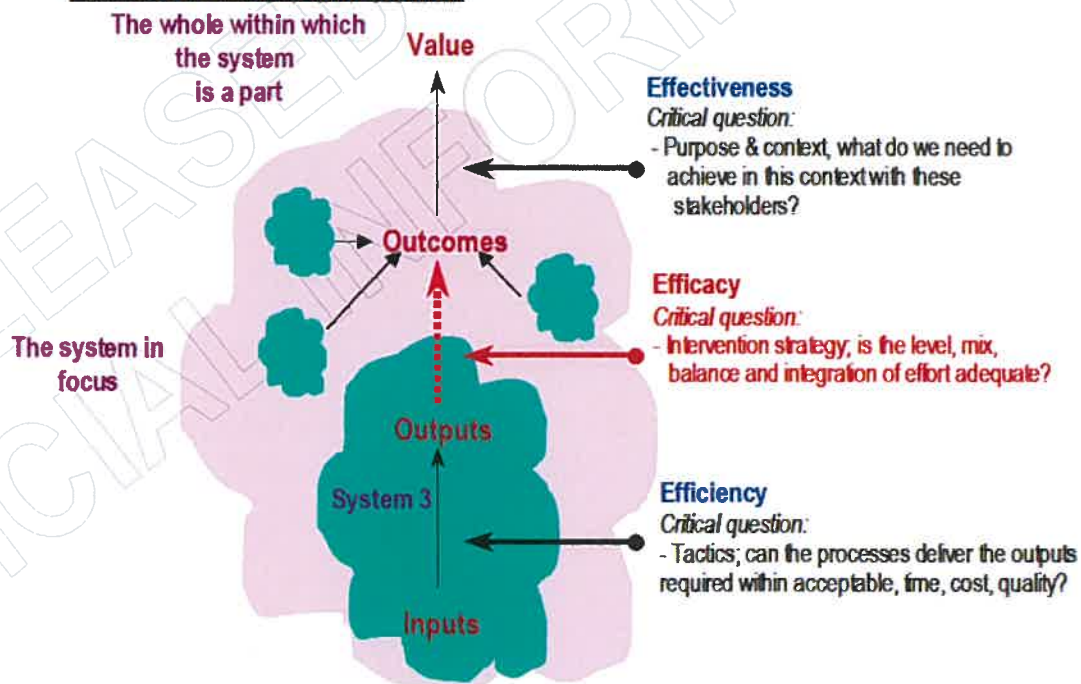- That the people involved have all been doing what they believe is right, that no one is not wanting to succeed
- That roughly 80% of problems within any endeavour are caused by systemic difficulties. Perhaps 20% may be ascribed to the characteristics. of the people involved

- That 'fixing' the people or changing the structure are self defeating – the core context and the drivers of the difficulties are unchanged. Rather that the system needs to be 'fixed'.
- That it is important to make explicit what would happen when the endeavour is successful
- That it is important to align the endeavour's concepts, its intentions, and its goals and objectives
- That shared understanding about the dynamics of the system are necessary to identify the points of leverage which enable action to be taken:
  - o Focussing of strategies on key dynamics of success
  - o Design of appropriate systems & processes
  - o Building and deployment of resources & capabilities
  - o Development of requisite skills and competencies

2.2.2 Designing for outcomes

The review uses a systemic framework based on Soft Systems Methodology (SSM, developed by Checkland and Scholes). This process develops a rich understanding of the purposes within a system, and the customers, actors, transformations and world view which create the context for defining the problem in the first place. SSM provides tools for identifying the layers of means and ends, structuring the dialogue over goals and purpose and how system outputs contribute to outcomes within the broader systems and sector issues.

Leverage points for value creation

The whole within which the system is a part

Value

The system in focus

Outcomes

Outputs

System 3

Inputs

Effectiveness
Critical question:
- Purpose & context, what do we need to achieve in this context with these stakeholders?

Efficacy
Critical question:
- Intervention strategy; is the level, mix, balance and integration of effort adequate?

Efficiency
Critical question:
- Tactics; can the processes deliver the outputs required within acceptable, time, cost, quality?

Using this framework the review focused on a sequence of questions:

- Effectiveness: Are the outcome of S3 clear and commonly understood. Do they make sense to participants? Are they filtered or biased by individual agency or personal perspectives?
- Efficacy: Can the intervention logic of S3 as a system, as evidenced by the mix, level and balance of outputs provided, deliver the intended goals and outcomes?
- Efficiency: Can the systems and processes within S3 deliver the outputs required within an acceptable time, cost and quality?

2.2.3 Understanding systems

The concept of a system can be used in a variety of different ways. Within this review there are four interacting 'models of systems' used:

- A system of purposeful goals and intentions, both explicit and implicit
- A system of relationships and interactions between people and agencies
- A structural system composed of wholes and parts with interconnecting processes and information flows
- A dynamic system, a description of the pattern of behaviour over time generated by the interaction of purposes, relationships and the flows through processes and systems.

Understanding systems
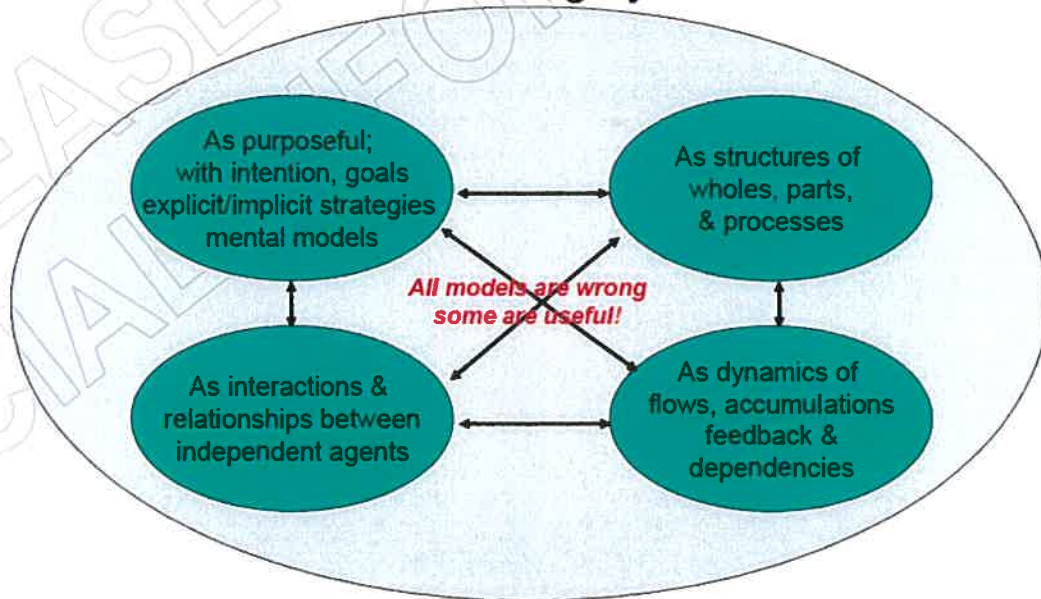
Throughout the document there are examples of these perspectives:

- The explicit relationship between intentions (purpose) and results
- The structuring of related wholes and parts in the systems design and interlocking definitions
- The analysis of interagency actions and relationships, the examples and diagrams of unintended consequences, and

- The models, making clear the interdependent parts of the system and the effects of flows, accumulations and feedback on the actual operation of the system.

The perspectives have enabled the review to describe the <u>dynamics</u> of the S3 as a system and project the impact of future strategies on critical dimensions within the system, including financial and budget implications.

2.3 Process

The review's approach involved:
- research, by interview and review of documents
- mapping and modelling the system and its interactions
- examining discrepancies and their implications
- identification of points of leverage – those points where advantageous changes are most possible.

A representative range of people involved in S3 and related S2 participants were interviewed (Refer appendix 1)

3 The current situation

3.1 The context of the strategy

3.1.1 Intersectoral analysis

The establishment of System 3 has proven to be a challenging process.
There are a number of elements in the S3 environment that have had an impact on its development and current state:

1. The political environment has heightened both awareness of the system and its perceived shortcomings, and the sense of urgency to find a 'solution'. Ministers have displayed different levels of interest and this has led to varying degrees of urgency inside agencies. The lack of an overall shared sense of the potential <u>outcomes</u> of the system has had a detrimental effect. Had all the relevant Ministers possessed a shared view of the importance of the system, it might have resulted in a more cohesive approach by Agency heads and created a more openly intersectoral atmosphere for officials to work within. Instead each Agency, while wishing that the strategy succeed, acted so that they protected their own Agency's interests.

2. The movement in the state sector to 'whole of government' approaches has demanded thinking and behaviours in and between government agencies which are at odds with the established thinking and drivers in the agencies. This has led to internal dissonance in some agencies, and misunderstandings between agencies.

3. The degree of significance of S3 to different agencies varies considerably. CYF's have numbers of children with urgent needs (particularly for safety and security) whose care places huge pressure on their budgets. For them S3 is a central tool. The pressures of Education and Health are different – the degree of urgency is less, and the numbers of candidates originating in their systems are fewer.

4. In addition, the different agencies have differing goals. Where CYF's must focus on pressing needs, Education, who deal with these children when most of their urgent needs for safety and security have been met, are primarily interested in the child's longer term development. Health's interest is similar.

5. Compounding the situation, there is considerable variation in agency delivery structures, degree of centralisation and organisational capabilities.

6. All the agencies are now acting in a situation of considerable stress.

All these differences have led to different approaches to and expectations of S3 and cumulatively have made the establishment of S3 more difficult. The differences have further contributed to misunderstandings between the parties, and to the attributions made by the parties of each other.

3.2 S3 Goals and Objectives

We believe that a system is driven by its goals or objectives – what it is designed to achieve. Hence we looked for articulation of the system goals or objectives.

The objectives of S3 are as follows:
- To provide a system of care by which CYP with the highest and most complex intersectoral needs can access the treatment services and support they need

- To provide a system by which family, whānau and caregivers can access the support they need to carry out their role as parents and carers of CYP with high and complex needs

- To provide a mechanism by which agencies work together to deliver services in an effective and seamless way, and

- To provide a system which enables and expects all agencies to work together towards maximising the independence and abilities of CYP and their family/whānau.

These goals provide the criteria against which the workings of the system have been assessed.

We then looked for high level goals which translated these objectives into specifics, which would then be seen reflected in the workings of the system.
We found that:

- There was common agreement of value at an emotive 'mother-hood & apple pie' level.

- Translation into outcomes was unclear - that there were different mental models of core concepts in different agencies

- There were few shared outcomes/objectives – they tended to be defined through each agency's 'lens'

- The primary driver became an input and resource utilisation measure

- There were issues of the mix and balance of attention and resource allocation, and the integration of outputs and risk management needed attention

- In addition the measurement, analysis and learning systems were embryonic

3.3 S3 system/subsystem development

From a systems perspective S3 exists primarily as a mechanism for assessing candidates, managing their progress through the system, and managing their exit from it.
There are a number of supporting sub-systems and processes which enable this mechanism to work effectively.

S3, in its present form, it is represented below:
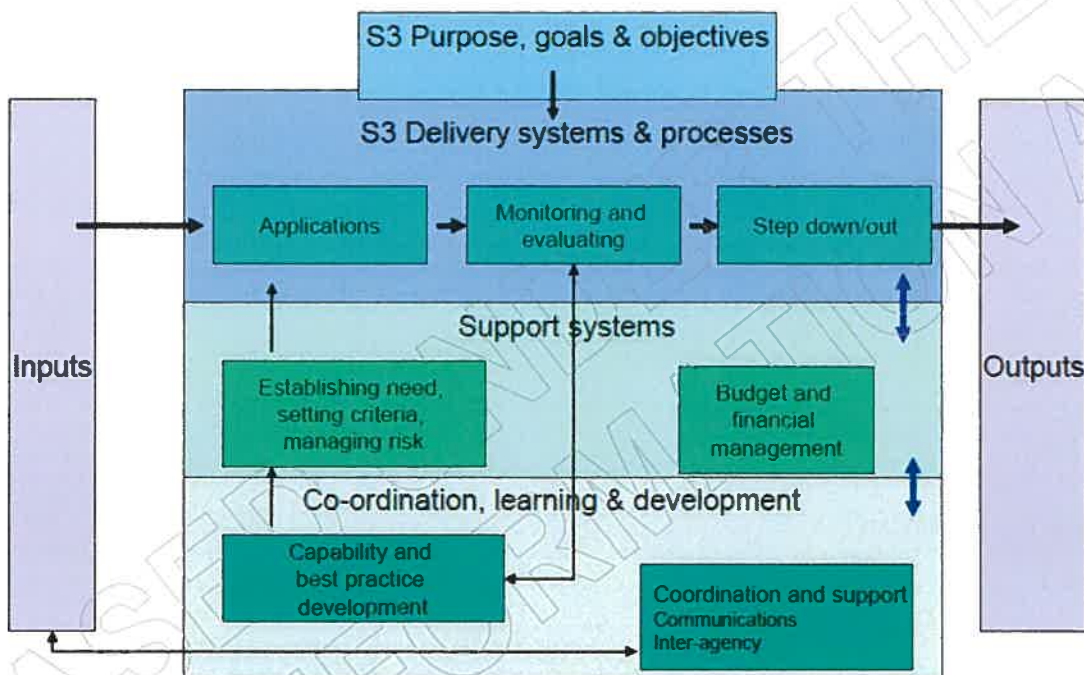
We examined the system structure, linkages and performance, in order to examine how the objectives had been translated into practice. We later recommend changes in all areas.

Our conclusion is that much attention has been paid to the front end of the system. Applications management, and the processes of establishing need and criteria have received a good deal of attention. The reasons why are spelt out in several places and diagrams in the next sections. Budgetary management has also received some attention. The other systems are largely embryonic. The unbalanced nature of this sub-system development is discussed in a number of sections in the report.

We are concerned that:

- Regular reviews have not been held and have only recently come into the system.

- The data base and sources of information have not been accessible to those needing it, and the information that is available is unreliable

- Development work has been largely informal, driven by individuals' perceptions of what is required, rather than systematic development, arising out of the needs of the system. The verifiers, however, have been working hard on tightening up the criteria and establishing need.

- The effort to develop core service definitions has been significant, but in our view has led down the track of increasing precision of specification of eligibility criteria. In our view this is causing unintended and dysfunctional effects that are taking S3 away from the goal of meeting the "highest and most complex" needs.

3.4 The state of applications

3.4.1 Current numbers of applications in the system

50 applications have been received to date. Of these 28 children have been accepted and are receiving S3 funding.

Breakdown of Applications

Type	Number
New applications accepted	17
New applications declined	9
New applications pending	6
Rollover applications accepted	11
Rollover applications declined	3
Rollover applications pending	4
Total	50

On analysis it was found that 25 of the 28 rollover applications declined actually related to cases where no application was submitted. To reflect this the rollover applications declined number was altered from 28 to 3.

- The average number of applications currently being received is 3 per week
- The average budgeted cost per child in S3 is $90,000

3.4.2 Qualitative assessment

A range of applications were assessed for quality.

In order to assess the current state of applications we constructed a plan-quality evaluation tool that included all elements we believed would enable us to rate overall plan quality. (High, Medium, Low)[1]

Over a two day period **16** plans were analysed and rated against the evaluation tool.
The information obtained was entered into an excel spreadsheet. The results are as follows:

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[1] We are indebted to Margaret Weston, HCN Applications Advisor for her help in conducting this analysis

Average length of time from identifying a potential S3 child to signing off application	6 months (range of 1 month to 11 months)
Plans indicating full use of strengthening families process	8 or 50%
Plans demonstrating a level of opportunity/creativeness/innovation in the care	3 or 19%
Plans with clear measurable outcomes	2 or 12.5%
Plans with S.M.A.R.T. structured outcomes	0 or 0%
Plans indicating a phased approach or future pathway to the care (i.e. stabilising, building, transitioning)	3 or 19%
Plans identified as high quality (relative to the other plans)	2 or 12.5%

Despite the criticisms by applicants of over-stringent plan requirements the current plans:

- Show large gaps in the use of S1 processes
- Do not provide a robust platform of objectives for evaluation, review and refinement
- Focus on inputs not outcomes

Neither the plans, (nor the 2 reviews received to date), provide enough indication of;

- the likely pathway of improvement, or,
- the expected duration of CYP in S3

The poor quality has persisted despite the significant attempts by HCN to ensure that the process is followed, and that criteria and funding requirements are met.

3.5 System flows

During the review many people expressed concerns over the base policy assumptions of S3:

- The expectations of numbers flowing into the system and the rate of inflow were largely drawn from understandings of the stock of CYF's high cost CYP and the expected roll-over of these into S3. Between the original estimates and final implementation of S3, changes made e.g. in the access criteria or the effect of broader participation by other sectors (who may have numbers of CYP with high need but not as readily identifiable as CYF's) were not reflected in the planning assumptions.

- The lower than expected inflow rates have resulted in pressure to reduce the obstacles to the inflow and to relax the criteria, but the likely consequent changes in the inflow pattern have not been modelled in planning assumptions.

- While the focus of concerned comment is on the levels of spending versus budget ,S3 is making <u>multi-year commitments</u> of expenditure – it is not always easy to reconcile these two views since actual expenditure will lag behind expenditure commitments, hence budget blow out is a risk if signals of expenditure commitment are not recognised in budget planning.

- Costs per child are considerably above original estimates with interpretation of on-going cost levels made difficult by the small sample size and the effect of a few very high cost CYP.

- S3 has inflows of CYP but few formal outflow mechanisms other than age. Managing transition out of such a system will not be easy given the advantages to the CYP and providers of remaining in the system.

To illuminate these issues a systems dynamics modelling process was undertaken as part of the review. It drew on the collective experience of S3 participants to provide clarity as to the expected behaviour of the systems on critical dimensions, and then modelled the likely impact of these expectations on the numbers of children in the system, the spending commitments and the adequacy of the budget.

3.5.1 Basic flow model

From a systems perspective S3 exists as a set of interconnected stocks and flows. Stocks represent accumulations/levels of things, whilst flows represent activities/rates. A stock acts like a bathtub, it can accumulate and store water. Flows act like the taps (IN and OUT) that drive the activity of water in or out of the bathtub.
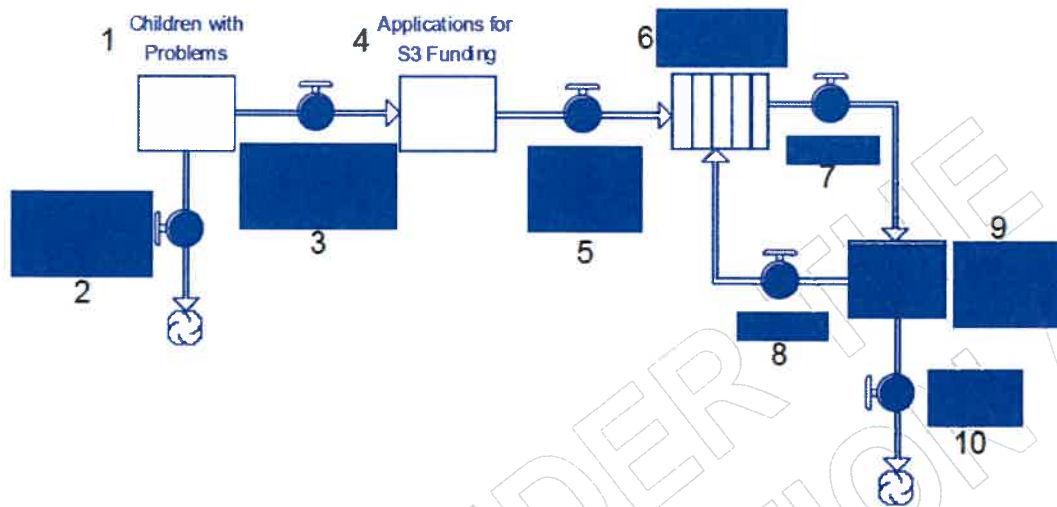
The diagram below shows how stock and flow notation can be used to represent the structure of S3. In this model it is the flows and accumulations of CYP in S3 that are represented .
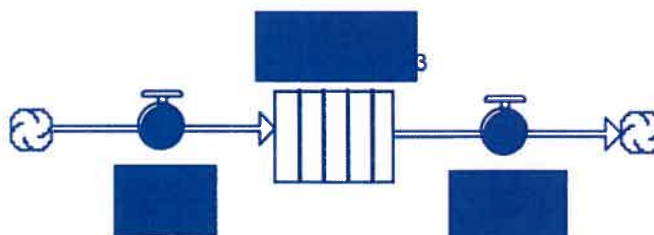
By expanding this initial stock and flow structure we can represent a high level map of the system.

Simple S3 stock and flow model

The basic flow model description begins with 'children with problems'(1). These children are either identified as S2 candidates and directed towards this system(2) or they are assessed against the S3 eligibility criteria (3). If the child meets the criteria an application is submitted (4). If this application is accepted (5) the child is placed on S3 funding (6). Every year each child's application is reviewed (7). Once reviewed, (9) the child is either accepted back into S3 (8) or they exit (10). Children who exit S3 may include those who either age out or improve to a point where they no longer require S3 funding assistance.

Note the actual model used in this simulation contains a more complex set of flows and relationships – see the associated CD ROM for details and a copy of the run-time simulation.
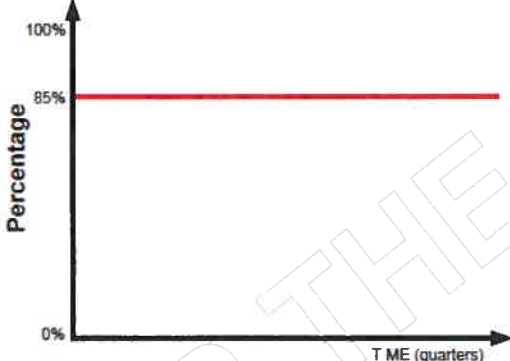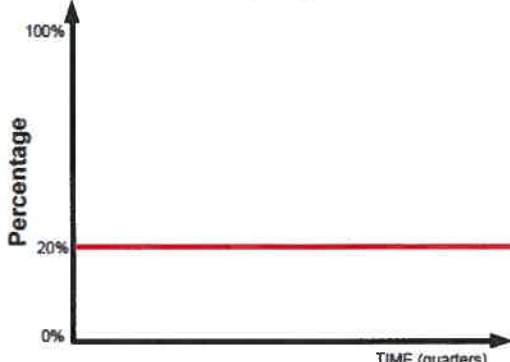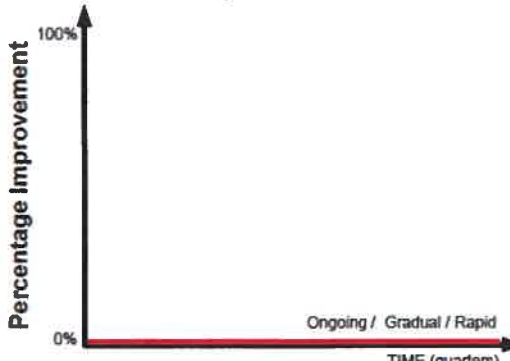
3.5.2 Assumptions

To initialise the model, base levels were set on the following critical assumptions.[2]

1. The demand for S3 services
2. The percentage of children who pass the eligibility criteria
3. The average costs per child in S3
4. The percentage of children who age-out every year.
5. The improvement rates of children in S3

Base Level Description	Graphical Representation
The number of children demanding S3 services is 3 per week (~40 per quarter). *Demand is currently running at or above this level. It may be expected to increase as a result of recent promotion of S3. Ongoing demand levels are unknown since the success of S3 may stimulate demand, or, conversely, demand may reduce as the "hump" of unmet need is reduced*	

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[2] These assumptions were made and the base levels set using information obtained as at the date of this report.

85% of all children identified as S3 candidates pass the eligibility criteria. *The acceptance percentage has been rising from 75% in the early phase of S3. The impact of Applications Advisors, the separation of eligibility and plan acceptance plus the softening of the criteria (applying the 'spirit of the criteria') are expected to further increase the rate.*	**Eligibility Acceptance %** (graph: Percentage vs TIME (quarters); red line constant at 85%, axis marks 100%, 85%, 0%)
The average cost per child per year in S3 is $90,000. *With a small sample and a new system there is some doubt about the level of spending per child that represents expected ongoing costs. The average used here incorporates the effect of a limited number of high cost plans, since these are expected to continue. Note: The value used here may underestimate actual commitments, i.e. the actual may be higher*	**Cost per Child** (graph: Dollars (000's) vs TIME (quarters); red line constant at 90, axis marks 200, 90, 0)
20% of all children in S3 'age-out' each year. *Age-out is a function of the age of a CYP on entry – which dictates the maximum duration of residence in S3. Current data suggests that CYP are entering earlier and a greater proportion may stay beyond 17. If these trends hold the age-out % will decline hence more CYP stay in the system.*	**Age out %** (graph: Percentage vs TIME (quarters); red line constant at 20%, axis marks 100%, 20%, 0%)
We have modelled three possible improvement paths. All groups are set to 0% improvement per year *With little evidence of improvement planning in the S3 plans there is no basis for expecting transition out of S3 other than by age-out.*	**Improvement Paths** (graph: Percentage Improvement vs TIME (quarters); red line at 0%, labelled Ongoing / Gradual / Rapid, axis marks 100%, 0%)

Other base model parameters
- The simulation start date is July 2002.

- It runs for 32 quarters or eight years.

- It is initialised with 28 children in their first year of S3 funding and a further 52 who have either submitted an application or are being assessed against the eligibility criteria.

- S3 budget is set at $7.004m this financial year and $6.115m for all subsequent years.

These represent the actual numbers as at the date of this report. Running the simulation under these base levels produces the following output.

Base Case Simulation: Financial Output

Committed spending exceeds FY 02 – 03 budget after quarter 2 (January 03) but note that commitments will <u>exceed FY 03 – 04 budget</u> by quarter 1.75 (November 02). Annualised expenditure continues to increase reaching a peak of $36 million by the end of the simulation. The primary cause for the annualised spending increase is the absence of outflows from the system until a steady state is reached where 'age-outs' equal inflows.

Cumulative Surplus / Deficit Output
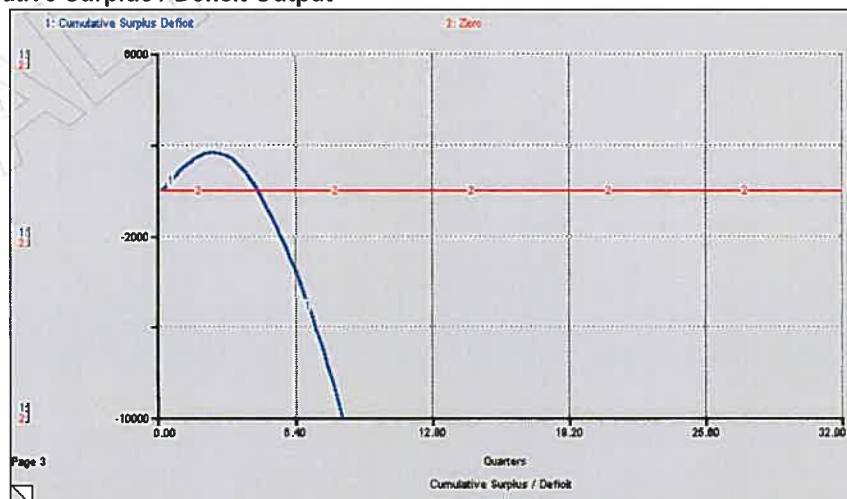
A budget surplus occurs for the first 4.5 quarters and then budget deficits begin to accumulate.

3.5.3 Scenarios

The model enables us to test a range of different scenarios in areas of critical importance. The outputs are framed to assess the financial impacts of each scenario relative to base case (shown in pink on the graphs below).

<u>Scenario One – S3 Demand</u>
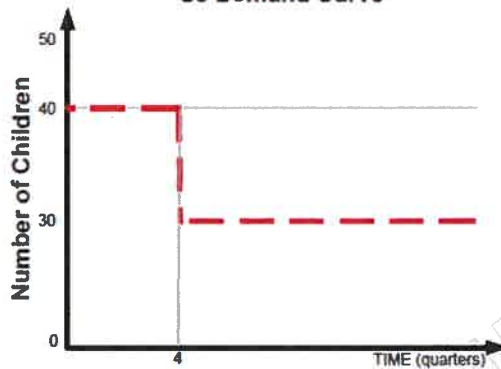
In this scenario the effect of a demand hump is modelled with demand from Q1 and 2 remaining at 40/q and with demand then reducing to 30 for all out quarters.

Financials Output
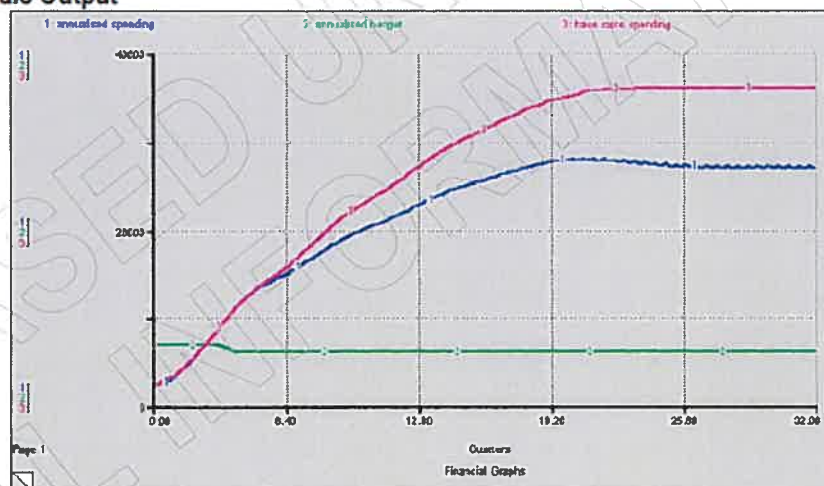
Spending exceeds budget after 2.5 quarters and continues to increase reaching a peak of $27 million by the end of the simulation, the absence of outflows continues to dominate.

Cumulative Surplus / Deficit Output
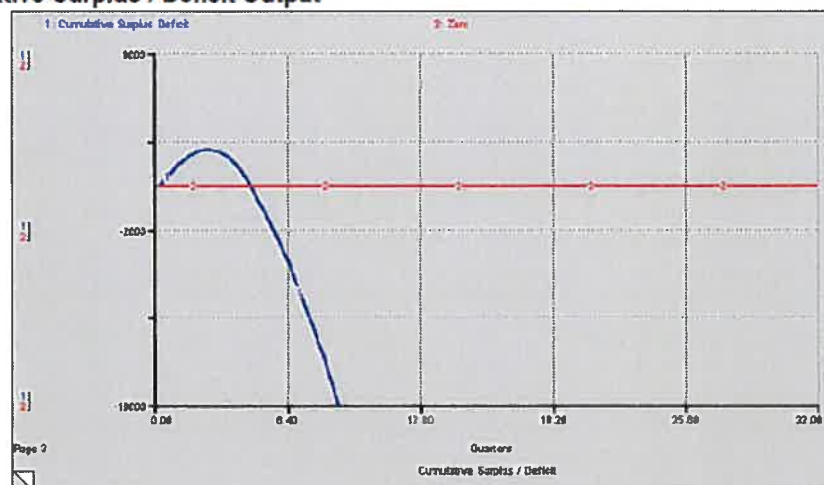
A budget surplus occurs for the first 4.75 quarters and then budget deficits begin.

Scenario Two – Run 1

Eligibility Acceptance %

Eligibility Criteria – In response to budget over-runs the eligibility criteria are tightened from accepting 80% to accepting only 40% from quarter 3 until the end of the simulation.

Financials Output
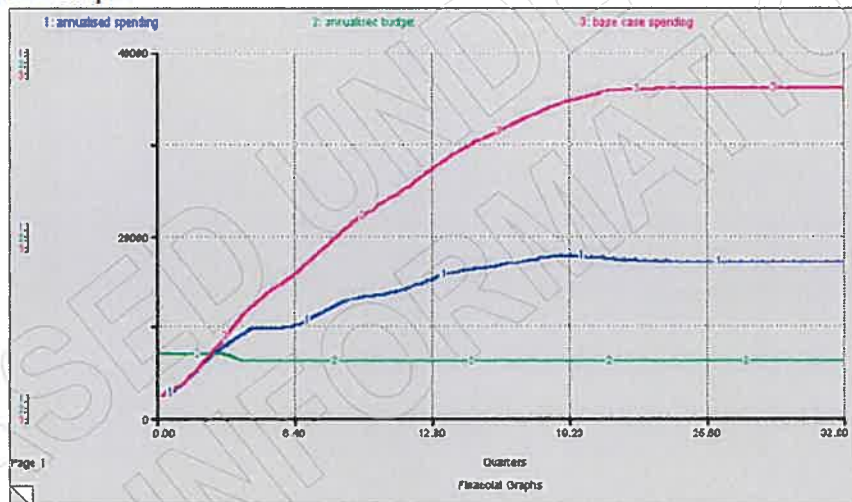
Spending exceeds budget after 2.5 quarters and continues to increase reaching a peak of $17 million by the end of the simulation.

Cumulative Surplus / Deficit Output
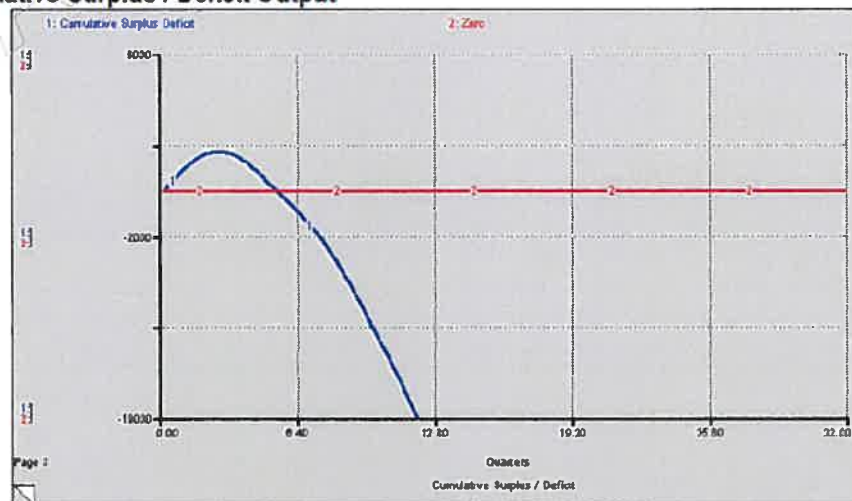
A budget surplus occurs for the first 6.5 quarters and then budget deficits begin.

Scenario Two – Run 2

Eligibility Criteria – Reduce the acceptance percentage to 10% from quarter 3 until the end of the simulation.

Financials Output

Spending exceeds budget after 2.75 quarters, but only marginally. Spending reaches a peak of $7.90 million at quarter 5 at which point it slowly decreases until at quarter 20 spending moves back under budget.

Cumulative Surplus / Deficit Output
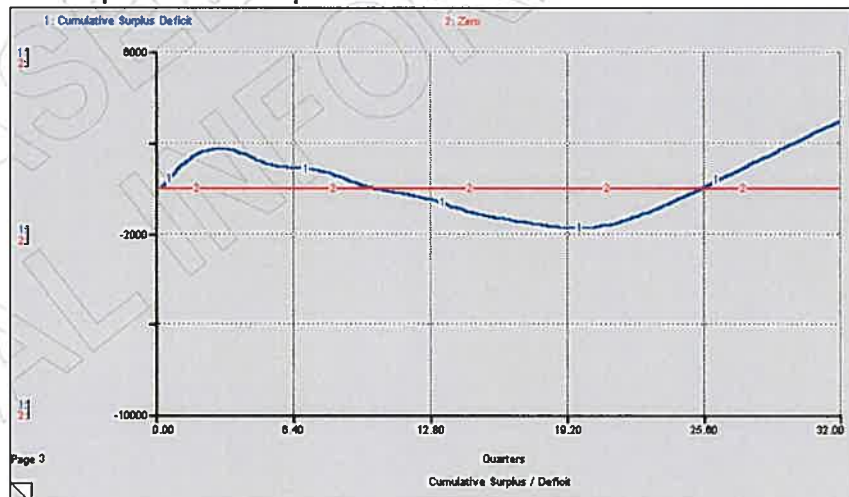
A budget surplus occurs for the first 11 quarters. Deficits occur between quarters 11 and 27 at which time surpluses become apparent. .

Scenario Three - Run 1
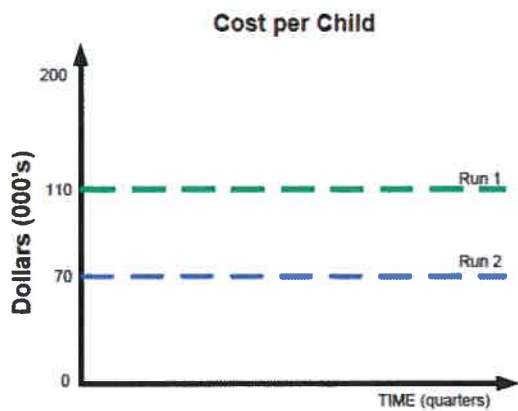
Cost per Child

Cost per child – through cost management the average cost per child is reduced from $90,000 to $70,000 per year.
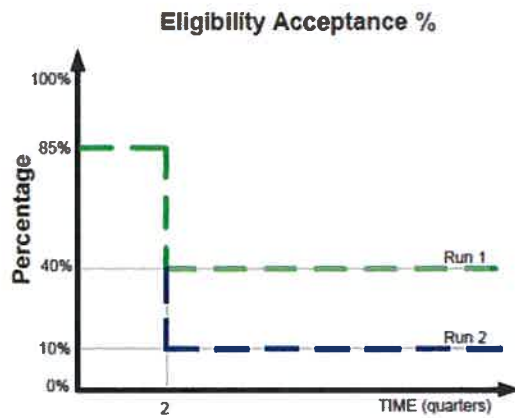
Financials Output
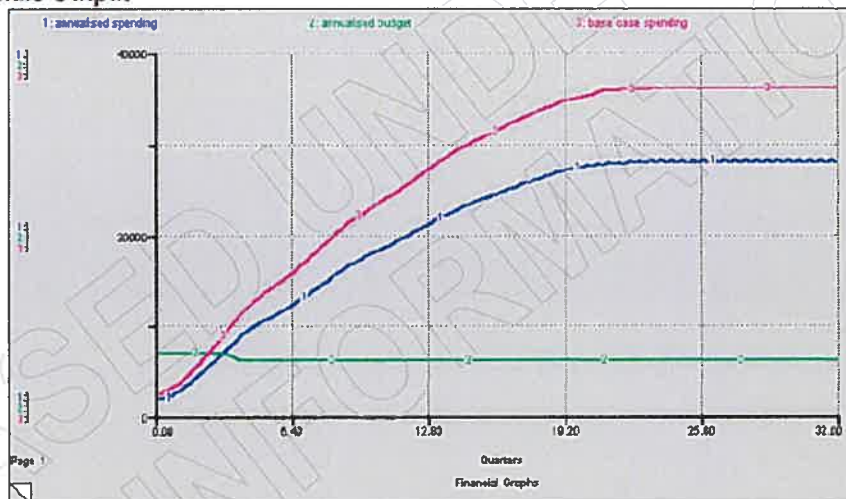
Spending exceeds budget after 4 quarters and continues to increase reaching a peak of $28 million by the end of the simulation.

Cumulative Surplus / Deficit Output
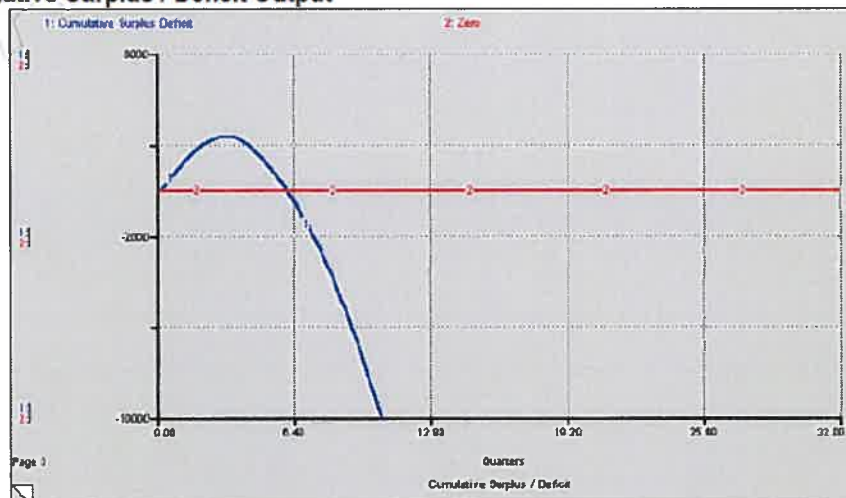
A budget surplus occurs for the first 7 quarters and then budget deficits begin.

Scenario Three - Run 2

Cost per child – Concerns about the accuracy and likely under-estimate of current average cost estimates are correct and the real cost per child increases to $110,000 per year.

Financials
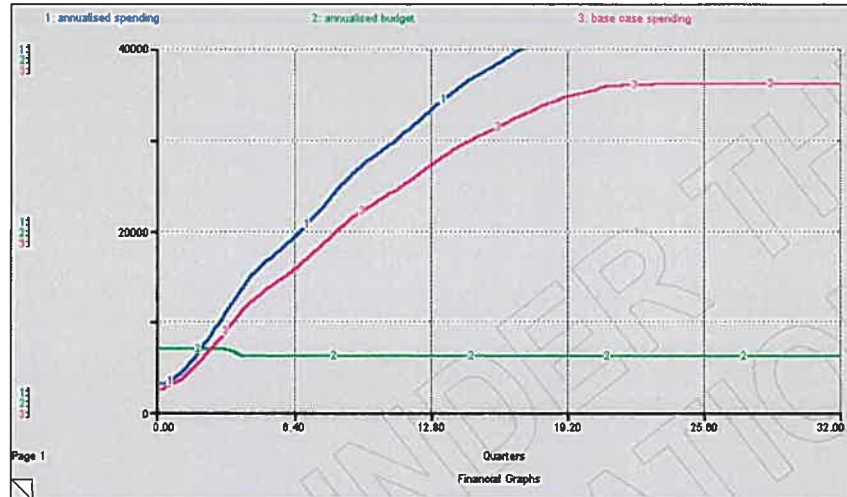
Spending exceeds budget after 3 quarters and continues to increase reaching a peak of $45 million by the end of the simulation.

Cumulative Surplus / Deficit

A budget surplus occurs for the first 4.5 quarters and then budget deficits begin.

Scenario Four
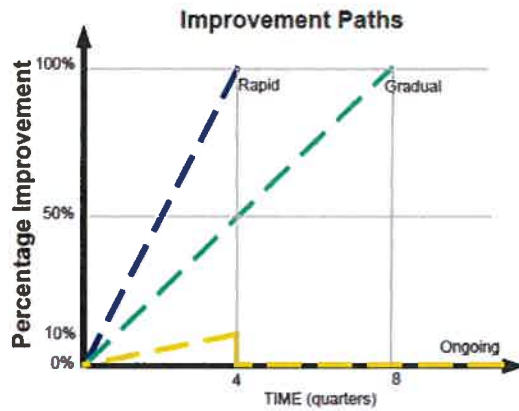
Improvement Paths


Improvement paths – In this scenario three groups of CYP are assumed to exist. 'Rapid improvers' (34% of total CYP) are expected to all improve and transit out after one year (100% improvement), 'Gradual improvers' (33% of CYP) set to 50% improvement after year 1 with the balance (100%) after yr 2, 'Ongoing' (33% of CYP) 10% improve in the first year but the rest remain until they age-out (0% improvement).

Financials
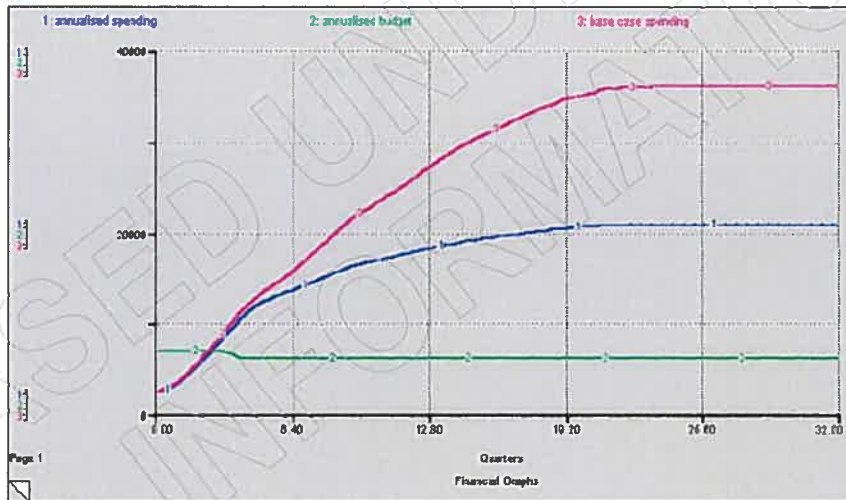
Spending exceeds budget after 2.5 quarters and continues to increase reaching a peak of $21 million by the end of the simulation.
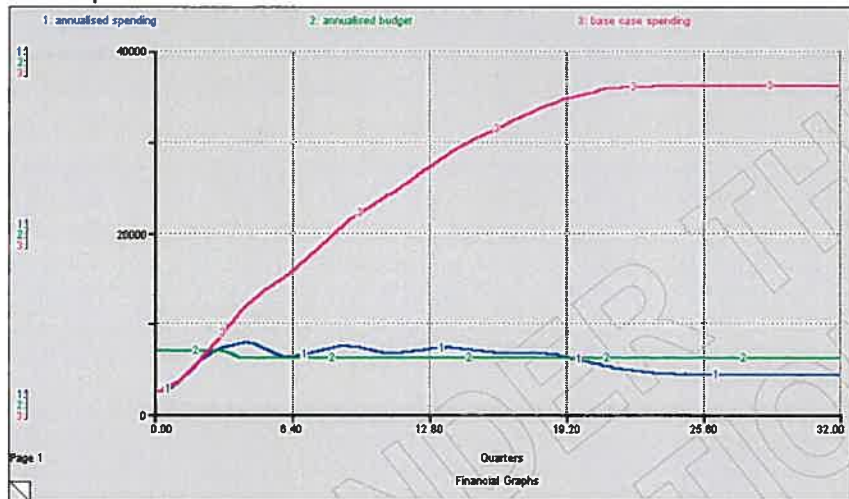
Cumulative Surplus / Deficit
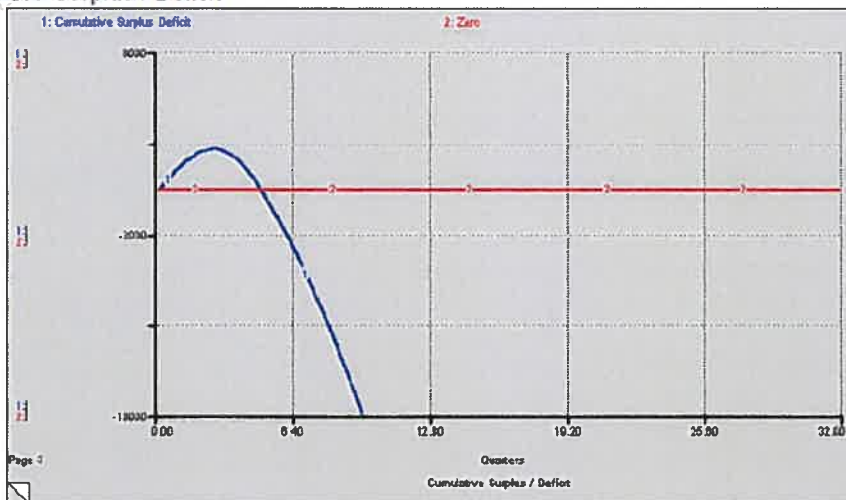
A budget surplus occurs for the first 5.75 quarters and then budget deficits begin

3.5.4 Scenario conclusions

In the scenarios tested above all the single factor projections, with the exception of reducing the acceptance percentage to 10%, result in significant budget over spends. The model also illustrates that decisions made now have significant long term effects.

This points to the requirement for multi-factor interventions as illustrated below:

<u>Impact of critical policy assumptions</u>

Relying on criteria based inflow to manage demand is risky

Success for bids for more $ will require demonstration of meeting need & achieving outcomes

Cutting off inflows works only if levels are cut drastically

Management of cost per child possible (but more expensive may be better if increases outflow)

Duration in system strongly dependant on entry age, likely to get younger over time

Managing outflow critical to success but currently weak point in the system

3.6 Situation analysis - conclusions

Our general conclusions of the current state of S3 are:

- A number of elements external to S3 itself have conspired to make its establishment more difficult and will continue to constrain development unless addressed.

- The objectives and goals of the system are not well translated into practice and have contributed to significant stress between agencies as each interprets the goals of the system through their own agency's perspectives.

- Sub-system development has been uneven, due in part to external pressures on increasing the inflows to the system hence the focus on applications management and criteria development

- The quality of applications is generally poor with little evidence of explicit improvement objectives or planning for eventual transition out of the system. The quality of the plans will limit the ability to evaluate achievement of overall S3 objectives ad outcomes.

- The system is about to significantly over commit spending and exceed budget. This is due to planned spending commitments driven by inflows into the system. S3 simultaneously continues to be under pressure to increase those inflows due to the current short term budget under-spend.

- A major refocus of the key stages in the system (inflows, improvement and transition out) is required in order to achieve the original S3 goals within, or close to, budgeted resource levels.

4 Complicating factors

In addition to the situational factors mentioned in the previous section, a number of complicating factors have coalesced to bring S3 to its current position.

The section below outlines the way in which actions have had intended and unintended consequences. Three other intervening factors are outlined in the sections that follow: the apparent drift in the nature of the goals, the differences in meaning and usage of 'complexity' and the perverse effects of the dynamics of eligibility criteria.

4.1 Drivers of current state

The Rhythm and the Blues

The cycle as originally planned: Identification of acute problems led to the selection of S3 candidates (filtered by eligibility criteria), which led to S3 planning and increases in the number of children in S3. The system was intended as a fast cycle relief to the acute pressures.
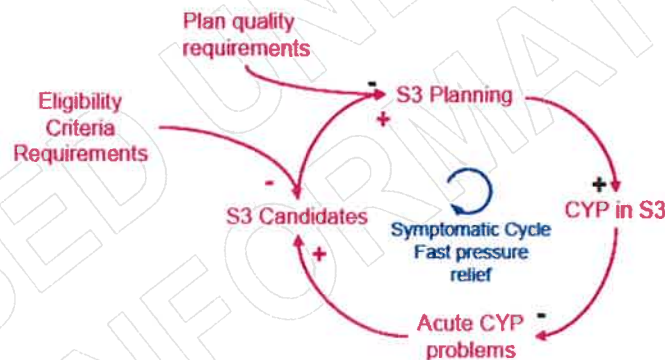
The cycle as planned has some consequences, largely foreseen, although not the delays. Some consequences are beneficial – attention began to be paid to service improvement and
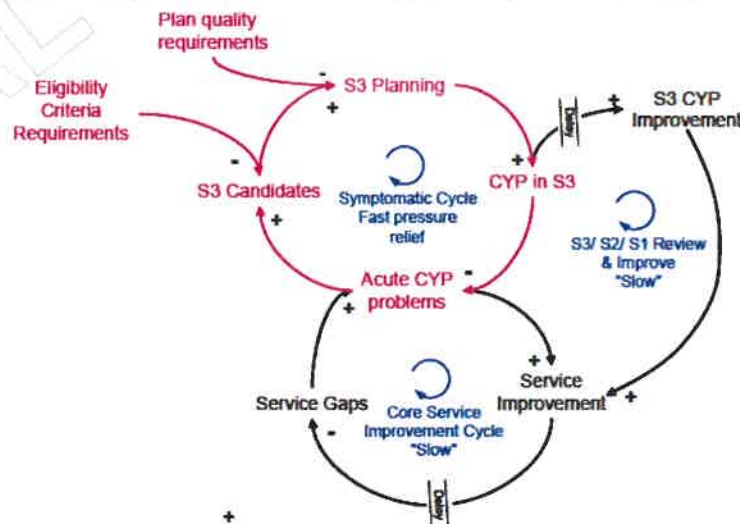
filling service gaps. Reviews were planned to improve quality. Being slow improvements these initiatives are in their infancy.

The Rhythm and the Blues

The cycle has also had some unintended consequences (the shaded area). Political pressure, agency drivers and consequent actions drove some other undesirable cycles – defensive actions, lowered trust, perceptions of poor performance. The rhythm went, and the blues mounted.
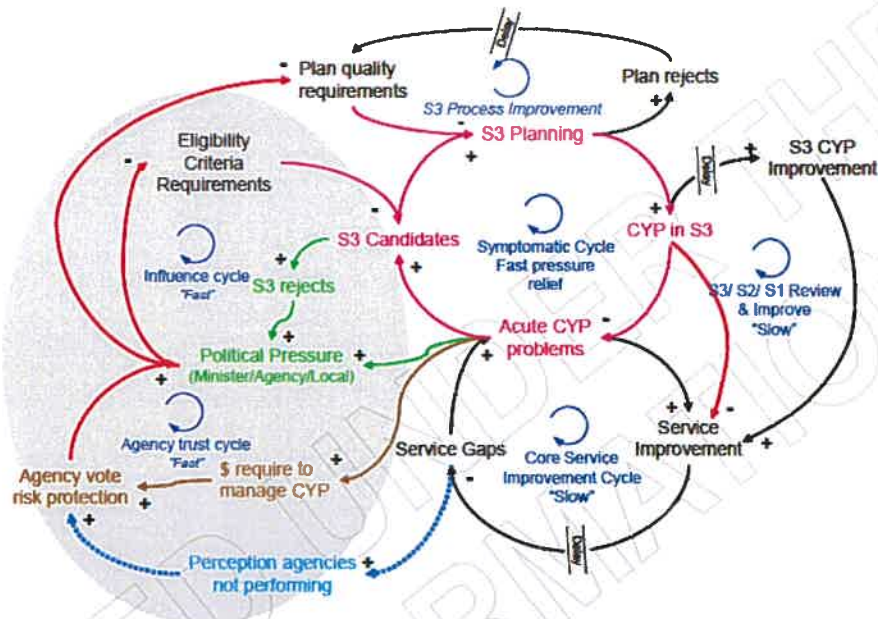
These consequences are described below.

4.1.1 Intersectoral dynamics

The shaded area above contains the unintended pressures and consequences in S3.

- The seeming under spend and lack of candidates resulted in political pressures (green)
- The pressure resulted in lowering the eligibility criteria, and less stringency around the content of the plans. These fed back into the system, increasing candidate numbers, but raising real fears about the quality of results from the plans. (red)
- The pressures on CYFs, which had justifiable expectations of an easing of pressure and replacement of high need funding, coupled with reaction to Ministerial pressure (brown) and the perception that the agencies were not performing led to actions which protected their vote. The consequences were a breach in the perceived understandings between the agencies, and a lowering of trust.

These dynamics all fed back into the cycle of relief – slowing it down, distorting it.

The disruptive attempts to develop fast cycle interventions had detrimental effects on the positive, but slower, cycles that build improvements. Review processes, improvements in plan quality, improvements in core services. All these are slow, yet are important determinants of future success.

There are some important initiatives to be taken:

- Building Ministerial understanding of the dynamics of the system

- Recommitting everyone in S3 to the original goals
- Cutting the influence cycle – largely through the development of shared understandings and common goals, enabling people to debate on solid ground
- Cutting the 'trust' cycle – again largely through the development of shared understandings in common framework of commitment to shared goals, enabling people and agencies to support each other.

4.2 Goal drift

Goal drift is a common occurrence when a system comes under pressure. In this case the drift was initially subtle – a result of customary understandings and approaches rather than deliberate actions.

At the highest level of abstraction, and at an emotive "mother-hood & apple pie" level there is common agreement of the value of S3. However the way this common agreement has translated into outcomes is unclear.

There are few shared outcomes or objectives. Instead they tend to be defined through each agency's 'lens' or view of the world.

- The origin of the intentions behind S3 seems to have been a desire on the part of all involved to deal with a perceived awfulness – the apparent inability to deal effectively with the problems of children or young persons with the highest and most complex needs.
- The process of constructing the policy and the arguments to gain Cabinet resources automatically shifted the focus of the intent away from the nature of the awfulness onto its size.
- The focus of attention therefore became the input objective: the number of children being admitted into the system
- The input objective became the immediate goal of S3: the criteria became the filter to satisfy the goal - outcomes for the children were subsumed under intake numbers.
- As S3 took shape, the lack of children in the system automatically led to concern about the under use of resources. The apparent under spending built concern, with consequent pressure to admit more children to S3.
- With the criteria as the filter to satisfy the goal, admitting more children automatically meant altering the criteria (consider cases in the 'spirit of the criteria').
- 'Highest and most complex' became 'high and complex'.
- Intake numbers and their determinant - eligibility criteria – absorbed the efforts of many people – to the detriment of other parts of the system warranting attention.

The drift was hardly noticeable to insiders, although the aversive consequences were well articulated.

4.3 Ambiguity in the use of the concept of 'Complex'

Along with the drift in goals, another unclarified concept gave the illusion of common meaning, but had the effect of exacerbating differences.

Three common meanings of 'complexity' in this context seem to be used interchangeably, with no explanation as to which is meant.

- Complexity - meaning the internal state of the child

- Complexity – meaning the difficulty of the conflicting economic, physical, social and emotional forces in the situation surrounding the child, and

- Complexity - meaning the complex nature of collaboration between agencies.

The different meanings drive different interpretations as to cause, and as to the meaning of interventions.

In order to build momentum in S3 it is necessary to be able to build clear understandings of the relationships between goals, sub-goals, objectives, actions and measures. Such a framework enables individuals to see how their initiatives contribute to the whole.

It is also necessary that agencies understand each other when they talk. The differences above provide another example of the sorts of difficulties that cumulatively gave rise to misunderstandings and tensions.

4.4 Eligibility criteria dynamics

The last of the complicating factors is the perverse impact of eligibility criteria.

The experience of the health sector in managing elective service waiting lists is illustrative of the dynamics that can be generated, as shown in the cause and effect loop diagram below:.

Dynamics of Eligibility Criteria
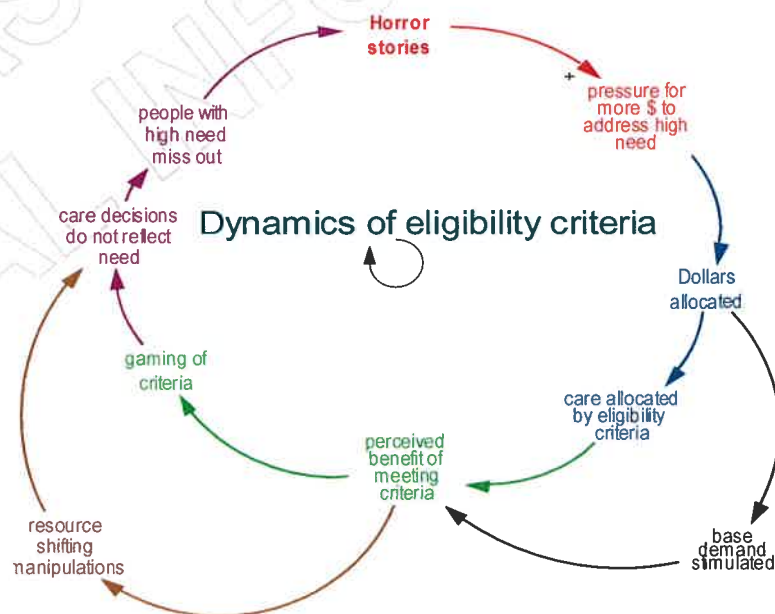
In health electives this dynamic was especially evident in the processes that lead to the establishment of the 'Waiting Times Fund'. 'Horror stories' were generated by long lists of people waiting for care with newspaper stories of people dying or having to fly to Australia for their care. This generated political pressure for resources to address the high levels of need. The Waiting Time Fund of $225m was allocated by Cabinet to address the backlog of patients waiting with high needs. As the funds were tagged to spending criteria there was an immediate

perceived benefit to each Hospital of having long lists of people waiting – they were rewarded for poor management. The funds also generated extra demand as people visited their GP's asking for a referral for an operation. The net result of this was 'gaming' of the criteria at a micro patient decision level or resource shifting at a service level, to make things look worse (hence be eligible for additional funds). The net effect of both of these is that care decisions do not reflect need hence people with high need miss out on care and thus generate more horror stories – despite the money thrown at the problem.

In summary the use of eligibility criteria can lead to a number of perverse outcomes:
- It stimulates demand
- It stimulates gaming on the part of participants
- It stimulates resource shifting
- In effect it maintains the very awfulness it is designed to overcome.

Eligibility criteria can also lead to some perverse effects within the system:
- Require ever increasing precision, definition, control and exception management
- Shift the burden of responsibility for allocation decisions away from those closest to understanding of the real need
- Increase the risk/temptation to influence the criteria
- Create quasi demand-driven expenditure, which makes it extremely difficult to manage to budgets.
- Produce whip-saw on-off effects that destroy public confidence.

In the opinion of the review S3 is starting to exhibit these effects which will become more acute over time. The use of eligibility criteria, if retained, will prove to be a major obstacle to success during the next year or so. We argue strongly for their replacement by a system of allocation based on need and ability to benefit, that will have fewer unwanted side effects.

5 Strategic options

In our view there are a number of strategic options for S3 that need consideration. These are:

5.1   Refocus the outcomes, goals and objectives framework
5.2   Improve inflow management
5.3   Develop an improvement path and transition process
5.4   Develop and integrate the S1 functions required by S3
5.5   Revise the system/sub-system structure and focus
5.6   Redevelop inter-agency partnerships on a different basis

The sections below deal with each in turn.

5.1 Refocus of the outcomes goals and objectives framework

5.1.1 Framework of Need

We believe that the emphasis on entry into S3 and the eligibility criteria have seriously prevented sustained thinking about the real outcomes wanted. Consequently the 'system' has been distorted. We believe that the best place to begin is with understandings of the outcomes wanted from the system – what successful outcomes might look like, and their dynamics.

The diagram below represents a 'first-cut' of the operationalising of the multi-dimension outcomes framework that we believe was implicitly envisaged by the original policy intention described in 'highest and most complex' needs. It is a distillation of the descriptions of success given by those interviewed during the review and represents the implicit shared goals and outcomes of the various agencies involved.

By making these outcomes both CYP focussed and explicit, a platform for a truly shared set of over-arching goals could be developed that, taken together, might be desired for CYP in S3.

The range of outcomes can be made tangible if expressed in a way similar to the table below. The content of this table is for indicative purposes only.

Example of possible shared goals framework

S3: High and Complex Needs - Shared Goals

Security/Safety	Social Interaction/ Behavioural Appropriateness	Family Attachment	Participation with peers and social situations	Engaging with the curriculum	Independence and able to work	Internal wellbeing	Having a cultural identity
Care-givers and professionals agree that the child is safe and secure in a stable environment, and likely to stay there, and continue to be safe	Care-givers and professionals agree that the child engages competently in social interaction and behaves in an 'appropriate' fashion in social situations	Care-givers and professionals agree that the child has a constructive relationship with the family with whom he or she is connected	Care-givers and professionals agree that the child has established constructive relationships with his/her peers and engages with them in appropriate social situations	Care-givers and professionals agree that the child is taking part in educational activities and is learning within an educational setting	Care-givers and professionals agree that the child is able to care for him/herself, and is able to engage in vocational activities	Care-givers and professionals agree that the child's emotional and developmental state is within an acceptable range	Care-givers and professionals agree that the child is able to identify with the cultural group of choice

By using this approach the goal of S3 can be defined as meeting the "highest" needs as expressed by CYP who have an intensity of need on some or all of these dimensions and "most complex" as expressed by the complex mix or interaction of outcomes.

Considering the mix of outcomes in this way enables professionals from different specialisms to come together and build common understandings and commitment to the combined results of their endeavours, and only later to concentrate on the means to bring them about.

It is useful to make explicit the understanding that interventions exist within a continuum of care that can be envisaged as also existing on each of these dimensions. Implicit in the strategy is that most of the need in each dimension is provided within core services. Implicit also in the notion of high and complex needs is the understanding that these children have reached the upper limits on the existing system's continuum of care. The requirements of these children may then be expressed in the size of the gap between the services available and their level of need.

The outcome dimensions below can be plotted against each other to demonstrate the relative mix of levels of need and complexity. The table below demonstrates an indicative case. Professionals, together, are able to assess relative need – inside the individual case, and between cases. The discussion between cases assists in the task of determining the population of interest.

Outcomes framework as a tool for understanding "highest & most complex"

System Three High and Complex Needs
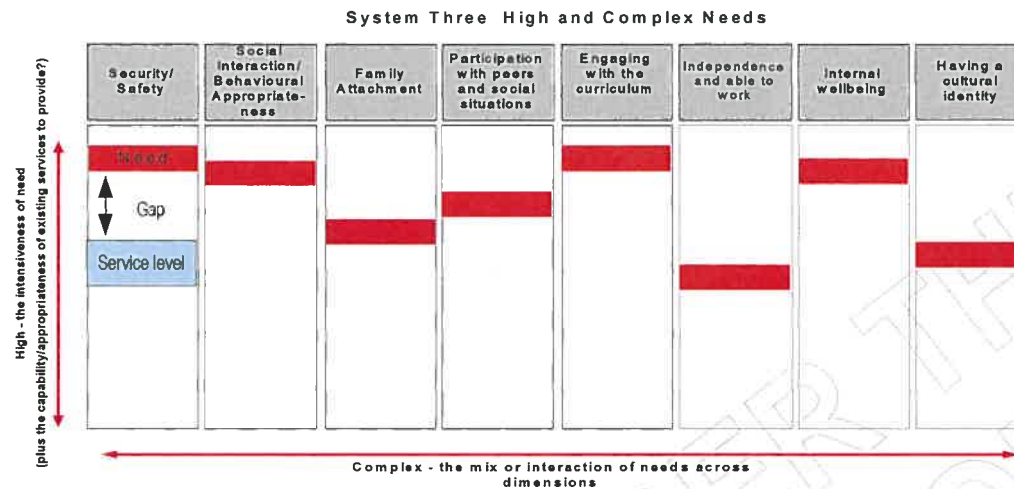
The diagram below illustrates the way in which the interacting desired outcomes, made more specific by definition and by assessment of relative need, can serve as the context within which to consider entry to and exit from the system.

Deploying outcomes framework as a framework for system objectives
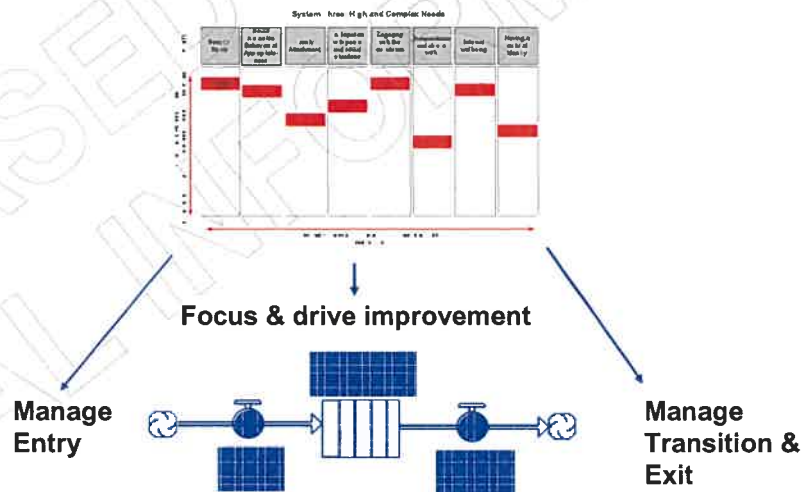
The same set of goal/outcome dimensions should, in principle at least, be able to be extended from being a conceptual framework into a set of operating objectives that act as guides to system performance, e.g.

Managing entry
- Development of overall S3 objectives where CYP need is described using the framework
- Individual CYP prioritisation framework
- Inter-regional equity of access analysis
- Marginal analysis of the 'threshold' level of CYP need achieved by S3 (especially of un-met need)
- Service gap analysis based on the framework , to understand how regional variations in core service provision drive demand for S3 CYP

Focusing and driving improvement
- Evaluation framework for plan reviews & change requests

- Analysis of level of improvement achieved
- Phase transitions between stabilisation, improvement and transition

Managing transition and exit
- Establishing exit criteria
- Determining level of step down support based on evaluated gaps between need and core service availability

5.1.2 Sub-system & process objectives

At the process level S3 requires a small set of key process measures:

- Agency satisfaction with S3 process effectiveness in identifying "highest & most complex"
- Satisfaction with access prioritisation process and equity
- Proportion of entering CYP for which an S3 intervention strategy is applicable
- Plans with explicit objectives
- Proportion of CYP on explicit 'improvement to transition' pathways
- Reviews completed on time
- Success of types of intervention

5.1.3 Critical system dynamics measures

Based on the simulation work of S3 there are a number of 'system flow' objectives that should be defined to manage to manage the critical variables of:

a. inflow numbers,
b. inflow need threshold (assuming it is possible to 'score' need based on the dimensions described above),
c. cost (a distribution based measure such a the 80th centile is likely to be better than an average due to the small overall numbers and impact of individual high cost plans),
d. committed expenditure versus budget
e. age-out' (maximum expected age based duration on inflow),
f. numbers flowing through improvement path stage transitions and
g. 'long duration' CYP

These should be related to the critical flow dynamics from the simulation (e.g acceptance rate, age on entry, cost, improvement rate etc)

5.1.4 Recommendations

1. The concept of "highest and most complex" should be refocused away from a process definition of agency involvement and intensiveness and towards a more 'CYP centric' concept that better accords with the original policy intent.

2. The "highest & most complex" concept should have increased operational definition through the development of an overarching, shared, inter-agency definition that incorporates multiple dimensions of the "CYP within their environment". Within each dimension there should be a notion of 'high/low' that can both represent the state of need (e.g. as described by a vignette of typical CYPs) and enable mapping of the continuum of care provided by agency core services, so that the gaps filled by S3 (difference between CYP need and service able to be provided) can be described. 'Complex' should therefore be described as the number or interaction of need/service gaps rather than by agency involvement/intensiveness.

3. At a macro level agencies should develop an overall concept of the expected improvement pathway of S3 CYP, based on international best practice where possible. The recommendation is that this broadly includes the notions of stages such as 'stabilising, improving, and transiting'. The overall success of S3 should be based around movement through these stages where improvement on critical dimensions is assessed with the explicit goal of managing both improvement and duration in each stage.

4. If it expected that some S3 CYP will not be on an improvement pathway (e.g. long-term intractable conditions, disabilities, health fragility etc) then these should be identified as specific exception cases. (Consideration should be given to whether CYP with ongoing needs should be handled by S3 or if they would be better handled by a more maintenance focused service approach).

5. To reduce the conflict between agencies that results from different timescales a shared understanding should be developed over the weighting given to different dimensions during each stage. For example a dimension such as 'safety' which will have an immediate value in 'stabilising' would be expected to become a given in the improving phase where others such as 'engaging with the curriculum' would be weighted more highly.

6. The "highest and most complex" as operationally defined should be used at a micro level for prioritising need, evaluating improvement and making transition decisions

7. S3 'system flow' objectives should be defined to manage the critical variables of:
   a. inflow numbers,
   b. inflow need threshold (assuming it is possible to 'score' need based on the dimensions described above),
   c. cost (a distribution based measure such a the 80th centile is likely to be better than an average due to the small overall numbers and impact of individual high cost plans),
   d. 'age-out' (maximum expected age based duration on inflow),
   e. reviews completed on time,
   f. numbers flowing through stage transitions and
   g. 'long duration' CYP

5.2 Improve inflow management

5.2.1 Managing need rather than eligibility

When the focus shifts from managing eligibility to managing need the dynamics of the process change – from gate-keeping to assessing. The issues of who enters S3 and who doesn't remain, but the pressures are considered from a different perspective – from trying to limit the numbers qualifying to monitoring unmet need.
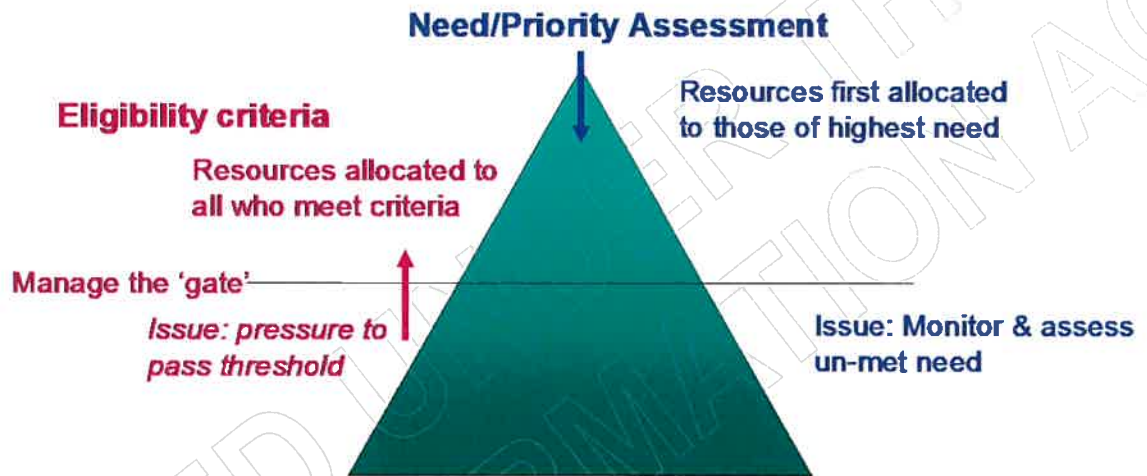
Need & priority based access

The primary characteristics of a system utilising needs based access are listed below:

- There are agreed outcomes and an agreed operational framework

- The need of each S3 CYP candidate is assessed relative to the need of the population

- This is done through a process of judgment by professionals

- It is informed by assessment criteria (consistent with the framework) to support consistency of judgments, reduce variation

- These criteria allocate a finite resource to those of greatest need and ability to benefit,

- There is consistent monitoring of the ongoing state of need for those who do not receive care so that errors of judgment can be detected

- The nature of unmet need at the margin is monitored as a matter of priority, so that service gaps and resource allocation inequities are reduced

We believe that need and priority based access is an appropriate substitute for eligibility criteria as an allocation mechanism.

5.2.2 Recommendations

1. Inflow management should shift from being based on eligibility criteria to being undertaken on assessment of need and priority using dimensions described above. Early action is necessary to signal this directional shift so that priority is given to CYP in the current pipeline who have

the highest states of need – ahead of the development of the formal prioritisation process and criteria.

2. Priority assessment should primarily be undertaken at a local level to enable assessment of individual cases relative to the needs of others and the expectations of local service delivery, local service gaps. The HCN should facilitate this as a local interagency 'service level' review process and convert the current national eligibility verification process into a needs assessment review to support national consistency and equity of access.

3. Inform judgement by advising the regions of the numbers of CYP expected from each region based on an adjusted population estimate. This will need to be informed by future funding path estimates (see below) in order that the idea of a sustainable inflow threshold can be managed. It is not recommended that funding is delegated to the regions.

4. A framework for priority assessment is recommended that should include both assessment dimensions, (see 10 above), vignettes of cases that would be recognised as "highest and most complex" and elements from the current criteria. The focus of the assessment criteria should be to inform Intersectoral professional judgement and dialogue so that a reasonable relative ranking can be achieved for existing and new S3 CYP candidates. The HCN should avoid the trap of over-emphasising the assessment criteria (versus informed judgement) and refrain from attempting to develop highly objective prioritisation criteria which will take considerable time and research to complete for small gains in discriminatory power.

5. A small number of very high cost plans are significantly contributing to the above expected average cost of the overall system and effectively limit the support available to other CYP from within the budget. High cost plans (e.g. in excess of $100,000) should be subject to additional review of the intervention strategy proposed and alternative means of provision, including tendering for care components if necessary. Approval of such high cost plans should be escalated to an HCN governance level.

5.3 Develop an improvement path and transition process

5.3.1 Explicit conceptual approaches to improvement pathways

S3 currently lacks an explicit sense of the pathway of improvement and transition of S3 CYP. During the review respondents frequently mentioned intervention approaches such as 'systems of care', multi-systemic therapy etc that could provide a comprehensive approach to intensive therapeutic interventions.

While this review has had neither the time nor the clinical expertise to evaluate these concepts a brief analysis of the literature such as the "Annual report to Congress on the evaluation of the comprehensive community mental health services for children and their families programme", (US Department of Health & Human Services – 1997) show that intensive, systemically based interventions can have significant measurable improvements in outcomes and reduction in costs of care for children with serious impairment – children similar to at least some of the current S3 CYP.

This report provides an analysis of the effect of different mixes of services and service utilisation. Of central impact to the current challenge of S3 is that significant improvement can be achieved in relatively short time frames, six months or so – but only with a mix of services tuned to the system of the child, family and environment.

Based on the comments of respondents we recommend that S3 explicitly assumes a policy that the system as a whole and each individual CYP within the system is managed according to a pathway of stabilisation, improvement and transition with an expectation of the likely timeframe (e.g. no more that 6 months) per phase.

The challenge then becomes the identification of the objectives that need to be met to achieve progress down this pathway and the deployment of best practice interventions to achieve those objectives.

It is recommended that HCN S3 facilitates pulling together a body of best practice drawing on the skills and initiatives available in the sector (for example the Christchurch region has already embarked on the implementation of some of these approaches but would benefit from a more co-ordinated approach that could be facilitated by S3).

5.3.2 Identification of patterns within S3

Much emphasis has been placed on the idiosyncratic nature of the S3 CYP needs and therefore the interventions or management required. While this is undoubtedly true it also creates a false impression that patterns of need will be less relevant versus the flexibility of intensive case management. Based on the superficial analysis of current applications conducted during this review we believe that the structure of need of many CYP will be similar enough that patterns will be evident and should be analysed in order to focus the effort to develop a number of intervention strategies that will transcend the diversity of tactical implementations required by individual circumstances.

5.3.3 Review management

The rate of improvement in CYP need and the duration over which they require S3 care and support are the most critical elements for sustainable S3 management. It is essential therefore that S3 refocus on the plan review, evaluation and phase transition process as a matter of priority. This will require improvement in the review discipline (timeliness of reviews), in the plan quality (explicit objectives), in the ability to audit service provision and expenditure and the

development of a facilitation process to support the front-line staff and LSC to undertake this process (e.g. provided by the Applications Advisors under a revised mandate).

5.3.4 Recommendations

1. Develop explicit intervention and improvement approaches applicable to common patterns of need within S3 CYP. International literature suggests that effective intervention strategies exist for certain types of CYP need (e.g. complexes associated with conduct disorder) that are likely to be evident within S3 CYP. The HCN unit should seek to identify those that maybe applicable through a more thorough evaluation of current applications and plans than was achievable in this review. It is expected that the unit will need to play an active role in identifying or developing intervention capabilities required to implement this recommendation (note these may potentially be considered as "S2" services focussed on improvement/transition of S3 CYP but also with broader applicability beyond S3).

2. Shift the focus of planning towards explicitly defining improvement and transition interventions with clear definition of expected outcomes. To implement this recommendation it is expected that the HCN will need to support the local service co-ordinator with skilled support and facilitation in intervention plan development. Plans that do not meet a minimum level of outcome definition should not be accepted.

3. Improve discipline and management of reviews. The existing review process requires urgent development and requires a refocus on:
   - Reporting against expected outcomes
   - Maintaining the currency of the plan through a formal change process
   - Maintaining the discipline of the quarterly review cycle
   - Facilitation or support of the review process by HCN staff to help support the chosen intervention strategy and maintain the sense of required momentum by care providers

5.4 Develop and integrate the S1 functions required by S3

5.4.1 The role and function of S1 within S3

It is necessary to increase the integration of S3 and S1 functions. Implicit within the S3 strategy and implementation is the assumption that Strengthening Families (SF) is the functional equivalent of S1 yet organisationally S1 and S3 are fairly weakly co-ordinated at a national level and the distributed SF networks have had little knowledge of how the centralised S3 system works.

It is clear from the review that where SF is working well the flow into S3 appears also to be well managed, yet in nearly 50% of the cases reviewed it was not evident that an effective S1 process had been used (as distinct from being 'signed-off' by the SF co-ordinator). In some areas effective 'whole system' approaches in SF are preventing cases from escalating to System 3. Similarly there are examples of successful S1 functions taking place outside of 'normal' SF, e.g. as facilitated by the Applications Advisor in Northland.

Although the review has had very limited exposure to SF some generalised observations are relevant:

- SF functions vary considerably around the country reflecting the diversity of regional situations and differing local requirements

- Where the regional interagency SF focus is primarily at an individual case level the performance of S1 within S3 is relatively low

- Where the SF co-ordination focus is at a practice level SF has provided increased functionality to S3, developing best practice that can potentially reduce the flow to S3 and improving plan quality through some degree of specialisation.

- Where SF provides a service level co-ordination (for example Christchurch) there is added the ability to take an overview of need and highlight service gaps that may have caused that need.

For a refocused S3 to be successful it requires S1 functionality of:
- Regional interagency partnerships providing service level overview

- Ability to assess an individual case relative to region population need

- Ability to identify core service gaps at a local level and manage S3 resources to balance compensating individual need with improvement

- Maintaining the resource and capability to facilitate movement through S3

A redesigned S3 therefore will require a different type of interaction between S1 and S3 and therefore require the identification of the gaps between current S1 functionality provided by regional SF networks and the development of a flexible approach to building the capability required – e.g. building on the skills available in some of the major centres or using the current applications advisors to facilitate the functionality in others.

It will be essential that there is a greater level of communication and co-ordination between the HCN S3 and the national SF support provided by MSD. For this reason consideration to co-locating these functions is recommended by the review.

5.4.2 Recommendations

1. S3 functional requirements of S1, the case for greater integration: A redesigned S3 will require a different type of interaction between S1 and S3 and therefore require the identification of the gaps between current S1 functionality provided by regional SF networks and the development of a flexible approach to building the capability required – e.g. building on the skills available in some of the major centres or using the current applications advisors to facilitate the functionality in others. It will be essential that there is a greater level of communication and co-ordination between the HCN S3 and the national SF support provided by MSD.

5.5 Revise the system/sub-system structure and focus

5.5.1 System/subsystem definitions

Based on the strategy proposed in this review the 'system of S3' will require some reorientation and redevelopment. From a system structure perspective the major sub-systems required are refocused on a core service delivery flow of 'need assessment', intervention planning and support' and 'review and transition management' as illustrated below

Revised S3 system/sub-system map
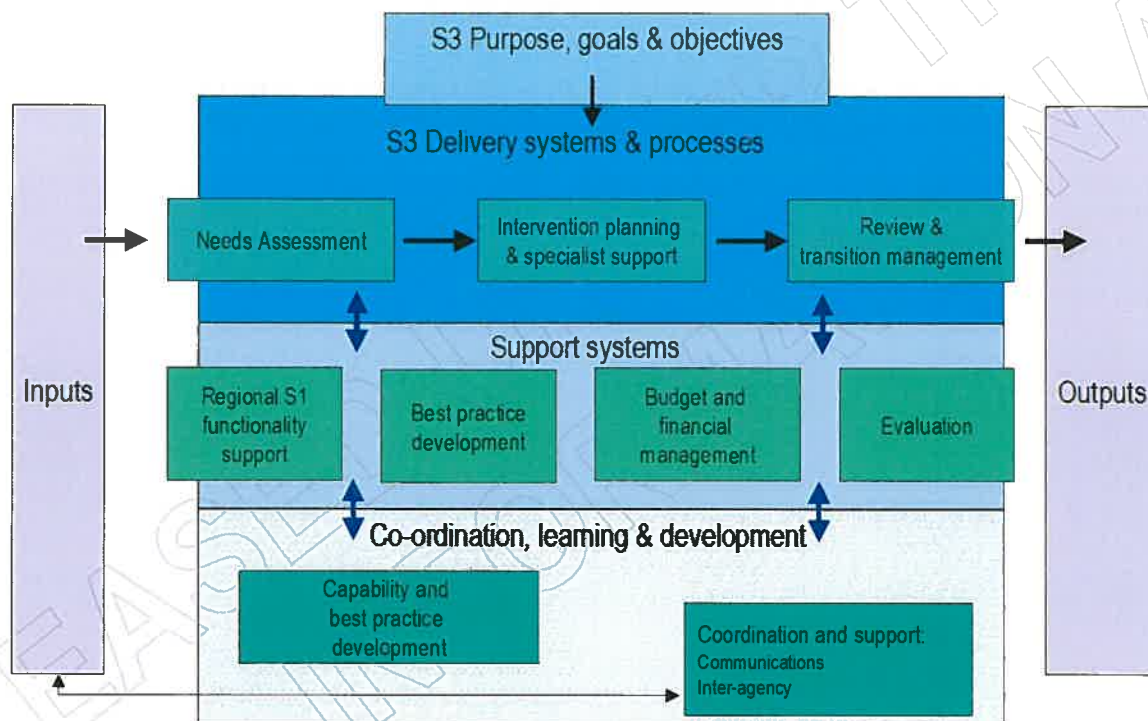
The initial definition of the overall S3 and core sub-systems are detailed below using a simplified version of the 'system root definition' method :

- Name the system

- Define its purpose by using the syntax "A system that"

- Describe the major transformations or processes that take place within the system using the syntax "By"

- Describe the outcome/outputs of the system if the transformations are achieved using the syntax "In order to"

The following system root definitions should provide the platform of process requirements needed to deliver the proposed strategy. In their current form they are largely indicative and require more elaboration.

System 3

A system that:
Ensures that CYP with the "highest and most complex" needs are identified and an individualised plan developed and resourced that manages their improvement and transition

from the programme with the capability of functioning in society either independently or with the support of existing core services.

<u>By</u>:

- Ensuring that the interlocking sub-systems are managed in a cohesive way
- a system to assess and analyse nationwide need,
- an intervention planning / specialist support system that ensures that interventions are truly focussed on the needs of the child
- a review/transition management system that ensures that children are making appropriate progress, and that they leave S3 at an appropriate time.
- a regional network support (S1) system that ensures that S1 is learning from S3, and that its practices and processes are supporting S3 endeavours.
- a best practice / facilitating skills system that ensures that S3 always employs best practice.
- an Intervention capability development system that ensures that S3 is well supplied with the combination of skills necessary
- an evaluation system that ensures that the whole system is running smoothly, end to end.
- a communications and coordination system
- a budget management and purchase framework system that ensures that S3 services are appropriate and that funds are spent effectively

<u>In order to</u>:

- Ensure that the right children get care
- Ensure that children get the care that they need
- Ensure that children stay within the programme only as long as they meet the criteria
- Ensure that the government's aims for S3 are met, and that budgetary allocations are well spent

<u>Critical success factors</u>:

- Clear progress of children during the programme
- Admitting the right children
- Appropriate children leaving the programme
- Overall confidence by Government, officials, service providers and beneficiaries in the effectiveness of S3.

Needs assessment sub-system

<u>A system that</u>:

Ensures that S3 addresses CYP with the "highest and most complex needs" as determined by the local assessment and prioritisation of needs, relative to regional and national populations and service provision.

<u>By</u>:

- Prioritising individual cases through a regionally based intersectoral assessment process
- Assessing relative priority against a set of agreed dimensions characterising "high & complex"
- Determining need relative to the overall pattern of core and collaborative services available in each region

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- Accepting CYP into S3 based on an allocation of a finite number of 'entry slots' available to each region on an adjusted population basis that will enable sustainable operation of S3 within financial budgets
- Improving national consistency and equity and moderation regional allocations through the deployment of national assessment advisors and a national assessment review process

In order to:
- Ensure CYP with the "highest and most complex needs" gain entry according to relative need and priority as assessed by those close to the CYP (and therefore in a position to make this assessment)
- Managing inflows within sustainable budgets
- Ensure reasonable national equity of access

Intervention planning & specialist support sub-system

A system that:
Manages the flow of CYP in S3 following an explicit pathway of stabilisation, improvement and transition using best practice intervention strategies focused on the individual needs of the child in the context of their environment and the services available.

By:
- Identifying patterns of need within S3 CYP candidates
- Identifying intervention strategies capable of meeting the improvement/transition needs of S3
- Providing plan development support to help local service co-ordinators (LSC) develop intervention strategies with clear improvement pathways and objectives
- Recording plans within a structured database that will facilitate focus on CYP outcomes and subsequent progress evaluation
- Supporting LSC implementation of the plan through facilitation/deployment of best practice intervention strategies and capabilities

In order to:
- Ensure all CYP have an individualised plan of care and support that follows the stabilisation, improvement, transition pathway
- Ensure all plans are focussed on outcomes and explicit objectives/milestones
- Identify best practice intervention strategies and support their deployment

Review & transition management sub-system

A system that:
Monitors the progress of CYP in S3 to ensure that rapid progress through each CYPs improvement pathway is achieved and that transition out of S3 is effectively managed.

By:
- Managing a regular cycle of reviews that assess progress towards objectives/milestones of each CYP in S3
- Managing a formal CYP plan change process
- Supporting LSC to undertake reviews
- Identifying blockages to the flow through to transition, maintaining an environment that supports movement down the pathway and minimises the risk of slow-downs or provider capture/dependency
- Maintaining a database of progress
- Managing the "hand-over" planning process to ensure smooth transition out of S3

In order to:
- Ensure all CYP in S3 are moving down the improvement pathway
- Monitor overall success of S3 in meeting CYP needs
- Develop and maintain a knowledge base of patterns of achievement and successful interventions
- Achieve transition out objectives

Note: The following support systems have been specified to the purpose level only

Regional S1 functionality support sub-system

A system that:
Maintains the capability and resources of S1 functions that are necessary for successful S3 operation, including support for S1 co-ordinators, development of S1 best practice in S3 functions, (e.g. need assessment, planning and flow/transition management) at a service level as distinct from the case/practice level functions within the other core service delivery systems.

Best practice development sub-system

A system that:
Develops and maintains a core body of knowledge, resources and capabilities of intervention strategies that can be applied to S3 CYP, drawing on and integrating the skills of all sectors involved.

Budget management and purchase frameworks sub-system

A system that:
Manages the individual budget management systems required to track financial commitments and spend. Provides an advisory framework for purchasing commonly used services to improve cost efficiency of plans over time.

Evaluation sub-system

A system that:
Maintains access to the necessary skills in analysis and evaluation so that patterns within S3 CYP need, the performance of intervention strategies or the performance of agencies and providers can be identified.

Intervention capability development sub-system

Is a system that:
Facilitates the development of resources and capabilities needed for successful implementation of S3 intervention strategies within agencies or providers.

Communications and co-ordination sub-system

Is a system that:
Facilitates the flow of knowledge and understanding between stakeholders in S3 including; national agencies, regional S1 functions, regional agencies and pro

5.5.2 HCN capabilities

For the refocused S3 systems and subsystems to function the HCN unit requires a number of capabilities including;

1. the ability to manage:
   - information gathering, storage, retrieval and dissemination

- budgets
- systems for purchasing services
- an end to end process
- processes that ensure the availability of professionals as needed
- review and monitoring processes
- external relationships with a number of stakeholders – sometimes with opposing interests
- change plans for children
- professionals in a variety of relationships with the Unit

2. the ability to assist and advise:
   - assessors and reviewers, with analysis and evaluation
   - developers of new intervention strategies
   - case managers
   - local service coordinators

The roles of Applications Advisors and Verifiers will shift under the proposed strategy. Applications advisors would be best placed to aid the development of regional skills in priority assessment and to facilitate the development of intervention plans. The Verifiers role should continue with a shift towards assessment of applications and needs across regions but should also become active in providing discipline to the review process, raising the expectations of improvement and phase transitions by all involved

The proposed strategy implies a shift in focus of the HCN unit towards more ongoing clinical and professional input into intervention and improvement/transition strategies. The resources of the operational and professional arms of the respective agencies will be required to make this a reality – e.g. this may require a clinical advisory board and secondment of respective professionals to provide the capability required for intervention best practice research, development and implementation.

5.5.3 HCN capabilities to implement change

The shift in focus of the major S3 sub-systems and processes will require a reasonable investment in process design, project management and change implementation - capabilities that have not been strongly represented within the HCN unit to date. Given the short time frame of many of the requirements a 'policy development then implementation' route to managing the change is inappropriate.

We therefore recommend that the changes recommended in this review be considered as a series of related projects that are implemented through the HCN unit using rapid learning approaches based on cycles of 'design, implement and refine'.

The projects should be formally constituted, managed by the Unit but report to HESSOG as project sponsor. This enables HESSOG to exert a strong governance level leadership through the project scope design and the management of the achievement of milestones. HESSOG should also assume an active role in securing agency resources and undertaking the 'agency context management' that the projects will require.

The projects should be staffed by seconded agency resources with reasonably large time availability in order to progress quickly. It is recommended that the projects include regional resources who can support the rapid design and implementation cycle.

5.5.4 Recommendations

1. The shift in emphasis from a focus of the HCN from applications management and approval to facilitating local prioritisation and outcomes/transition management will require a concomitant shift in HCN resource and capabilities. The recommended functional organisation of the unit has been described above. Few of the organisational systems to support the above recommendations exist currently although some associated with applications tracking and budget management will require few changes beyond that planned. Major changes required will include:
   - Establishment of the assessment sub-system using the local facilitation skills of the current applications advisors and shift in function of the verification process
   - Establishment of an intervention planning sub-system
   - Establishment of an effective review management sub-system including objective tracking
   - Securing the sector resources to develop intervention best practice
   - Supporting the development of the S1 functions required

2. Information and analysis: The current information systems of S3 are in development and as yet are not delivering adequate information to those within the broader HCN unit. The database development plan should be reviewed urgently to ensure that :
   - The basic monitoring and management functions can be performed adequately and that data accurately reflects the current state of applications and budgets
   - Distributed access to the information is urgently needed to provide information to applications advisors, verifiers and review management. Secure WEB access will be required to manage privacy risks.
   - The understanding of the database design and its capabilities requires more extensive discussion with users and a review in light of the requirements of the strategic shift proposed in this review
   - In particular the database requires redesign to ensure it can track plan objectives and progress down the improvement transition path.

3. Role shifts: The roles of Applications Advisors and Verifiers will shift under the proposed strategy. Applications advisors would be best placed to aid the development of regional skills in priority assessment and to facilitate the development of intervention plans. The Verifiers role should continue with a shift towards assessment of applications and needs across regions but should also become active in providing discipline to the review process, raising the expectations of improvement and phase transitions by all involved.

4. Capabilities required: The proposed strategy implies a shift in focus of the HCN unit towards more ongoing clinical and professional input into intervention and improvement/transition strategies. The resources of the operational and professional arms of the respective agencies will be required to make this a reality – e.g. this may require a clinical advisory board and secondment of respective professionals to provide the capability required for intervention best practice research, development and implementation.

5. Manage change through projects: Design a limited number of related projects to implement the changes proposed in this review, managed by the HCN unit but formally reporting to HESSOG as project sponsor. Project design skills and project management support skills will be required by the unit to establish the projects but the skills and capabilities to undertake the work are available through the applications advisors, verifiers and seconded agency staff – including agency regional operations staff who have demonstrated skills and commitment to S3 success.

5.6 Redevelop inter-agency partnerships on a different basis

5.6.1 Location

The location of the HCN Unit in CYF's has encountered a number of difficulties for both the Unit, and CYF's as host.

CYF's expectations of S3 funding as a mechanism for easing pressure led it to have expectations as to the way the Unit would approach selecting candidates and allocating funds. These expectations were sharpened by pressure from the Minister to ensure that more children were receiving benefits from S3 more quickly. There were certain tacit expectations as host agency that the Unit would have close connections to and loyalty towards CYF.

As pressure on CYF increased, so did their frustration with the Unit – which they saw as responsible for the slow rate of entry to S3. Close proximity to the Unit meant that CYF managers were able to express their displeasure and frustration too readily.

The Unit then faced conflicting pressures – to ensure that the whole system developed as it should, and to relieve CYF's pressure within a short period.

The independence of the Unit has been at least partially restored with the appointment of Debbie Sturmfels, however a level of concern remains over the authority of the HCN unit to make decisions that may run counter to CYF's perceived interests while it remains part of the organisation.

The ideal location of the Unit is not easily discernable. Because we believe that there is a close relationship between S1 and S3, there is an argument for locating the Unit in the MSD (see above).

However, the approach to more proactive 'improvement pathway' interventions advocated for S3 involve strategically the same types of skills that CYF will require to develop for the future. Removing the unit would decrease the opportunity for learning.

There are no apparent compelling arguments to suggest that either Health or Education should act as host. Group Special Education certainly have skills in assessment of children with complex needs, but there are no particular characteristics of GSE management which indicate that it would prove an ideal host. Similarly with MSD.

While we recommend that consideration be given to co-locating S1 (SF) and S3 within MSD this may be a distraction from the immediate redesign task of the HCN. We are therefore drawn to the position that the Unit is well hosted under the current CYF's manager, and that the Unit should remain there, with three provisos:

- That CYF's senior managers respect the independence of the HCN Unit, and exert no pressure on it.
- That the purchasing and budget decisions for the Unit are not subject to a CYF veto (see governance recommendations below)
- That a degree of external mentoring and professional support is provided to the unit manager in addition to that able to be provided through the CYF's manager

5.6.2 Governance

There have been difficulties differentiating between the roles of HESSOG and the steering group. The boundaries of the authorities of the parties has been unclear, and led to poor oversight and managerial practices.

The diagram below suggests what we believe to be a practical governance structure.

Potential Governance Structure

System development projects

Projects set up to implement redevelopment initiatives
- HESSOG acts as project sponsor
- Includes policy, design & implementation
- Managed through HCN 'project office'
- National & regional staff

HESSOG

Role: Set overall policy;
- ministerial relationships
- inter-sectoral oversight
- agency resources & alignment
- policy quality/consistency
- strategic projects sponsor

Purchasing Board

Role: Oversight of effectiveness of S3 CYP purchasing decisions to achieve overall goals
- Accountability for the flow through S3: entry to transition
- Has binding decision making authority on CYP service purchase contracts
- Monitoring of progress, exit decisions
- Sets operational policy
- Identifies and elevate issues requiring policy decisions

Management sub-committee

Management sub-committee role:
- operational oversight
- operational budgets
- monitors Unit performance
- Unit resource requirements
- Chaired by host agency HCN manager

HCN Unit

The Unit is unequivocally accountable to the Management sub-committee for their day to day 'board and lodgings'. The Host manager chairs the sub-committee. We recommend that CYFs continues as host agency as outlined above, and that Debbie Sturmfels retain the position as host manager of the Unit.

The operational oversight of S3 should reside in a 'Purchasing Board'.
- The Board should comprise representatives of the Agencies, the verifiers/national assessors, and the Unit Manager.
- Provides oversight of the effectiveness of S3 purchasing decisions in achieving S3 goals. (Based on the current average cost and expected length of duration, each CYP decision has a possible life-time value of $90,000 x 4 - 5 years = $360,000 - $450,000).
- Is accountable for the flow through S3, entry and exit decisions and for progress reviews.
- It should have binding authority on all S3 operational matters.
- Only on matters of inter-sectoral oversight (not including day to day S3 matters) should appeal be made to HESSOG.

The current Steering Group functions (recently shifted to a policy development role) should be shifted from residing within a body to being incorporated within strategy development projects that have policy development, system design and implementation functions. These should be formally constituted as time bounded projects within good project management practices of scoped work and time, cost, quality milestones. HESSOG should be the project sponsor – retaining the influence on the design of the projects, but the project management itself should

be done through the Unit. The project teams should have sufficient time allocated to the project to enable rapid progress. Participation of people from both national and regional agencies is advised in order to progress the design and implementation in rapid cycles. Consideration should be given to using the existing skills of Advisors and Verifiers as project leaders with support provided by a mini 'project office' function in the Unit to enable related projects to proceed in parallel.

HESSOG should focus exclusively on matters of strategy and policy, overall S3 resources and vote budgets, inter-sectoral oversight and agency alignment/resource issues. It is recommended that one HESSOG member assume the role of project sponsor for the strategy implementation. The S3 project sponsor would act as lead in representation of S3 issues to HESSOG as a whole so that there is a focus of attention on the key issues and to reduce the time/transaction costs of consensus decision-making required by the partnership.

5.6.3 Agency accountabilities

- Each contributing agency has a different and appropriate interest in the process and outcomes of S3.
- Each has accountabilities by way of governance. These are discharged primarily through HESSOG.
- Each has responsibility for ensuring that the its services are offered in a way which enables child-centric treatment of each child. This may require some adjustment to practices and processes in each agency, where their particular practices make this difficult.
- If the core of S3's treatment of the children in the system is inside the process of stabilisation, improvement and transition, then CYF might expect to have particular responsibilities during the stabilisation phase, whereas the other agencies would have greater responsibility during the treatment phase. This responsibility at different stages could take the form of 'lead agency' role.
- In order to satisfactorily fulfil this role agencies must develop a child-centric cast of mind, and practices. They must also develop ways of working satisfactorily with other agencies at all levels.

5.6.4 Interagency partnerships

The objectives of S3 contain two explicit references to agencies working together.

- 'To provide a mechanism by which agencies work together to deliver services in an *effective and seamless way*[3], and

- To provide a system which *enables and expects all agencies to work together* towards maximising the independence and abilities of CYP and their family/whānau.'

Some of the difficulties in attempting to work in this fashion have been outlined in previous sections. Overcoming these difficulties is an essential task in order to discharge the accountabilities above.

There is a growing body of material dealing with attempts by agencies to work together to resolve intractable social issues[4]. In 2001 the British National Audit Office published 'Joining Up to Improve Public Services'[5]. They highlighted six risks which "if not given sufficient attention can result in joint working not being successful"[6].

Clearly defined shared goal(s) for the initiative	If partners work to different goals and fail to manage the differences then they may fail to achieve desired outcomes
Sufficient and appropriate resources	If information on client groups is not accessible to the various agencies involved in delivering services then delays may occur in processing applications, claims or customer enquiries. If funding is not pooled or co-ordinated there may be inefficiency or delay If there is not enough funding, this may delay progress in implementing an initiative. If there are not enough people with the right skills then the initiative or project may not achieve its objectives
Performance measurement	If there is a failure to take account of any variations in results, this may limit progress in achieving the desired outcome.
Leadership	If there is unclear leadership, the project could founder and fail to meet its objectives.
Working well together	If not all those in the partnership are committed to the aims then the benefits of joint working may be lost. If the partners do not value each other's contributions or understand each other's cultures and constraints they may not work effectively together.
Clear accountability for services	If partners' responsibilities are not clear Parliament and the public may not know who to hold to account for the success or failure of the partnership. If Parliament is not able to identify total expenditure and

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[3] Our italics.
[4] For example: N.A.O. Joining Up to Improve Public Services. GB House of Commons November 2001 Schon D and Rein M Frame Reflection: Towards The Resolution of Intractable Policy Issues. Basic Books 1994
[5] Joining Up to Improve Public Services ibid
[6] ibid Pp. 20-21.

| | outcomes achieved by the joint initiatives then Parliament cannot take assurance that taxpayers' money has been well spent. |
| | If it is not clear which organisation is responsible for service quality then clients may be unable to obtain redress for poor services. |

A number of these risks have become apparent within S3.

S3 is a well defined and bounded programme. Consequently it offers a practical opportunity for the agencies involved to develop some very successful practices and processes for working together.

A critical condition for working together in partnership is the desire and effort on the part of each agency to value each other's contributions and understand each other's cultures. This goes well beyond the ability to understand the particular drivers of other agencies – or even to empathise with their positions.
These understandings need not be prerequisites, but can emerge during the period of working together, but the desire and recognition of the need to understand is a prerequisite.

The framework of these shared understandings and mutual respect is the context within the whole project is approached. It drives different considerations about the HCN structure, about approaches to finance and approaches to the local initiatives for CYP in the system.

For example, it seems apparent that a tacit (and automatic) assumption underlying the establishment of the HCN unit was that an independent unit was necessary. This appears to have arisen from some intertwined assumptions, three of which are: the belief that the focus, culture and drivers inside each of the agencies would interfere with the focus and hence effectiveness of S3, a suspicion of the motives and abilities of the other agencies, and difficulties around the sources and allocation of funds.

There is truth and experience in the assumptions, and there is an obvious need for some structure, however a structural answer to the perceived problem entails some predictable, but unwanted, consequences.

We recommend a different response.
1. An articulated desire by Agency CE's and within HESSOG to work differently and establish a different basis for the working relationship within the agencies, leading to clear, articulated, shared understandings of each agency's culture and goals.
2. Shared understanding by Ministers, Agency CE's and HESSOG of the implications of S3 goals and practices for each agency, and a desire to jointly resolve adverse implications for any agency
3. A minimalist approach to structural solutions:
    - Conceptualising HESSOG as a Board, which has governance over a number of projects, and responsibility for advancing inter-agency partnerships.
    - Utilising the common thinking and common framework to separate off partnership issues from S3.
    - Thinking about S3, not as a unitary process, but as a series of initiatives, which can be handled as projects, with a member of HESSOG as the sponsor of each and each bounded by project management disciplines. Driving the projects to demonstrate success on a number of manageable fronts.

- Keeping the procedural elements of the day to day implementation of S3 simple.
- Making day to day oversight by the HCN unit. This approach will inform consideration of the capabilities needed by the unit.
- Focusing questions of the nature and dynamics of partnership where they belong – with agency heads and HESSOG.

Working in this cast of mind will provide a platform for a number of working relationships to evolve, and provide a different basis for the HCN unit to proceed.

5.6.5 Recommendations

1. Role of steering group: It is recommended that role conflicts between the Steering Group, HESSOG and HCN unit management be resolved by changing the role of the Steering Group to be focussed on policy development. The recommendation is that the formal ongoing nature of the group shifts to specific policy development projects which are treated as formally constituted projects to support the HCN policy development and report to HESSOG as project sponsor (along the lines of the original working group policy development approach).

2. An operational purchase board role: It is considered that with the strategy refocus there will be a need for ongoing intersectoral oversight and advice for operational implementation of the strategy with a focus on the issues arising from assessing need and purchasing services that provide for the necessary improvement and transition out of S3. It is recommended that a Purchase Board be established with representation drawn from the sectors that can provide a balance of operational perspective as well as policy.

3. The role of HESSOG: It is the recommended that HESSOG remain involved in S3 in the short term, but remain focussed on its role as a governance body and as mobiliser of each agency's skills and resources to achieve the common goals. The shift will be facilitated if HESSOG conceives itself as managing two streams of activity: (a) the S3/S2 functions and (b) an intersectoral partnership that has broader implications and issues – such as core service definitions and gap identifications, which are raised by S3 but which S3 should not have the burden of solving. The latter distinction will enable HESSOG to bring together a broader constituency of influence than S3 on its own could command. HESSOG's governance role will also be facilitated by driving most of its oversight role through its function as project sponsor for change implementation and as receiver of issues raised via the Purchase Board. It is recommended that one person on HESSOG assume the role of project sponsor for the S3 projects (or different individuals act as sponsor to each of the key change projects) to improve the efficiency of HESSOG as a whole

4. Interagency partnerships: It is recommended that the partnership between agencies is rearticulated in a partnership agreement or MOU that expresses the desire by Agency CE's and within HESSOG to work differently and establish a different basis for the working relationship within the agencies, leading to clear, articulated, shared understandings of each agency's culture and goals. Within this there is a shared understanding developed by Ministers, Agency CE's and HESSOG of the implications of S3 goals and practices for each agency, and a desire to jointly resolve adverse implications for any agency. The future implementation of S3 uses a minimalist approach to structural solutions with a focus on the joint project initiatives that S3 represents.

6 Recommendations

6.1 Summary of strategic options

The initial 'base case model' showed that at the current settings S3 will substantially overrun budget, with the likelihood that next years budget will largely be committed by the end of Q2 this financial year, <u>an urgent response to the situation is therefore required</u>.

The ongoing growth of expenditure is largely due to the limited outflows from the system (limited improvement and transition pathways) which means CYP will tend to accumulate until they 'age-out' by reaching 17 years (or 21 if their tenure is extended) and the higher than planned cost per CYP.

The analysis of the current inflows to the system shows that we have little information to judge the total size of existing need nor confidence that the current inflows are addressing those with the greatest need – both necessary to have confidence in mounting a budget bid of the size required to handle the 'base case' projected costs.

This review is recommending six basic changes to the operation of S3:

1. Refocus the outcomes, goals and objectives framework
2. Improve inflow management
3. Develop an improvement path and transition process
4. Develop and integrate the S1 functions required by S3
5. Revise the system/sub-system structure and focus
6. Redevelop inter-agency partnerships on a different basis

Items 1 and 2 are critical to enabling management of inflows in the short term. Items 3 and 4 are central to the medium term changes required to manage improvement and transition and, in the longer term, reduce the base demand for S3 CYP by diverting the flows elsewhere. Items 5 and 6 are the enabling mechanisms of the refocused strategy.

Of critical concern is the integration and sequencing of these components given that S3 faces a mixture of immediate and medium term needs.

The mechanisms that will enable larger outflows (improvement/transition) or divert the inflows (S2 and improved S1 capacity) will all take time to implement and take effect.

Of the two short term levers, reducing inflows and reducing the permissible cost per CYP, the first is difficult to implement with the current eligibility criteria and also requires substantial justification in the face of continued budget under spend, the second is possible relatively quickly through capping the extremes of high cost or, with a delay, through improving plan quality.

The critical question becomes:

"What is the <u>right mix, level, balance or sequence of interventions</u> to both handle the short term needs (maximise CYP into the system without incurring a budget blow out) and the longer term needs to establish a sustainable S3 that is integrated with the S1 and S2 components of the overall solution?"

The following intervention scenarios have been developed to give some focus to the recommendations contained in this report. They attempt to describe a plausible mix of interventions, with their likely associated delays, and expected magnitude of effects and risks.

Note that these scenarios use the systems model developed to analyse the current situation which has not been tuned for use in future strategy testing – the results should be seen as indicative only.

Scenario 1: "Manage for short term gain"

This is essentially an unrealistic strategy but is included to highlight what would happen if S3 was driven with a short-term goal of meeting current need and utilising current budgets without regard for the negative consequences of the drastic actions required to bring expenditure to budget. The scenario essentially explores the range of action available to rapidly bring a budget blow out under control, as might be required later this year.

Scenario 2: "Drive for rapid outflow improvement, minimise short term disruptions to S3 inflow"

This strategy is based on driving for rapid improvement while minimising short-term disruptions in S3. The strategy relies on rapid implementation of outflow management (improvement and transition management) and achievement of significant S2 and S3 changes that would reduce base inflow to S3. The budget implications are that short – term budget under spends are rolled over, S3 runs a medium term budget deficit prior to the improvements taking effect, with budget surpluses available in out years to invest in S2 type operations.

Scenario 3: "Prudent action to maintain a sustainable S3"

This scenario is similar to the above except that there are lower expectations of the speed of implementation and magnitude of effect possible from outflow management and S1/S2 effects. This scenario acts more promptly to influence things directly under S3 control, reducing inflows and managing plans to achieve a more aggressive reduction in average cost.

6.2 Scenario results

Scenario 1: "Manage for short term gain"

Scenario Set-up:

Variable	Explanation of level set for scenario
Eligibility Criteria **Eligibility Acceptance %** 	To increase the short term flow of children into the system the criteria are lowered. After this initial reduction the criteria are tightened considerably. To test this, the percentage of children passing the eligibility criteria is set to 100% for Q1 and 2. It is then decreased to 75% in Q3 and 4 and further tightened in Q5 to 35%. Q6,7 and 8 see the level at 20% after which it is set to 32%.
Improvement Pathways	To increase the outflows from the system,

synergia

Improvement Paths

this scenario sets time restrictions on the length of time a child can remain in the system. To test this, a range of improvement pathways are set. Ongoing is set to 0% improvement in yr 1, 50% in yr 2 and 100% exit in yr 3. Gradual and rapid are both set to 0% improvement in yr 1 and 100% in yr 2.

In reality these children may not improve out of the system, but it is one way of forcing exit from the system.

Cost per child per year

Cost per Child

To decrease the short-term cost per child all current plans are reassessed and cost reductions made. Cost restrictions are also implemented to decrease the cost of any future plans. To test this scenario costs for yr 1 are reduced to $70K, all future year's are restricted to an average cost of $50k per child.

Scenario Output:

Cumulative Surplus / Deficit

Scenario results:

This scenario illustrates that:

- It is unlikely that inflow numbers can be ramped up fast enough to match spending to current budget levels – in all scenarios the best plan will require a roll over of budget from this financial year to FY 03 – 04 to follow expected spend patterns

- It is possible to manage the spend to within budget levels, but only through quite drastic action that would severely compromise ongoing S3 functions. In this scenario it is achieved by:

  - Virtually closing down S3 by limiting inflow to 20% - after sending signals in the previous quarters that would have significantly raised sector expectations
  - Capping spend per child
  - Forced exit of existing S3 CYP after 2 years

- In the opinion of the review team this option would compromise care for CYP already within S3, reduce the public and sector confidence in the overall High & Complex Needs strategy and cause a large political risk as CYP are exited without appropriate improvement management or transition path development.

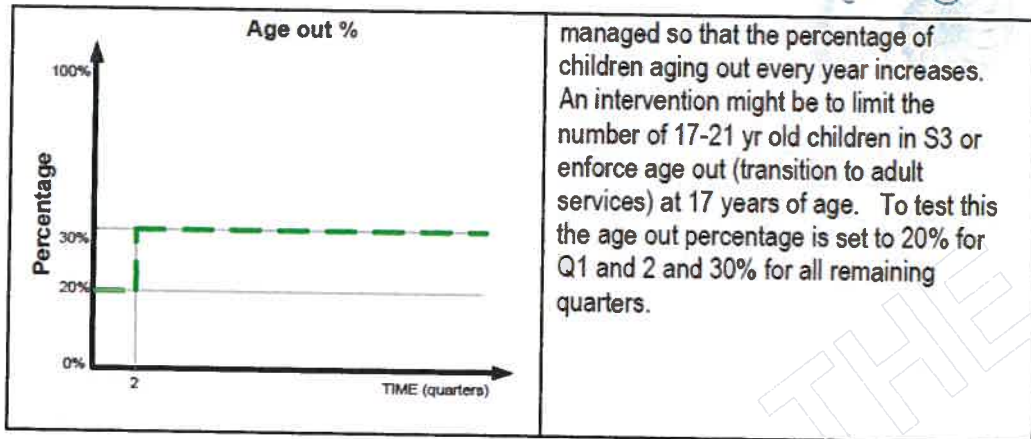## Scenario 2: "Drive for rapid outflow improvement, minimise short term disruptions to S3 inflow"

Scenario Set-up:

Variable	Explanation of level set for scenario
	To manage the short term flow of children into the system the criteria are restricted slightly. The criteria are restricted so that demand for S3 is not stifled, but is managed so that those children most in need for S3 funding pass the criteria. To test this, the percentage of children passing the eligibility criteria is set to 75% for Q2 and drops to 65% for all remaining

Eligibility Acceptance %

quarters.

S2 Effectiveness

Considerable effort and resources are directed towards getting S2 functioning. It is assumed that having a functioning S2 will enable a proportion of children who are currently seen as S3 candidates to be managed via services offered by S2. It is also assumed that S2 will take some time to become fully functional. To represent this S2 becomes 10% functional at Q3, 20% over Q4,5 and 6, 40% for Q7 and 8, 60% for Q9, 10 and 11 and 75% for all remaining quarters.

Improvement Paths

To manage the improvement pathways for children in the system effort is put into driving improvement path initiatives into the system by focussing on improving the intervention and transitions plans put in place for children. To test this, a range of improvement pathways are set. Ongoing's are set to 0% improvement in yr 1, 10% in yr 2 and 30% exit in yr 3 and 40% in yr 4. Gradual's to 0% in yr 1, 25% in yr 2, 50% in yr 3 and 80% in yr 4. Rapid's are set to 0% in yr 1, 50% in yr 2, 75% in yr 3 and 100% in yr 4.

Cost per Child

Cost restrictions are implemented to decrease the cost of any future plans. To test this scenario the cost per ongoing child for all future years is reduced to $60K, and both gradual and rapid children are reduced to $50k.. It is assumed that year 1 costs are sunk and therefore remain at an average of $90k per child.

The age distribution of children in S3 is

Age out %

managed so that the percentage of children aging out every year increases. An intervention might be to limit the number of 17-21 yr old children in S3 or enforce age out (transition to adult services) at 17 years of age.   To test this the age out percentage is set to 20% for Q1 and 2 and 30% for all remaining quarters.

Output

Financial Graphs


Cumulative Surplus / Deficit
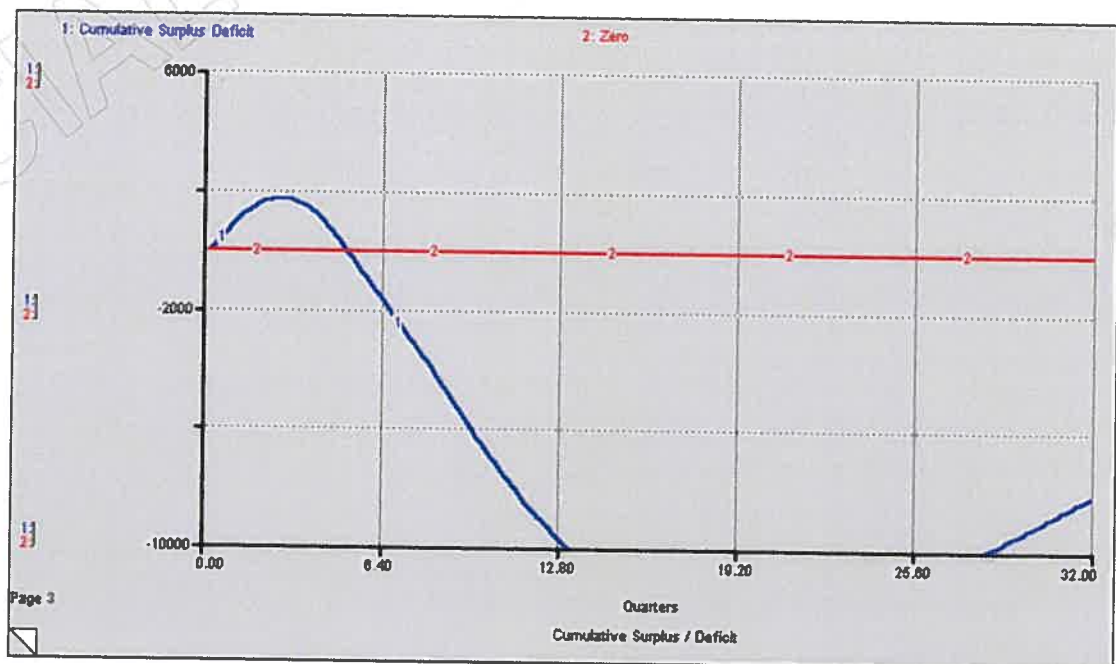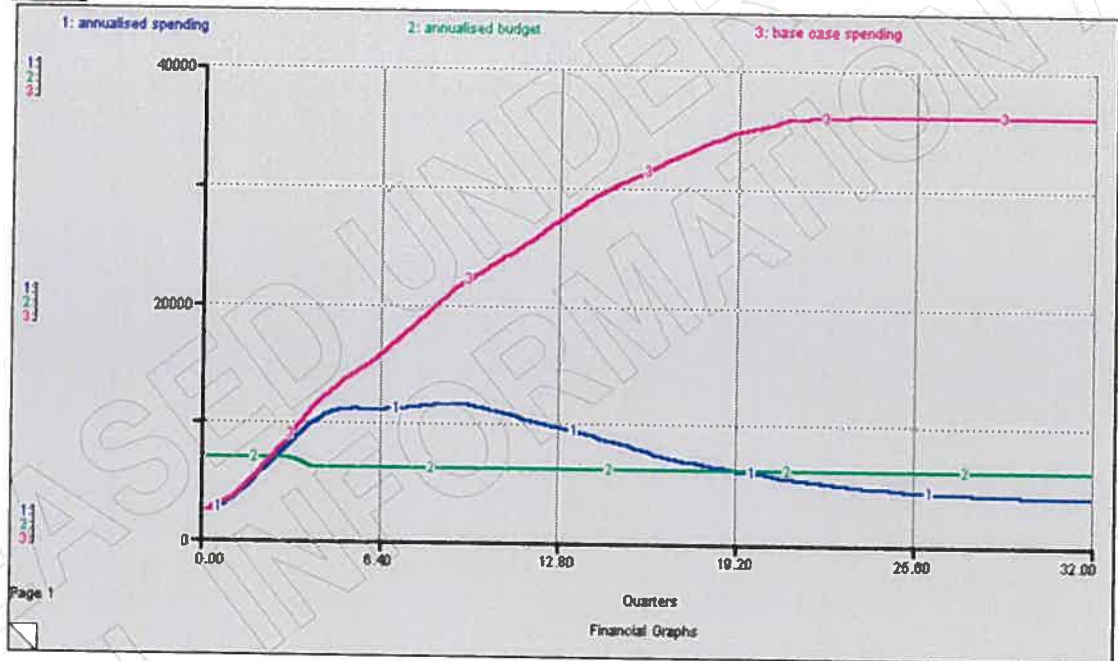
Scenario results:

This scenario illustrates the effect of driving for rapid improvement and outflow processes while minimising short-term disruptions in S3.

- The short – term budget under spends are accepted and rolled over into FY 03 – 04
- Applications are restricted by focussing on need/priority but the level of inflow is not reduced to the point of disrupting public confidence or sector expectations of care.
- S3 runs a medium term budget deficit prior to the improvements taking effect, with budget surpluses available in out years to invest in S2 type operations.
- The strategy relies on rapid implementation of outflow management (improvement and transition management) which will require significant investment of time and skill to produce.
- Critically the effect of S2 and S3 changes are significant in this scenario in order to reduce the base inflow to S3 – these have not been the focus of this review so should be considered speculative only, however the value of including them in this scenario is to point to the synergy that should be achieved if all parts of the High & Complex Needs system are focused as a coherent whole.

Scenario 3: "Prudent action to maintain a sustainable S3"

Scenario Set-up:

Variable	Explanation of level set for scenario
Eligibility Acceptance %	To manage the short term flow of children into the system the criteria are restricted quite strongly. It takes a short period of time to amend the necessary changes in order to achieve this. This shift in essence may represent the move from a criteria to a need based assessment approach. To test this, the percentage of children passing the eligibility criteria is set to 75% for Q2 and drops to 40% for all remaining quarters.
S2 Effectiveness	Effort and resources are directed towards making S2 functional. The impact of this effort takes some time to be realised. To represent this the following levels are set. S2 only reaches 10% functionality by Q5. This level remains until Q9 at which time functionality increases to 20%. This level of functionality remains until Q13 where it increases to 30%, where it stays for all remaining quarters.
	To manage the improvement pathways for children in the system effort is put into driving improvement path initiatives into the system by focussing on improving the intervention and transitions plans. To test this, a range of improvement pathways are

Improvement Paths
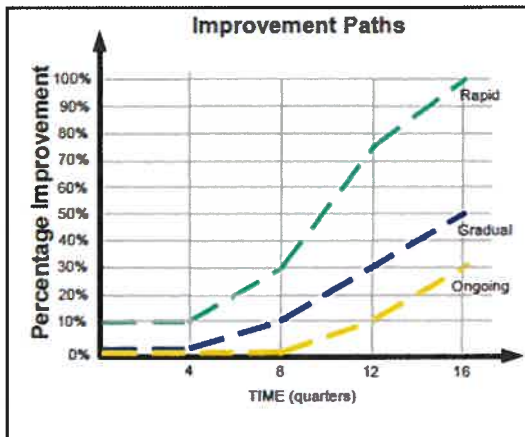
set. Ongoings are set to 0% improvement in yr's 1 and 2, 10% in yr 3 and 30% in yr 4. Graduals to 0% in yr 1, 10% in yr 2, 30% in yr 3 and 50% in yr 4. Rapids are set to 10% in yr 1, 30% in yr 2, 75% in yr 3 and 100% in yr 4.
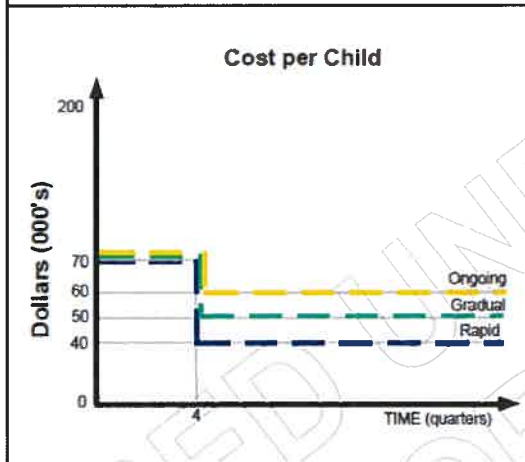
Cost per Child

To decrease the short-term cost per child all current plans are reassessed and cost reductions made. Cost restrictions are also implemented to decrease the cost of any future plans. To test this scenario the cost per ongoing child for yr 1 is set to $70k and all future years is reduced to $60K, gradual children are reduced to $70k in yr 1 and $50k for all future years. Rapid children are reduced to $70k in yr 1 and $40k per year for all remaining years.

Output
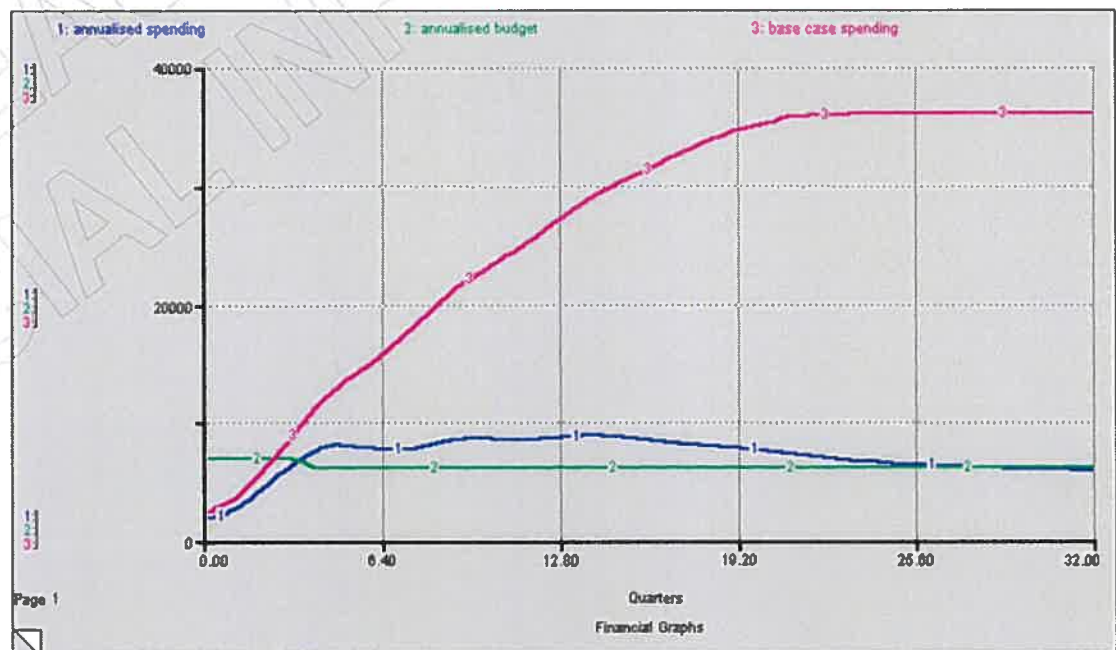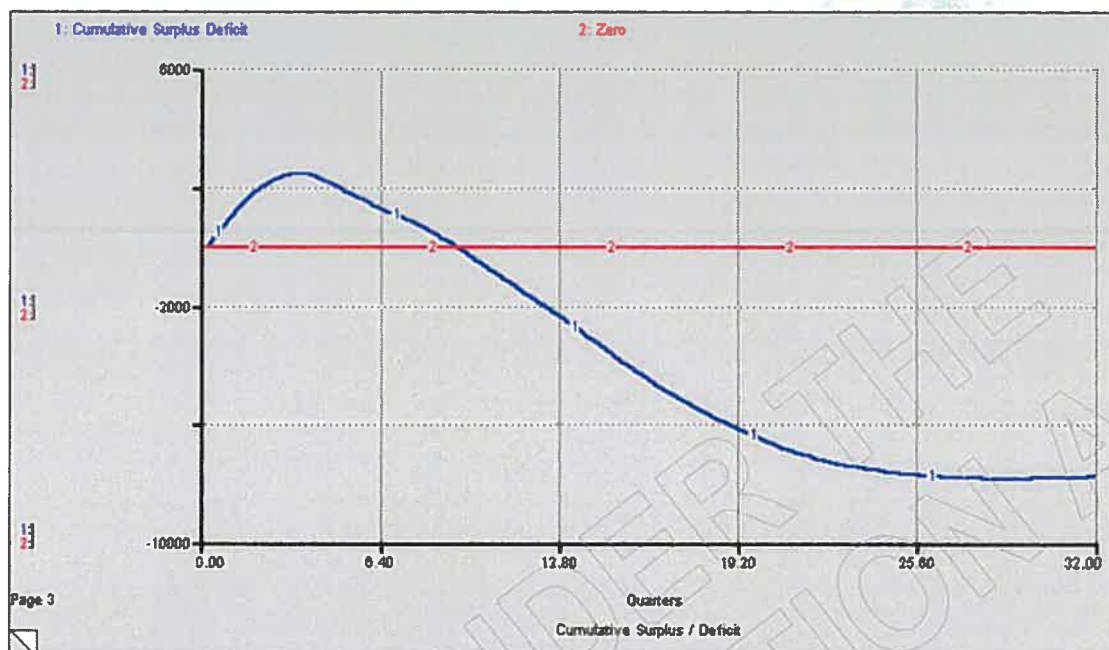
Scenario results:

This scenario is similar to the previous one but with lower expectations of the speed of implementation and magnitude of effect possible from outflow management and S1/S2 effects.

- The short –term budget under spends are accepted and rolled over into FY 03 – 04.

- Note this will require considerable understanding from Ministers and Treasury since the strategy deliberately under spends cumulative budget in the first 3 years by significant inflow management and aggressive cost control.

- The assumptions of improvement rates are more conservative than in the previous scenario – for example allowing for the unknowns of CYP composition and improvement potential or for competition for key skill resources of other programmes in Mental Health, Education etc that will exist if S3 is treated as a relatively minor priority by these sectors.

- The impact of S1/S2 is significantly reduced and delayed in coming on stream.

While this strategy is 'prudent' it may be represent a politically difficult proposition to gain acceptance with the short term budget under spend creating drivers to increase inflow while creating a perception that the strategy is not driving hard enough for improvements.

6.3 Recommended option

It is recommended that an initial start is made on a inflow strategy that falls between Scenario 2 "Rapid Improvement" and Scenario 3 "Prudent S3 sustainability" while the opportunities and risks of a more aggressive improvement/transition strategy are identified and the review of S2 is completed.

The pathway options should be presented to Chief Executives and Ministers for their consideration and testing – especially the issues of:

- The understanding of the basic system flows and the outcomes opportunities and political/agency risks entailed by the scenarios.

- Confirming the ability to achieve budget roll-overs or out year funding.

- Their sense of comfort with the outcomes achievable and budget levels that are feasible (the strategy is based on an assumption of perceived infeasibility of S3 spends in the $20 - $30 million range but this has not been tested during the review).
- Their commitment to making this a priority sufficient to exert the sector leadership required and to prioritise staff resources to enable the strategy shifts to occur.

6.4 Ideas for immediate action

The following steps could be taken immediately that would start the strategy shift described in this paper within the existing policy framework, minimising delays and work required.

Demand management
- Implement communication to people considering making an application explaining the issues that have developed out of this review and signalling that they should be prioritising their applications locally to ensure that the 'highest and most complex' are identified.
- An issues paper should be prepared to clarify the understanding of 'highest & most complex'.

Inflow management
- Reassess applications in the pipeline to assess verifiers view on the relative need of the CYP – ask for a reassessment of any that look as though they may be some distance from high priority 'highest & most complex' needs.
- Signal to all LSCs that plan development must focus on improvement pathway and transition management, including greater clarity of objectives.
- Investigate any current high cost applications in the system with the view to managing down the cost through alternative care provision.
- Develop the initial ideas of a goal and outcome bases need & priority access, test with people involved in similar work in Northland and Christchurch.
- Plan a national meeting of people involved in S3 and S1 pre Christmas ("bring the whole system into the room") with the aim to explore the basic issues of the system and the options available – as a platform building step for changes that will be considered centrally during October and early November.

Improvement & transition management
- Issue guidelines for reviews and aggressively drive for outstanding reviews to be completed within a short time frame.
- Undertake a more thorough evaluation of the current applications and plans using an evaluation framework that would better illuminate the patterns of need and social situation of CYP and the likely transition pathway (with special emphasis on the identification of on-going care cases).
- Convene a meeting of professionals to develop an initial scope of the best practice interventions that are potentially applicable together with a view on the implementation challenges and likely magnitude of improvement possible.

6.5 Summary of report recommendations

6.5.1 Reframing of goals and objectives

1. The concept of "highest and most complex" should be refocused away from a process definition of agency involvement and intensiveness and towards a more 'CYP centric' concept that better accords with the original policy intent.

2. The "highest & most complex" concept should have increased operational definition through the development of an overarching, shared, inter-agency definition that incorporates multiple dimensions of the "CYP within their environment". Within each dimension there should be a notion of 'high/low' that can both represent the state of need (e.g. as described by a vignette of typical CYPs) and that enables mapping of the continuum of care provided by agency core services so that the gaps filled by S3 (difference between CYP need and the services able to be provided) can be described. 'Complex' should therefore be described as the number or interaction of need/service gaps rather than by agency involvement/intensiveness.

3. At a macro level agencies should develop an overall concept of the expected improvement pathway of S3 CYP, based on international best practice where possible. The recommendation is that this broadly includes the notions of stages such as 'stabilising, improving, and transitioning'. The overall success of S3 should be based around movement through these stages where improvement on critical dimensions is assessed with the explicit goal of managing both improvement and duration in each stage.

4. If it is expected that some S3 CYP will not be on an improvement pathway (e.g. long-term intractable conditions, disabilities, health fragility etc) then they should be identified as specific exception cases. (Consideration should be given to whether CYP with ongoing needs should be handled by S3 or if they would be better handled by a more maintenance focused service approach).

5. To reduce the conflict between agencies that results from different timescales a shared understanding should be developed over the weighting given to different dimensions during each stage. For example a dimension such as 'safety' which will have an immediate value in 'stabilising' would be expected to become a given in the improving phase where others such as 'engaging with the curriculum' would be weighted more highly.

6. The "highest and most complex" as operationally defined should be used at a micro level for prioritising need, evaluating improvement and making transition decisions

7. S3 'system flow' objectives should be defined to manage the critical variables of:
   a. inflow numbers,
   b. inflow need threshold (assuming it is possible to 'score' need based on the dimensions described above),
   c. cost (a distribution based measure such a the 80th centile is likely to be better than an average due to the small overall numbers and impact of individual high cost plans),
   d. 'age-out' (maximum expected age based duration on inflow),
   e. reviews completed on time,
   f. numbers flowing through stage transitions and
   g. 'long duration' CYP

6.5.2 Refocus of S3 inflow management strategy

8. Inflow management should shift from being based on eligibility criteria to being undertaken on assessment of need and priority using dimensions described above. Early action is necessary to signal this directional shift so that priority is given to CYP in the current pipeline who have the highest states of need – ahead of the development of the formal prioritisation process and criteria.

9. Priority assessment should primarily be undertaken at a local level to enable assessment of individual cases relative to the needs of others and the expectations of local service delivery, local service gaps. The HCN should facilitate this as a local interagency 'service level' review process and convert the current national eligibility verification process into a needs assessment review to support national consistency and equity of access.

10. Inform judgement by advising the regions of the numbers of CYP expected from each region based on an adjusted population estimate. This will need to be informed by future funding path estimates (see below) in order that the idea of a sustainable inflow threshold can be managed. It is not recommended that funding is delegated to the regions.

11. A framework for priority assessment is recommended that should include both assessment dimensions, (see 10 above), vignettes of cases that would be recognised as "highest and most complex" and elements from the current criteria. The focus of the assessment criteria should be to inform Intersectoral professional judgement and dialogue so that a reasonable relative ranking can be achieved for existing and new S3 CYP candidates. The HCN should avoid the trap of over-emphasising the assessment criteria (versus informed judgement) and refrain from attempting to develop highly objective prioritisation criteria which will take considerable time and research to complete for small gains in discriminatory power.

12. A small number of very high cost plans are significantly contributing to the above expected average cost of the overall system and effectively limit the support available to other CYP from within the budget. High cost plans (in excess of $100,000) should be subject to additional review of the intervention strategy proposed and alternative means of provision, including tendering for care components if necessary. Approval of such high cost plans should be escalated to an HCN governance level.

6.5.3 Develop an explicit approach to S3 improvement & transition path management.

13. Develop explicit intervention and improvement approaches applicable to common patterns of need within S3 CYP. International literature suggests that effective intervention strategies exist for certain types of CYP need (e.g. complexes associated with conduct disorder) that are likely to be evident within S3 CYP. The HCN unit should seek to identify those that may be applicable through a more thorough evaluation of current applications and plans than was achievable in this review. It is expected that the unit will need to play an active role in identifying or developing intervention capabilities required to implement this recommendation (note these may potentially be considered as "S2" services focussed on improvement/transition of S3 CYP but also with broader applicability beyond S3).

14. Shift focus of planning towards explicitly defining improvement and transition interventions with clear definition of expected outcomes. To implement this recommendation it is expected that the HCN will need to support the local service co-ordinator with skilled support and facilitation in intervention plan development. Plans that do not meet a minimum level of outcome definition should not be accepted.

15. Improve discipline and management of reviews. The existing review process requires urgent development and requires a refocus on:
    - Reporting against expected outcomes
    - Maintaining the currency of the plan through a formal change process
    - Maintaining the discipline of the quarterly review cycle
    - Facilitation or support of the review process by HCN staff to help support the chosen intervention strategy and maintain the sense of required momentum by care providers

6.5.4 S3 subsystem resource & capability requirements

16. The shift in emphasis from a focus of the HCN from applications management and approval to facilitating local prioritisation and outcomes/transition management will require a concomitant shift in HCN resource and capabilities. The recommended functional organisation of the unit has been described on page 42. Few of the organisational systems to support the above recommendations exist currently although some associated with applications tracking and budget management will require few changes beyond that planned. Major changes required will include:
    a. Establishment of the assessment sub-system using the local facilitation skills of the current applications advisors and shift in function of the verification process
    b. Establishment of an intervention planning sub-system
    c. Establishment of an effective review management sub-system including objective tracking
    d. Securing the sector resources to develop intervention best practice
    e. Supporting the development of the S1 functions required (see "Inflow Management recommendations" above and recommendation re S1 integration below).

17. Information and analysis: The current information systems of S3 are in development and as yet are not delivering adequate information to those within the broader HCN unit.:
    f. The database development plan should be reviewed urgently to ensure that the basic monitoring and management functions can be performed adequately and that data accurately reflects the current state of applications and budgets.
    g. Distributed access to the information is urgently needed to provide information to applications advisors, verifiers and review management. Secure WEB access will be required to manage privacy risks.
    h. The understanding of the database design and its capabilities requires more extensive discussion with users and a review in light of the requirements of the strategic shift proposed in this review.
    i. In particular the database requires redesign to ensure it can track plan objectives and progress down the improvement transition path.

18. Role shifts: The roles of Applications Advisors and Verifiers will shift under the proposed strategy. Applications advisors would be best placed to aid the development of regional skills in priority assessment and to facilitate the development of intervention plans. The Verifiers role should continue with a shift towards assessment of applications and needs across regions but should also become active in providing discipline to the review process, raising the expectations of improvement and phase transitions by all involved.

19. Capabilities required: The proposed strategy implies a shift in focus of the HCN unit towards more ongoing clinical and professional input into intervention and improvement/transition strategies. The resources of the operational and professional arms of the respective agencies will be required to make this a reality – e.g. this may require a clinical advisory board and secondment of respective professionals to provide the capability required for intervention best practice research, development and implementation.

20. Manage change through projects: Design a limited number of related projects to implement the changes proposed in this review, managed by the HCN unit but formally reporting to HESSOG as project sponsor. Project design skills and project management support skills will be required by the unit to establish the projects but the skills and capabilities to undertake the work are available through the applications advisors, verifiers and seconded agency staff – including agency regional operations staff who have demonstrated skills and commitment to S3 success.

6.5.5 Management and governance

21. Role of steering group: It is considered that role conflicts between the Steering Group, HESSOG and HCN unit management be resolved by further changing the role of the Steering Group to be focussed on policy development. The recommendation is that the formal ongoing nature of the group shifts to specific policy development projects which are treated as formally constituted projects to support the HCN policy development and report to HESSOG as project sponsor (along the lines of the original working group policy development approach).

22. An operational purchase board role: It is considered that with the strategy refocus there will be a need for ongoing intersectoral oversight and advice for operational implementation of the strategy with a focus on the issues arising from assessing need and purchasing services that provide for the necessary improvement and transition out of S3. It is recommended that a Purchase Board be established with representation drawn from the sectors that can provide a balance of operational perspective as well as policy.

23. The role of HESSOG: It is the recommended that HESSOG remain involved in S3 in the short term, but remain focussed on its role as a governance body and as mobiliser of each agencies skills and resources to achieve the common goals. The shift will be facilitated if HESSOG conceives itself as managing two streams of activity: (a) the S3/S2 functions and (b) an intersectoral partnership that has broader implications and issues – such as core service definitions and gap identifications, which are raised by S3 but which S3 should not have the burden of solving. The latter distinction will enable HESSOG to bring together a broader constituency of influence than S3 on its own could command. HESSOG's governance role will also be facilitated by driving most of its oversight role through its function as project sponsor for change implementation and as receiver of issues raised via the Purchase Board. It is recommended that one person on HESSOG assume the role of project sponsor for

the S3 projects (or different individuals act as sponsor to each of the key change projects) to improve the efficiency of HESSOG as a whole.

6.5.6 Interagency

24. S3 functional requirements of S1, the case for greater integration: A redesigned S3 will require a different type of interaction between S1 and S3 and therefore require the identification of the gaps between current S1 functionality provided by regional SF networks and the development of a flexible approach to building the capability required – e.g. building on the skills available in some of the major centres or using the current applications advisors to facilitate the functionality in others.

    It will be essential that there is a greater level of communication and co-ordination between the HCN S3 and the national SF support provided by MSD.

25. HCN unit location: There are a number of arguments for and against shifting the physical location of the unit. It is recommended that consideration be given to co-locating S1 (SF) and S3 within MSD in the medium term. However given the urgent requirements to implement the proposed strategy shifts it is recommended that in the short term at least the HCN should remain hosted under the current CYF's manager, and that the Unit should remain there, with three provisos:

    - That CYF's senior managers respect the independence of the HCN Unit, and exert no pressure on it.
    - That the purchasing and budget decisions for the Unit are not subject to a CYF veto (see governance recommendations below).
    - That a degree of external mentoring and professional support is provided to the unit manager in addition to that able to be provided through CYF's manager.

26. Interagency partnerships: It is recommended that the partnership between agencies is rearticulated in a partnership agreement or MOU that expresses the desire by Agency CE's and within HESSOG to work differently and establish a different basis for the working relationship within the agencies, leading to clear, articulated, shared understandings of each agency's culture and goals. Within this there is a shared understanding developed by Ministers, Agency CE's and HESSOG of the implications of S3 goals and practices for each agency, and a desire to jointly resolve adverse implications for any agency. The future implementation of S3 uses a minimalist approach to structural solutions with a focus on the joint project initiatives that S3 represents.

7 The review team

Synergia Limited

Lead reviewer - s 9(2)(a)

s 9(2)(a)

s 9(2)(a)

The review team wishes to express its thanks and appreciation to all who enabled the review to be conducted to such a degree of breadth and depth within the time frames available.

The ideas represented here are merely a synthesis of the creativity and insights of all those who gave us their time and represent their passion for improving our collective ability to provide care and support for children with the highest and most complex needs.

8 Appendices

8.1 Interviewees

Ministry of Education Caucus
s 9(2)(a)

Ministry of Health Caucus
Meeting with s 9(2)(a)
Steering Group
s 9(2)(a)

CYF Caucus
s 9(2)(a)

Strategy for Children and Young People with High and Complex Needs

System 2 Review
(incorporating S1 & S3)

October 2002

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Synergia Limited

1 System 2 review aims and objectives

The Department of Child, Youth and Family and the Ministries of Health, Education, Social Development and Te Puni Kokiri are seeking to continue with the second phase of the process review of the Intersectoral Strategy for Children and Young People with High and Complex Needs; with a focus on System 2 (S2) - the development of joint services.

This phase of the review is to build on the findings of the initial review of System 3 (S3), [1] which included, amongst others, recommendations to:
- Refocus S3 on children and young persons (CYP) with the "highest and most complex" of needs via a need based prioritisation process
- Develop explicit intervention and care pathways for CYP in S3
- Redefine the functions required of local agency case collaboration (S1) by S3 and better integrate S1 and S3

In the light of these recommendations the joint sector senior officials group, HESSOG has asked Synergia to proceed to review S2 within two broad questions:

1. In view of the explicit advice in relation to System 3, and the implicit views about System 1, is there a role for System 2?

2. If there is a role how should System 2 be integrated and operationalised into the overall design of the Intersectoral Strategy for Children and Young People with High and Complex Needs.

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[1] Process Review of the Strategy for Children and Young People with High and Complex Needs - System 3 September 2002

2 Statement of understanding

2.1 The goals of S2

S2 is a limited timeframe service development fund (not available for operational delivery) for the design and development of services for CYP with intersectoral needs. Within a reasonably well agreed set of overall outcomes, (safety, improved health status, educational attainment, increased social and family participation, reduction of disparities etc), it is intended to fulfil two overall goals:

1. Foster collaboration across agencies
   - Fund service feasibility studies to aid agencies' understanding of service requirements and reconcile differences in goals, resource priorities and vote management
   - Provide trail blazing opportunities for planning, implementing and monitoring of more holistic and integrated services
   - Create an environment of collaboration and problem solving

2. Improve intersectoral service delivery to CYP with high and complex needs
   - Provide for the needs of clusters of CYP not served by current specialised agency services
   - Develop intersectoral services for groups such as Maori that are overrepresented within CYP with high and complex needs
   - Build sector capabilities

While it is stressed that S2 was not the subject of any part of the S3 review a key part of the latter was the identification of differences in mental models of success held by each agency, leading to goal drift and goal conflict at an operational level.

We believe that there is a risk that a similar issue has developed within S2 and underpins some of the current issues with developing a strategic framework for S2 service development.

Based on our (limited) experience to date we believe that there are least these mental models in operation:
- S2 fills strategic joint service gaps – therefore the focus should be on identifying national gaps and designing services to remedy
- S2 as meeting the needs of disadvantaged/over represented communities – a bottom up approach empowered by centralised funding
- S2 as a way of enhancing the local collaboration of Strengthening Families by providing joint services to meet local service gaps
- S2 and S3 are integrated with S2 functioning as the proactive "barrier at the top of cliff" that prevents S3 situations developing
- S2 provides capability development resources

The review of S2 will map the system of goals and intentions in operation within the various agencies and stakeholders involved to articulate the common ground and variances in explicit and implicit goals, objectives and measures in use.

2.2 Work to date

From our initial discussions and review of relevant documents, it appears that S2

has undertaken:
- Consultation research
- Calls for proposals
- Secondment of development staff
- Development of a framework for funding allocation
- Support for funding for initial service development

The focus of the work programme has been to support locally proposed opportunities within a national framework. Difficulties have emerged in integrating the local development initiatives and the understanding of national service gaps within a strategic framework that integrates S2 with the other elements of the HCN strategy. HESSOG has concerns that without a coherent framework the approval of individual proposals risk fragmentation of S2 and creating precedents that may not be supportable into the future.

The review of S2 will apply a similar process analysis approach as used in S3 to provide a consistent view across both areas of HCN operations.

2.3 The nature of CYP with high and complex needs

A fundamental assumption of the Intersectoral strategy is that CYP with high and complex needs are a "heterogeneous group and tend to be defined by a specific uni-sector diagnosis or by what they don't have, no diagnosable mental health, no recognisable disability & behaviours – not within the normal range. Services for these CYP are usually fragmented with few specialised community based treatment and support services available".[2]

Within this context System 2 involves two or more agencies working together to jointly design and fund services for CYP with similar intersectoral needs.

System 2 therefore relies on identifying patterns within a heterogeneous group where integrated services will make a difference. It is acknowledged that the information and research base for identifying patterns is limited since these are often the CYP that have 'slipped through the gaps' of agency core services and are therefore not always readily identifiable. By default S2 development has therefore been operating on a basis of local need identification of 'gaps' as a surrogate for 'patterns' but this has a consequence in making the development of an overall cohering conceptual framework for S2 funding much more difficult.

Within the S3 review a similar issue was addressed where CYP with the most idiosyncratic, high and complex needs have individualised plans developed. A consequence of the focus on the idiosyncratic nature of CYP needs is that it reduces the focus on the intervention, improvement and transition processes required to maintain a sustainable S3, within a reasonable budget, substituting instead consideration of individual eligibility. The S3 review therefore recommended that the patterns within the flow of applications to S3 be identified so that where possible appropriate intervention strategies would be available.

From a whole system perspective the review of S2 will examine the relationship between the patterns emerging from the S3 analysis and the types of CYP being targeted by S2 development within two review sub-questions:

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[2] Draft Service Policy Framework: 16 August 2002

1. Are the patterns of need addressed by S3 and S2 similar?
2. What is the role of S2 service development in supporting the intervention strategies, resources and capabilities that may be required by S3?
3. How would this role be best integrated and operationalised within the strategy?

2.4 S2 facilitating the development of more joined up services

S2 has focused on the development of more joined up intersectoral services where:

- Shortfalls in service delivery occur
- More successful outcomes are possible through integration, holistic, targeted or early interventions
- Costs of service delivery can be reduced
- Cost shifting occurs between sectors

The S3 review focussed indirectly on the functioning of joined up services through a very limited analysis of the local S1 processes and functions required for successful S3 functioning. However during the process of the review it appeared that S1 local co-ordination could be seen as operating on at least three levels:

- Case level coordination – the development of joint approaches to managing individual care through coordination of individual agency services.
- Practice level coordination – the development of shared or acknowledged specialist skills at a local level to co-ordinate best practice care for CYP with complex needs.
- Service level co-ordination – joint agency collaboration to identify service level resources (or gaps in resources) required to manage the care of a population of CYP with high and complex needs.

Anecdotally it appears that more practice and service level coordination leads to fewer service gaps, better deployment of best practice and the emergence of joint services that reduce the requirement forS3 type services.

From a whole system perspective the review of S2 will examine success models of S1 functioning targeting four subsidiary questions:

1. Are there models of successful S1 functioning that fulfil some or all of the goals originally attributed to S2?
2. What are the systemic attributes of 'enhanced S1 functioning' in this regard?
3. What is the role of S2 to assist in the development of these functions?
4. How would this role be best integrated and operationalised within the strategy?

2.5 Meeting the needs of Maori

The strategy and framework documents for S2 rightfully place considerable emphasis on the significance of S2 in addressing the needs of Maori CYP (who are over represented among those with high and complex needs) in the wider context of their whanau, hapu and iwi. In particular service gaps are noted in such areas

as drug and alcohol abuse, behaviour management, conduct disorder and alternative education services. Similarly the strategy notes requirements for capacity building and work force development to enable the provision of kaupapa Maori services and responsive mainstream agency services.

To ensure that the future shape of S2, as maybe influenced by this review, continues to have this focus the review will explicitly seek input from a variety of Maori perspectives on both the effectiveness of the current approaches and the opportunities or risks of possible alternatives. To achieve this goal the review team will include Awerangi Durie who has undertaken similar work with Synergia team members in the past.

2.6 S2 involves successful service collaboration

For S2 to be successful in the medium term it will require successful service collaboration between agencies at both national and local levels including:
- Common goals and values
- Stakeholder involvement
- Resources
- Operating relationships and processes
- Management and governance structures

In addition the ongoing funding and resource challenges represented by the development of new joint services is a particular challenge for the sustainability of S3 approaches. This will involve:

- Ensuring S3 development addresses the different funding models used across sectors including vote management and funding prioritisation issues
- Understanding the sector inclusion/exclusion criteria and related cost shifting risks
- Resource and capability constraints
- The time and effort required to develop and maintain the necessary relationship and management infrastructures

The review will analyse the role of S2 in fostering collaboration within the context of the overall HCN intersectoral strategy. It will place particular emphasis on the partnership success models required at both national and regional levels for ongoing sustainable functioning of joint services.

2.7 Implementation of S2

The final component of the review will be to develop recommendations for how S2 should be integrated and operationalised into the overall design of the Intersectoral Strategy.

The review will provide a whole system map of the functional fit of S2 and S1/S3 to provide a strategic framework and system/process view. The systems modelling approach will be extended to incorporate S2 functions (likely to be a separate strategic model due to the different nature of the issues) using a resource based strategy modelling approach.

3 Approach

To provided consistency of strategic review framework the overall approach used for the S2 review will be similar to that deployed for S3. In our view a central component of the approach will be a defacto review of S1 functions so that at the end of the process HESSOG and the HCN unit will have a systemic overview of all subsystems involved.

To achieve it is proposed that the review covers:

1. Articulation of the strategic context, direction and S2 mental models held by key stakeholders
2. Review the direction and current state of S2 development
3. Analyse current S2 success models (based on pre-existing exemplars) and attributes within the context of the wider intersectoral strategy
4. Analyse the S2/S3 system
5. Analyse S1 success models and the S1/S2 system
6. Analysis of Maori perspectives and success requirements
7. S2 strategic modelling & scenario testing
8. S2 collaboration and implementation requirements - resource, capability & risk assessment

4 Work plan

4.1 Stage 1

Stage one of the review will focus on the first question – the role of S2 within the context of S1 & S3 and covers the following elements:

1. Scoping, project definition and context assessment
   - Plan preparation discussions
   - S2 development team scoping discussions
   - HESSOG reviews
   - Key stakeholder interviews

2. S2 current state of development and analysis of pre-existing success models
   - Interview with S2 staff and selected S2 project sponsors
   - Interviews with pre-existing exemplars (e.g. Youth Horizons Trust, Otago Youth Wellness Trust, and others as nominated)

3. S3/S2 system
   - CYP pattern analysis
   - Fit with S3 intervention planning

4. S1/S2 system and Maori perspectives (combined for efficiency of process)
   - Analysis of function of S1 in the following regions, Northland,

Auckland, Hamilton ('practice level' S1 example?), Bay of Plenty, Gisbourne/Tairawhiti, Christchurch ('service level' S1 example and to provide input into effective local formal partnership development process)
- Maori provider & community leader research

5. Initial concepts work shop and qualitative report

Timing of stage 1
It is proposed to start stage 1 on the 21st of October with the initial concepts workshop and qualitative report complete by the 13th of December.

4.2 Stage 2

Stage 2, subject to confirmation from the results of the first stage, will focus on the second question – the implementation and integration of S2 with S1 and S3. it will cover the following items:

1. Strategic model development
2. Agency resource and capability assessment
3. Integrated S1, S2, S3 idealised design workshop (proposed to be held in conjunction with the national forum on S3 redesign in February 2003?)
4. Final report & implementation plan

Timing for stage 2
It is proposed that work on item 1 will commence in parallel with the end of stage 1 and proceed through January.

An interim workshop using the strategic model would be conducted at the end of January or early February.

Final report and implementation plan complete within 2 weeks of completion of the national forum.

5 Budget

5.1 Fees

With the range of scope and scale proposed here the estimate below should be considered indicative with final fees and expenses tuned once the logistics of people and locations are finalised.

Stage 1

1. Scoping, project definition and context assessment	$12,000
2. S2 current state of development and analysis of pre-existing success models	$15,500
3. S3/S2 system (Note potential overlap with S3 implementation workstream)	$6,000*
4. S1/S2 system	$28,000
5. Maori perspectives	$14,000
6. Initial concepts work shop and qualitative report	$10,000
Total	$85,500
* Total if item 3 included in S3 work plan	$79,500

Expenses estimate

1. Travel	$10,000
2. Accommodation & associated costs	$2000
3. Telecommunications & sundries	$750
Total	$12,750

Stage 2

Strategic model development	$15,000
Agency resource and capability assessment	$7,000
Integrated S1, S2, S3 idealised design workshop (proposed to be held in conjunction with the national forum on S3 redesign in February 2003?)	$10,000*
Final report & implementation plan	$8,000
Total	$40,000
* Total if item 3 partially included in S3 work plan	$34,000

Expenses estimate

1. Travel	$4,000
2. Accommodation & associated costs	$1,500
3. Telecommunications & sundries	$550
Total	$6,050

Note: All fees and expenses are net and do not include GST

5.2 Options

To enable HESSOG to consider a range of cost and value options the following scenarios are offered for consideration:

1. Base line option – as above
    Fees
    Expenses
    Total
	
	$125,000
	$18,000
	$143,000

2. Assuming overlap with S3 work plan items excluded (see above) and a reduced range of S1 review activity
    Fees
    Expenses
    Total
	
	$100,000
	$14,000
	$114,000

3. Assuming the above plus Maori perspective work excluded
    Fees
    Expenses
    Total
	
	$86,000
	$11,000
	$97,000

4. Assuming the above plus work programme restructured to a single process over a longer time period plus exclusion of the strategic modelling component
    Fees
    Expenses
    Total
	
	$65,000
	$9,000
	$74,000

Note: All fees and expenses are net and do not include GST

Strategy for children and young people with high and complex needs

Joint services development strategy review
(System 2)

November 2002

synergia

Synergia Limited

1 Joint Services Development Strategy

The Department of Child, Youth and Family and the Ministries of Health, Education, Social Development and Te Puni Kokiri are seeking to continue with the second phase review of the Intersectoral Strategy for Children and Young People with High and Complex Needs; with a focus on System 2 (S2) - the development of joint services.

This phase of the review is to build on the findings of the initial review of System 3 (S3), [1] which included, amongst others, recommendations to:

- Refocus S3 on children and young persons (CYP) with the "highest and most complex" of needs via a need based prioritisation process
- Develop explicit intervention and care pathways for CYP in S3
- Redefine the functions required of local agency case collaboration (S1) by S3 and better integrate S1 and S3

The focus of the current S2 review is on the S2 strategy and its deployment (rather than the a process review) with the expectation that it will:

- Review current strategy in the light of the understanding of the 'whole system' developed from the previous review
- Provide recommendations for the future direction of the Joint Services strategy (including, if necessary, recommended changes to the original policy as approved by Cabinet)
- Provide recommendations for the deployment of the strategy into HCN operations, management and governance
- Provide recommendations for the deployment of the strategy to the respective partner agencies

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[1] Process Review of the Strategy for Children and Young People with High and Complex Needs - System 3 September 2002

2 Statement of understanding

2.1 The goals of Joint Services Development

The Joint Services Development strategy is based on a limited timeframe service development fund (not available for operational delivery) for the design and development of services for CYP with intersectoral needs. Within a reasonably well agreed set of overall outcomes, (safety, improved health status, educational attainment, increased social and family participation, reduction of disparities etc), it is intended to fulfil two overall goals:

1. Foster collaboration across agencies
   - Fund service feasibility studies to aid agencies' understanding of service requirements and reconcile differences in goals, resource priorities and vote management
   - Provide trail blazing opportunities for planning, implementing and monitoring of more holistic and integrated services
   - Create an environment of collaboration and problem solving

2. Improve intersectoral service delivery to CYP with high and complex needs
   - Provide for the needs of clusters of CYP not served by current specialised agency services
   - Develop intersectoral services for groups such as Maori that are overrepresented within CYP with high and complex needs
   - Build sector capabilities

The previous S3 review identified differences in mental models of success held by each agency, leading to goal drift and goal conflict at an operational level. The S3 redevelopment programme; project 1 'outcomes and goals', is specifically addressing this issue with a view to rearticulating the shared goals for the HCN strategy as a whole. The initial work of this joint services development strategy review will be undertaken in conjunction with this activity and provide recommendations specific to joint services in addition to the deliverables of that project.

2.2 Work to date

From our initial discussions and review of relevant documents joint services development strategy work undertaken to date covers:
- Consultation research
- Calls for proposals
- Secondment of development staff
- Development of a framework for funding allocation
- 'Platform building' of communication and relationship development
- Support for funding for initial service development

The focus of the work programme has been to support locally proposed opportunities within a national framework.

2.3 Strategic issues

Since the original joint services development strategy was completed a number of issues have arisen:

- <u>Shared goals and outcomes</u>: (Refer to note under 2.1 above)

- <u>Sector structure:</u> The structure of the sectors has evolved, most significantly in Health where the devolution of accountability for priority setting, service delivery and funding to twenty one DHBs places requires a different response from a national service development strategy

- <u>Funding and resourcing</u>: Associated with this are funding issues where additional operational resources may be required to run joint services developed under the strategy. With a mixture of agency funding pathways (annual vote vs. fully funded and national vs. fully devolved) the viability of joint services that depend on additional resources from multiple agencies has been questioned.

- <u>Leverage points for joint services</u>: Understanding of the nature of high and complex needs has evolved as the strategy has been implemented and tested. This has been highlighted in the System 3 review where the interplay between CYP with 'high and most complex needs', core services and local service variation is seen to require an integrated mix of local S1 functions, joint assessment and planning services plus intervention capabilities that may be strategically more important candidates for S2 type joint service development than those identified to date.

- <u>Strategic framework for specific initiatives.</u> The deployment of the joint service development strategy to date has focussed on stimulating feasibility studies and joint planning at a local level. The resulting responses are very specific to locally perceived needs and situation – to date the strategy does not have a framework that is sufficient to allow evaluation of proposals against the broader objectives or a way of ensuring that the specific solutions can be generalised out of their unique context.

- <u>Leverage points for facilitation:</u> With the acknowledged difficulties in developing joint inter agency services the original strategy focussed on providing seed funding to facilitate agencies to jointly identify, plan and develop joint services. From this view the role of the strategy is to facilitate the process, develop capabilities, remove constraints from the development of joint services not the services themselves (which is becoming the focus of the strategy in the absence of the framework noted above). Alternative ways of implementing the joint service development strategy may be more effective at targeting the real leverage points for facilitating joint service development.

- <u>Meeting the needs of Maori</u>: The strategy and framework documents for S2 rightfully place considerable emphasis on the significance of S2 in addressing the needs of Maori CYP (who are over represented among those with high and complex needs) in the wider context of their whanau, hapu and iwi. In particular service gaps are noted in such areas as drug and alcohol abuse, behaviour management, conduct disorder and alternative education services. Similarly the strategy notes requirements for capacity building and work force development to enable the provision of kaupapa Maori services and responsive mainstream agency services.

- <u>Integrating the strategy components</u>:– The HCN functions of local cooperation (S1), collaborative joint services (S2) and the integrated services (S3) require reintegration to ensure that the various components work effectively and efficiently.

3 Approach

The Synergia 'systems approach' to policy and strategy development follows a pattern that is consistent with that taken by the S3 process review – ensuring that the needs of the HCN strategy as a 'whole system' are considered.

The strategy review will cover:
- Context/situation analysis, with a focus on the changes since the original strategy development including; sector structure, 'whole of government' implications for joint sector services, inter-sector funding
- Overall purpose, outcomes, goals, drawing on the overall shared outcomes/goals project within the S3 redevelopment
- Joint service strategy objectives based on an analysis of the overall system resources and capability requirements for success, including a more extensive analysis of the patterns of 'local' S1 capabilities and the intervention capability/resource requirements of S3 in conjunction with the associated redevelopment project
- Scenario analysis of the strategy leverage points
- Joint service strategy deployment recommendations, for HCN, agencies and the specific joint service development fund and resources

The deliverables from the review are to include:

1. A strategy review report
2. Specific recommendations for the future of the HCN units S2 programme
3. Recommendations for a framework for operational decisions on S2 proposals in the light of the strategy recommendations
4. An inter-agency workshop to aid development of understanding, relationships and facilitate implementation planning

To achieve it is proposed that the review covers:

1. Analysis of the original strategy and implementation
2. Redevelopment of a structure of goals, outcomes and objectives in association with the S3 shared goals project
3. Analysis of current S1 and S2 success models (based on pre-existing exemplars) and attributes within the context of the wider intersectoral strategy
4. Incorporation of current thinking from Treasury and SSC on intersectoral strategy and funding models
5. Involvement of a small reference group of HESSOG/Agency/HCN staff for rapid ideas and reality testing
6. Concept testing for implications for Maori
7. S2 strategic modelling and scenario testing with key stakeholders including agencies, some selected key local organisations (e.g. DHBs)

4 Work plan

1. Analysis of the strategy 'as is'
   - Plan preparation discussions
   - S2 development team scoping discussions
   - HESSOG reviews
   - Key stakeholder interviews

2. Incorporation/interpretation of the shared outcomes/goals structure into the S2 strategy framework

3. S1/S2 pre-existing success models
   - Interviews with pre-existing exemplars (as nominated)
   - Further analysis of S1 functioning in selected areas including discussions with local agencies (especially DHBs) on requirements for successful joint services – operations, funding, management

4. S3/S2 system
   - Incorporation of the implications of S3 intervention planning for joint service development

5. Strategy development
   - Strategic model development
   - Agency resource and capability assessment
   - Concept testing of implications for Maori
   - S2 idealised design workshop (proposed to be held in conjunction with the national forum on S3 redesign in February – mid March 2003?)

6. Final report and implementation plan complete within 3 weeks of completion of the national forum.

5 Budget

5.1 Fees

With the range of scope and scale proposed here the estimate below should be considered indicative with final fees and expenses tuned once the logistics of people and locations are finalised.

Stage 1

Scoping, project definition and context assessment	$12,000
S1/S2 current state of development and analysis of pre-existing success models	$15,000
Funding and resourcing issues analysis	$7,000
S3/S2 system implications	$5,000
Strategic model development and concept testing	$15,000
Idealised design workshop	$8,000
Final report & implementation plan	$10,000
Total	$72,000

Expenses estimate

1. Travel	$10,000
2. Accommodation & associated costs	$2000
3. Telecommunications & sundries	$750
Total	$12,750

Note: All fees and expenses are net and do not include GST

Hon Steve Maharey, Minister of Social Services
Hon Trevor Mallard, Minister of Education
Hon Ruth Dyson, Associate Minister of Health
Hon Lianne Dalziel, Associate Minister of Education

4 December 2002

STRATEGY FOR CHILDREN AND YOUNG PEOPLE WITH HIGH AND COMPLEX NEEDS: PROGRESS UPDATE

Introduction

1. In October we reported to you with recommendations for a comprehensive "rescue package" for System 3 following a review of System 3 by independent consultants. You subsequently endorsed the recommended package.

2. The package of measures was designed to address the systemic issues identified by the review of S3. It includes:
   a. Introducing a prioritisation process for access to S3 funding;
   b. Enhancing service planning, management, and monitoring of funding;
   c. Improving analysis of S3 data;
   d. Managing effectively the flow of children into and out of S3; and
   e. Streamlining the governance and management arrangements.

We have begun to implement this package

3. The four projects have been scoped, project terms of reference finalised, project leaders appointed and project teams are under way. The projects are:

   • Project One; Outcomes and Goals Framework and Evaluation;
   • Project Two; Inflow Management;
   • Project Three: Intervention Planning and Review Management; and
   • Project Four: Management and Information Systems and Capability Development.

4. The key priority for December is clarifying the outcomes and goals framework which is part of Project One. The workshop for this is scheduled for 12 December.

5. All projects are within budget as agreed with Ministers.

6. Expense transfers will be actioned in February baseline update.

We have strengthened the governance arrangements

7. Immediate action has been taken to strengthen and streamline governance and operational structures of the Intersectoral Unit with a new governance and advisory board to take effect from 1 January 2003, with clear functions and agency representatives identified.

We are moving to stabilise expenditure

8. As stage one of the implementation of the change package we took some immediate steps primarily aimed at countering the forecast over commitment of expenditure. These included:
   - Modifying the application process to emphasise prioritisation of children and young people with the highest and most complex needs and measurable outcomes in intervention plans;
   - An emphasis on reviewing approved plans; and
   - Initial communication of these changes to frontline staff

9. Early indications are that committed expenditure is tracking as per our September forecast.

What this means for numbers of children and young people in System 3

10. As at 30 November 47 children and young people were receiving S3 funding. The numbers at various stages at early May, 30 September and 30 November are shown in the table below.

Table 1: Breakdown of Applications as at 30 November 2002

Type	May	September	November
Intervention Plans approved	6	26	30
Intervention Plans in preparation	14	16	17
Total receiving S3 funding	**20**	**42**	**47**
Approximate monthly approval rate		7	2
Identified as possible candidates		68	20

11. As the table shows, the increased emphasis on prioritisation and measurable outcomes has been influential in helping to stabilise inflow. This decreases the risk of over committing next year's expenditure this year.

The review of System 2 is under way

12. Using the same consultants who produced such useful analysis of S3, the S2 review is currently underway. This will include specific recommendations for the future of S2 as well as a proposed framework for operational decisions.

13. The outcomes of this review will be reported to you in the March quarterly.

14. To date one joint service has been fully developed with proposed implementation costs. Another four joint services are being scoped or are under development.

15. As things stand there is likely to be an underspend in S2 development funding for the current financial year.

16. A major impediment to the development of new joint services is the lack of implementation funding. Most services already in the scoping and development process are likely to require new money to implement. In light of the forecast underspend we do

not anticipate a budget bid for implementation in the 2003/04 budget round. We would, however, like Ministers to agree to the use of development funding for the existing projects for one year only. This will, of course, be subject to the review findings.

Next report

17. Next quarterly report is due 31 March 2003 and will cover an update of both System 2 and System 3 developments.

Consultation

18. Te Puni Kokiri and the State Services Commission have been consulted, and their comments incorporated.

Recommendations

19. It is recommended that you:

a) **Note** the contents of this report;

b) **Note** that the next progress report is due 31 March 2003;

c) **Agree** to the use of S2 development funding for implementation of existing projects for one year only.

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