



14 February 2024

Tēnā koe

Official Information Act Request

Thank you for your email of 12 December 2023, requesting any documents related to the Martin Jenkins review of the costs of providing vocational services.

I have considered your request under the Official Information Act 1982 (the Act). Please find my decision on each part of your request set out separately below.

1. *"A copy of the final report, along with any other outputs produced by Martin Jenkins in relation to their work on vocational services funding."*

Please refer to the attached final copy of the Martin Jenkins 2021 Report on Vocational Services. The Ministry does not hold any other outputs produced by Martin Jenkins in relation to this report.

2. *"Any complementary analysis or reports produced by the Ministry of Social Development on the same or similar issues within a similar time frame (ie mid-late 2021 to date)."*

Your request for this information is refused under section 18(e) of the Act as this document does not exist or, despite reasonable efforts to locate it, cannot be found.

3. *"Any decision-making documents, summary papers, or recommendations, provided internally within the Ministry or for external decision makers including Ministers, responding to or arising out of the Martin Jenkins review on the same or similar time frames (ie mid-late 2021 to date)."*

The reports listed below were informed in part by the Martin Jenkins report and include recommendations to Ministers and analysis by the Ministry on the cost model for Community Participation Services.

Please refer to the following reports attached which fall in scope of your request:

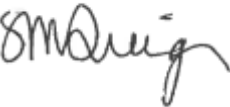
- REP/22/10/993 – Report - *Community Participation Services Funding Model*, dated 4 November 2022.
- REP/23/3/264 – Report - *Community Participations Funding Model-Update on Implementation*, dated 14 April 2023.
- REP/22/11/1168 – Report - *Community Participation Services Appropriation Operating Contingency*, dated 30 November 2022.

I will be publishing this decision letter, with your personal details deleted, on the Ministry's website in due course.

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 my decision on your request for any documents related to the Martin Jenkins review of the costs of providing vocational services, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi nui

pp. 

Magnus O'Neill
General Manager
Ministerial and Executive Services



Report

Date: 30 November 2022 **Security Level:** BUDGET SENSITIVE

To: Hon Grant Robertson, Minister of Finance
Hon Carmel Sepuloni, Minister for Social Development & Employment

Community Participation Services Appropriation Operating Contingency

Purpose of the report

- 1 This report seeks agreement from joint Ministers to the drawdown of the operating contingency of \$14.350 million established as part of Budget 2020 for 'Community Services: Keeping Community-Based Services Open for Disabled People'.
- 2 The funding will be appropriated by the Ministry of Social Development (MSD) to the Community Participation Services Appropriation, Vote Social Development.

Executive summary

- 3 Cabinet approved increases to the Community Participation Services appropriation as part of Budget 2020, with part of the funding set aside as an operating contingency to allow MSD to work with the sector to determine the best approach to deliver high value services, with a sustainable and transparent approach to funding.
- 4 Funding of services for disabled people needing additional support with participation and inclusion is currently provided via the Community Participation Services appropriation and includes Community Participation Programmes, Very High Needs Individualised Programmes, Business Enterprises, and Transition Services.
- 5 The additional contingency funding of \$14.350m from Budget 2020 needs to be drawn down before the expiry date of 1 February 2023. This funding provides an opportunity to improve how Community Participation Services are funded and address cost pressures in the sector.

- 6 The improved approach to Community Participation Services funding was informed by research commissioned by MSD, which comprised a service cost model and quantification of capacity issues with services and included consultation with the sector.
- 7 The proposed new approach builds on the existing funding model, providing funding for other elements such as additional actual participants and a cost pressure increase, as well as a pool of funding for additional participant hours and performance funding.

Recommended actions

It is recommended that you:

- 1 **note** as part of Budget 2020, Cabinet established the \$14.350 million per year operating contingency 'Community Services: Keeping Community-Based Services Open for Disabled People' in Vote Social Development [CAB-20-MIN-0155.30 refers]
- 2 **note** that Cabinet authorised the Ministers of Finance and Social Development & Employment to approve the contingency drawdown, subject to Ministers' satisfaction that MSD (with the sector) had satisfactorily determined:
 - 2.1 the best approach to delivering high value services
 - 2.2 a sustainable and transparent approach to funding [CAB-20-MIN-0155.30 refers]
- 3 **note** MSD has developed a new model for funding Community Participation Services that aims to improve alignment with Enabling Good Lives and to be more sustainable and transparent
- 4 **note** that the Minister for Social Development & Employment and the Minister for Disability Issues have been briefed on the proposed funding model and had no further feedback [REP/22/10/1993 refers]
- 5 **note** that this funding model incorporates:
 - 5.1 existing baseline funding for providers
 - 5.2 funding for additional actual participants
 - 5.3 a cost pressure increase
 - 5.4 a pool of additional participant hours
 - 5.5 performance funding

- 6 **agree** that, as the conditions for accessing funding have been met, the 'Community Services: Keeping Community-Based Services Open for Disabled People' tagged operating contingency of \$14.350 million can now be drawn down

AGREE

DISAGREE

- 7 **approve** the following changes to appropriations to provide for the decision in recommendation 6 above, with a corresponding impact on the operating balance and net debt:

	\$ million – increase / (decrease)				
Vote Social Development Minister for Social Development and Employment	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-Departmental Output Expense:					
<i>Community Participation Services</i>	14.350	14.350	14.350	14.350	14.350
Total Operating	14.350	14.350	14.350	14.350	14.350

APPROVED

NOT APPROVED

- 8 **agree** that the proposed changes to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply

AGREE

DISAGREE

- 9 **agree** that the expenses incurred under recommendation 7 be charged against the tagged operating contingency described in recommendation 1 above

AGREE

DISAGREE

- 10 **note** that, following the decision in recommendation 7 above, the tagged operating contingency described in recommendation 1 above are now exhausted and therefore closed

11 **agree** to forward a signed copy of this report to the Minister for Disability Issues for their information.

AGREE | DISAGREE



30/11/2022

Rebecca Brew-Harper
General Manager
Service and Contracts Management

Date

Julia Bergman
General Manager
Disability, Seniors, Child and Youth, and
International Policy

Date



Hon Grant Robertson
Minister of Finance

11/12/2022

Date

Hon Carmel Sepuloni
Minister for Social Development &
Employment

Date

Budget 2020 provided an opportunity to improve how we fund Community Participation Services

MSD funds services to support disabled people to achieve participation and inclusion outcomes

- 8 Participation and inclusion are important everyday life outcomes. Some disabled people experience barriers to participating in and being included in the community.
- 9 MSD, through the Community Participation Services appropriation, provides contributory funding¹ to organisations that provide services for disabled people who need additional support with participation and inclusion, and in some cases, employment outcomes.
- 10 The Community Participation Services appropriation totals \$99.371m for 2022/23. There are four main categories of funding:
 - Community Participation, which is bulk-funded to providers of services that are broadly open to disabled people who need support with participation or inclusion
 - Very High Needs individualised funding, available to people who were assessed as requiring Very High Needs levels of support through the Ongoing Resourcing Scheme (ORS) assessment when they were at school
 - Business Enterprises, which provide employment opportunities in a segregated setting for disabled people who have difficulty finding employment in the open labour market. Most Business Enterprises employ disabled people with Minimum Wage Exemption permits, which allows them to be paid less than the minimum wage
 - Transition Services, which support young disabled people receiving ORS support in their final year of school to plan for life after school.

Budget 2020 set aside a contingency to improve how we fund services

- 11 As part of Budget 2020, Cabinet authorised increases to the Community Participation Services appropriation to meet cost pressures in the sector.
- 12 Part of this funding was set aside in the 'Community Services: Keeping Community-Based Services Open for Disabled People' operating contingency (\$14.350m per year from 2022/23 – refer Table 1). This was intended to allow MSD to work with the sector to determine the best approach to

¹ MSD's funding is seen as contributory only and does not cover the full cost of these services. Providers are expected to obtain additional funding from philanthropic or other sources to cover the full cost.

delivering high value services, with a sustainable and transparent approach to funding.

Table 1: Operating Contingency

Operating Contingency	\$m - increase			
	2020/21	2021/22	2022/23	2023/24 & Outyears
Community Services: Keeping Community-Based Services Open for Disabled People	-	-	14.350	14.350

- 13 Cabinet authorised the Minister for Social Development & Employment and the Minister of Finance to jointly draw down from this operating contingency, subject to your satisfaction that MSD had determined the best approach to delivering high value services and a sustainable and transparent approach to funding.
- 14 The Minister for Social Development & Employment and the Minister for Disability Issues have been briefed on the proposed funding model and had no further feedback [REP/22/10/1993 refers].
- 15 Significant progress has been made since the funding was approved in 2020 and the contingency expires on 1 February 2023, so it must be drawn down prior to this date.

We developed a new approach for funding Community Participation Services

- 16 Our approach to funding Community Participation Services was developed on the basis that it needed to be consistent with Enabling Good Lives (EGL) principles, which is the Government's agreed basis for the transformation of the disability system, and that it would deliver high value services.
- 17 MSD commissioned Consultancy Services from MartinJenkins to carry out research to inform the development of the new Community Participation Services funding model. This research looked at Community Participation Programmes, Very High Needs Individualised Programmes and Business Enterprises.
- 18 The MartinJenkins work included consultation with the sector, both in-person and through zoom meetings. This engagement has informed the assessment and modelling used to develop the funding model.
- 19 Combined with MSD's commitment to a contributory funding source and MartinJenkins report, we determined what we consider to be the best approach to funding Community Participation Services: Community Participation Programmes, Very High Needs Individualised Programmes and Business Enterprises (refer Appendix 1).

20 This approach builds several elements on top of the existing funding model:

- funding for additional actual participants
- a cost pressure increase
- a pool of additional participant hours
- performance funding.

Funding providers for additional actual participants

21 Community Participation providers will receive contributory funding for each additional participant beyond their contracted number of participants, which may be subject to meeting certain agreed performance standards.²

22 The additional funding allows for more community participation placements, which should reduce the barrier of access to some Community Participation Services.

23 In addition, it:

- incentivises providers not to turn away disabled people
- incentivises service quality by providing additional funding for the providers that disabled people most want to engage with.

24 Some providers are not supporting their contracted numbers of participants. We do not propose at this stage to vary contracts to reduce funding for these providers, but this remains an option where providers do not meet agreed performance standards.

25 The cost of this element for the 2022/23 financial year will be \$2.600m.

Cost pressure increase

26 The funding includes a general cost pressure increase of 7 percent for Community Participation Programmes, Very High Needs Individualised Programmes, and Business Enterprise providers.

27 This acknowledges that many providers were already experiencing financial challenges prior to recent inflation, and that the contingency was created by holding back part of a planned cost pressure increase.

28 The cost of this element for the 2022/23 financial year will be \$5.000m.

Pool of additional participant hours

29 The next element of the model is a pool of funding for which Community Participation providers may apply to fund additional participant hours (this may also be made available for Very High Needs providers).

² Providers will be funded for each additional participant at their standard per participant level.

30 This funding may be used:

- to increase participant numbers on an ongoing basis
- for additional participant hours for existing clients – potentially to better align the needs of clients with the services that can be provided to support them.

31 Providers would apply to MSD for a given number of hours at a set rate, which will reflect MartinJenkins' cost modelling.

32 We propose that \$6.750m per year is available for providers.

Performance funding pool

33 The final element of the model is a small pool of performance funding, which is part of the overall appropriation. This is considered as 'seed funding' to progress performance reporting and innovation which will help move towards alignment with EGL principles. MSD will develop an outcomes-based performance framework for Community Participation Services.

34 Successfully meeting these performance standards would entitle Community Participation and Very High Needs Individualised Programme providers to a portion of the funding pool, pro-rated by participant numbers.

35 We do not consider it to be feasible to finalise and implement this framework for the 2022/23 financial year. Once the framework is established the performance funding pool amount will come from within the overall appropriation of \$14.350m (this pool may be higher in any given year depending on take up of the other funding elements from the appropriation).

Approval for drawdown

36 In creating the contingency, Cabinet:

"authorised the Ministers of Finance and Social Development to jointly draw down from the "Community Services: Keeping Community-Based Services Open for Disabled People" operating contingency, subject to their satisfaction that the Ministry of Social Development (with the sector) have satisfactorily determined:

- the best approach to delivering high value services;
- a sustainable and transparent approach to funding"

37 We seek your approval for a drawdown of the funding to give effect to this decision.

Next steps

38 Following your agreement to the drawdown of the operating contingency, the funding will be appropriated by MSD before 1 February 2023.

REP/22/11/1168

Author: Lynley Hutton, Contractor, Disability Policy

Responsible manager: Sarah Palmer, Policy Manager, Disability Policy

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Appendix 1: Extract from Rep/22/10/993 to Minister Sepuloni

Community Services Funding Model

There are a number of problems with how MSD currently funds Community Participation Services

39 The current funding model for Community Participation Services, and the approaches of providers, present a number of problems.

- Overall, a bulk-funding model is poorly aligned with the EGL vision and principles. Disabled people have the option to participate in the programmes offered by funded services, or not to participate at all. There is currently little to no incentive for providers to change their services to retain participants (although there may be for Very High Needs participants).
- Some providers' service offerings are poorly aligned with EGL, for example they may be focused on providing activities at the provider's facility and offer no or only very limited interaction with 'mainstream' society.
- Some providers support significantly more people than they are funded for, while others support fewer people, noting that recent participation has been affected by COVID-19.
- Service offerings have remained largely unchanged for some time, and provider choice is limited in some regions. There is a growing need for services.
- Some funded service providers have cost pressures that have meant they have stopped accepting further participants or started charging participants for some programmes.
- Participants may have limited understanding of the system, for example the fact that they can access multiple services, which means that people may receive more support because they are better connected rather than based on their needs.

40 Cabinet has agreed that funding associated with Community Participation, Very High Needs individualised funding, and Transition Services will be available for inclusion in personal budgets as an EGL approach to Disability Support Services is implemented nationally.

41 Incorporating the bulk-funded Community Participation into personal budgets proved challenging in Mana Whaikaha due to factors such as the oversubscription of some services and differences between funding levels. Funding brought into Mana Whaikaha has not been able to be individualised at the pace envisaged.

We commissioned research to inform the development of an improved approach to community participation funding

- 42 MSD commissioned Consultancy Services from MartinJenkins to carry out research informing the development of a new Community Participation Services funding model. This research looked at Community Participation Programmes, Very High Needs Individualised Programmes and Business Enterprises.
- 43 MartinJenkins were asked to:
- develop a service cost model for Community Participation Services delivered through MSD contract vehicles
 - quantify capacity issues in these services.
- 44 They were asked to consider:
- how much it costs MSD-contracted providers to deliver Community Participation Services
 - the appropriate level of funding to provide quality Community Participation that align with the principles of EGL
 - the nature of the gap between the demand for Community Participation Services and current supply.
- 45 MartinJenkins engaged with Community Participation providers and found that they used one or more of four basic models, with some providers offering all models:
- a 'group-based' model, including a mix of on-site and off-site activities
 - an 'on-site' model, including a mix of group and individual activities
 - 'supervised upskilling', in which people are employed short-term to build skills to improve their chances of getting paid work in the community
 - 'individual facilitation', in which providers help people to integrate themselves into community activities or employment, but do not deliver activities themselves.
- 46 The time that participants spend engaging with Community Participation Services varies significantly, as do other factors such as the ratio of participants to facilitators or support workers. This translates to wide variations in per participant or per participant hourly costs in delivering services, with MartinJenkins presenting cost models for each service type.
- 47 MartinJenkins also asked a sample of Community Participation and Very High Needs participants to identify what was most important to them in terms of programme quality. The factors identified most commonly were:
- staff that cared about them
 - opportunities to try new things and meet new people
 - feeling safe

- accessible, clean and comfortable facilities.
- 48 The engagement and information gathering process took longer than expected due to COVID restrictions and the inability to meet face to face. The timeframe was extended to ensure the engagement process was undertaken authentically and there was adequate time to analyse the results.

Community Participation Services funding should be consistent with Enabling Good Lives and Social Sector Commissioning principles

- 49 The 2011 'Enabling Good Lives' report by the Independent Working Group on 'Day Options' proposed the EGL approach specifically to address concerns with Community Participation Services and other similar services.
- 50 We consider that the EGL approach remains the best approach to achieving participation and inclusion for disabled people. It is crucial that our approach to funding Community Participation Services is consistent with EGL principles, which is the Government's agreed basis for the transformation of the disability system.
- 51 The funding model provides an opportunity to:
- support providers to deliver services in a way that is more consistent with the EGL vision and principles, and in some cases incorporates individual facilitation or personal budgeting on a small scale
 - change funding arrangements to be more easily incorporated into an EGL approach to services being implemented by Whaikaha.
- 52 We also need to consider both the sustainability and transparency of the Community Participation Services funding model. This means:
- the funding model minimises future cost pressures, for example by encouraging providers to remain agile and efficient, or supporting disabled people to potentially have more choice and control when using Community Participation Services
 - providers, disabled people and whānau should be able to understand how the model allocates funding for services and better reflects EGL principles.

Social Sector Commissioning

- 53 The proposed model aligns with the principles of Social Sector Commissioning. In particular, the transparency and sustainability of funding model and the performance funding pool, supports the sector to progress performance reporting and innovation.

We have developed a proposed new approach for funding Community Participation Services

- 54 MartinJenkins presented full cost models for the various types of services. MartinJenkins found that Providers vary in their approach to providing services. They use different service models and often an individual provider might use more than one type of service model. These models did not consider other funding sources or MSD current funding levels.
- 55 MSD's funding under these contracts is seen as contributory only, and not covering the full cost of these services. Providers are expected to obtain additional funding from philanthropic or other sources to cover the full cost.
- 56 Combined with MSD's commitment to a contributory funding source and MartinJenkins report we have determined what we consider to be the best approach to funding community participation services (Community Participation Programmes, Very High Needs Individualised Programmes and Business Enterprises).
- 57 This approach builds several elements on top of the existing funding model:
- funding for additional actual participants
 - a cost pressure increase
 - a pool of additional participant hours
 - performance funding.
- 58 These elements are explained below.

Funding providers for additional actual participants

- 59 Community Participation Providers will receive contributory funding for each additional participant beyond their contracted number of participants, which may be subject to meeting certain agreed performance standards.³
- 60 The additional funding allows for more community participation placements, which should reduce the barrier of access to some community participation services.
- 61 In addition, it:
- incentivises providers not to turn away disabled people
 - incentivises service quality by ensuring providing additional funding for the providers that disabled people most want to engage with.
- 62 Some providers are not supporting their contracted numbers of participants. We do not propose at this stage to vary contracts to reduce funding for these

³ Providers will be funded for each additional participant at their standard per participant level.

providers, but this remains an option where providers do not meet agreed performance standards.

63 The cost of this element for the 2022/23 financial year will be \$2.600m.

Cost pressure increase

64 We also propose a general cost pressure increase of 7 percent for Community Participation Programmes, Very High Needs Individualised Programmes, and Business Enterprise providers.

65 This acknowledges that many providers were already experiencing financial challenges prior to recent inflation, and that the contingency was created by holding back part of a planned cost pressure increase.

66 The cost of this element for the 2022/23 financial year will be \$5.000m.

Pool of additional participant hours

67 The next element of the model is a pool of funding for which Community Participation Providers in good standing may apply to fund additional participant hours. (This may also be made available for Very High Needs providers)

68 This funding may be used:

- to increase participant numbers on an ongoing basis
- for additional participant hours for existing clients – potentially to better align the needs of clients with the services that can be provided to support them.

69 Providers would apply to MSD for a given number of hours at a set rate, which will reflect MartinJenkins' cost modelling.

70 We propose that \$6.750m per year is available for providers.

Performance funding pool

71 The final element of the model is a small pool of performance funding, which is part of the overall appropriation. This is considered as 'seed funding' to progress performance reporting and innovation which will help move towards alignment with EGL principles. MSD will develop an outcomes-based performance framework for Community Participation Services.

72 Successfully meeting these performance standards would entitle Community Participation and Very High Needs Individualised Programme providers to a portion of the funding pool, pro-rated by participant numbers.

73 We do not consider it to be feasible to finalise and implement this framework for the 2022/23 financial year. Once the framework is established the performance funding pool amount will come from within the overall appropriation of \$14.350m. [This pool may be higher in any given year depending on take up of the other funding elements from the appropriation.]

Risks

74 The table below identifies risks, mitigations, and responses.

Risk	Risk: mitigation/response
Providers may be expecting to be fully funded by the new model	<ul style="list-style-type: none"> • The recommendations respond to engagement led by MartinJenkins. They are a step to addressing key funding issues facing providers, including the cost pressures faced over the last couple of years (7% cost pressure increase), funding for additional participants, and support innovation in the industry. <p>Engagement with providers to explain the model and provide transparency.</p>
The model could add additional administrative burden to MSD.	<p>There will be additional work for MSD, including:</p> <ul style="list-style-type: none"> • engagement with providers, variations to current contracts to address the cost pressure and the inequity top up • planning the funding process and applications will require some extra work for MSD <p>Business analyst expertise will be provided to support planning and contracting.</p>
The model could be perceived by Providers as adding administrative burden to current contract requirements.	<ul style="list-style-type: none"> • In developing the process for drawing down funding MSD will consider and align with State Sector Commissioning principles and seek to ensure funding requirements for providers is as efficient as possible. <p>Provider input will be sought before any additional performance reporting requirements are implemented.</p>
Perceived lack of engagement with providers.	<ul style="list-style-type: none"> • Providers had significant engagement opportunities through MartinJenkins and gave significant time to support the analysis. • Following this engagement providers are waiting for decisions to be made and there is an expectation that extra funding will be available to cover recent cost pressures. <p>MSD will communicate decisions on the funding model to providers and the sector as soon as practicable. Relationship managers will manage one-on-one relationships with providers and questions that may arise.</p>



Report

Date: 04 November 2022

**Security
Level:**

BUDGET - SENSITIVE

To: Hon Carmel Sepuloni, Minister for Social Development and
Employment

Community Participation Services funding model

Purpose of the report

- 1 This report invites your feedback on a proposed model for investing in high value Community Participation Services, that is consistent with the Enabling Good Lives principles, and will improve the sustainability and transparency of funding of services for disabled people.

Executive summary

- 2 Funding of services for disabled people needing additional support with participation and inclusion is currently provided via the Community Participation Services appropriation and includes: Community Participation Programmes, Very High Needs Individualised Programmes, Business Enterprises, and Transition Services.
- 3 Additional contingency funding of \$14.350m from Budget 2020 needs to be drawn down before the expiry date of 1 February 2023. This funding provides an opportunity to address problems identified with the current funding model for three of the Community Participation Services: Community Participation Programmes, Very High Needs Individualised Programmes, and Business Enterprises.
- 4 The problems identified include:
 - poor alignment of the funding model, as well as some providers' service offerings, with the vision and principles of Enabling Good Lives (EGL)
 - significant funding differences between providers, with some providers supporting more people than they are funded for
 - limited provider choice in some regions, as well as service offerings remaining unchanged
 - the impact of cost pressures on some funded service providers

- participants having limited understanding of the system and the service choices and options available to them.
- 5 The development of an improved approach to Community Participation Services funding was informed by research commissioned by the Ministry of Social Development, which comprised a service cost model and quantification of capacity issues with services.
 - 6 The proposed new approach builds on the existing funding model, providing funding for other elements, such as additional actual participants and a cost pressure increase, as well as a pool of funding for additional participant hours and performance funding.
 - 7 While the Community Participation Services Appropriation is your Ministerial responsibility, given that the funding serves disabled people, we recommend that you seek feedback on the funding model from the Minister for Disability Issues.
 - 8 Next steps include seeking formal agreement from yourself and the Minister of Finance to draw down the contingency in November 2022, engage with the sector to advise them of the proposed approach, and work with providers to distribute funding.

Recommended actions

It is recommended that you:

- 1 **note** as part of Budget 2020 Cabinet set aside a contingency for the Community Participation Services Appropriation to demonstrate commitment to longer term funding certainty for the disability sector
- 2 **note** Cabinet authorised you and the Minister of Finance to jointly draw down from this operating contingency, subject to both of your satisfaction that the Ministry of Social Development (with the sector) have satisfactorily determined:
 - 2.1 the best approach to delivering high value services
 - 2.2 a sustainable and transparent approach to funding [CAB-20-MIN-0155.30 refers]
- 3 **note** the Ministry of Social Development has developed a new model for funding Community Participation Services that aims to improve alignment with Enabling Good Lives, and to be more sustainable and transparent
- 4 **note** that this funding model incorporates:
 - 4.1 existing baseline funding for providers
 - 4.2 funding for additional actual participants
 - 4.3 a cost pressure increase
 - 4.4 a pool of additional participant hours

4.5 performance funding

- 5 **agree** to provide feedback on the funding model by 11 November 2022

☒ AGREE

☐ DISAGREE

- 6 **agree** to forward this paper to the Minister for Disability Issues, seeking her feedback on the funding model by 11 November 2022.

☒ AGREE

☐ DISAGREE



Rebecca Brew-Harper
General Manager
Service and Contracts Management

07/11/2022



Sarah Palmer
Disability Policy Manager
Disability, Seniors, Child and Youth and
International

07/11/2022



Hon Carmel Sepuloni
Minister for Social Development and
Employment

13/11/22

Date

MSD funds services to support disabled people to achieve participation and inclusion outcomes

- 9 Participation and inclusion are important everyday life outcomes. Some disabled people experience barriers to participating in and being included in the community.
- 10 MSD, through the Community Participation Services appropriation, provides contributory funding¹ to organisations that provide services for disabled people who need additional support with participation and inclusion (and in some cases employment outcomes).
- 11 The Community Participation Services appropriation totals \$99.371m for 2022/23. There are four main categories of funding:
 - Community Participation, which is bulk-funded to providers for services that are broadly open to disabled people who need support with participation or inclusion.
 - Very High Needs individualised funding, available to people who were assessed as having Very High Needs support through the Ongoing Resourcing Scheme (ORS) assessment when they were at school.
 - Business Enterprises, which provide employment opportunities in a segregated setting for disabled people who have difficulty finding open employment. Most Business Enterprises utilise the Minimum Wage Exemption Permit scheme which allows them to pay their employees less than minimum wage.
 - Transition Services, which support young disabled people receiving ORS support in their final year of school to plan for life after school.

Budget 2020 provided an opportunity to improve how we fund these services

Budget 2020 set aside a contingency to improve how we fund services

- 12 As part of Budget 2020, Cabinet authorised increases to the Community Participation Services appropriation to meet cost pressures in the sector.
- 13 However, part of this funding was set aside in the "Community Services: Keeping Community-Based Services Open for Disabled People" operating contingency (\$14.350m per year from 2022/23). This was intended to allow

¹ MSD's funding is seen as contributory only and does not cover the full cost of these services. Providers are expected to obtain additional funding from philanthropic or other sources to cover the full cost.

MSD to work with the sector to determine the best approach to delivering high value services, with a sustainable and transparent approach to funding.

- 14 This provides an opportunity to address some of the problems described above.

Operating Contingency	\$m - increase			
	2020/21	2021/22	2022/23	2023/24 & Outyears
Community Services: Keeping Community-Based Services Open for Disabled People	-	-	14.350	14.350

- 15 Cabinet authorised you (as Minister for Social Development) and the Minister of Finance to jointly draw down from this operating contingency subject to your satisfaction that MSD has determined this is the best approach to delivering high value services and sustainable and transparent approach to funding.

- 16 Significant progress has been made since the funding was approved in 2020. The contingency expires on 01 February 2023, so must be drawn down prior to this date.

There are a number of problems with how MSD currently funds Community Participation Services

- 17 The current funding model for Community Participation Services, and how providers use the funding, present a number of problems
- Overall, a bulk-funding model is poorly aligned with the EGL vision and principles. Disabled people have the option to participate in the programmes offered by funded services, or not to participate at all. There is currently little to no incentive for providers to change their services to retain participants (although there may be for Very High Needs participants).
 - Some providers' service offerings are poorly aligned with EGL, for example they may be focused on providing activities at the provider's facility and offer no or only very limited interaction with 'mainstream' society.
 - Some providers support significantly more people than they are funded for, while others support fewer people, noting that recent participation has been affected by COVID-19.
 - Service offerings have remained largely unchanged for some time, and provider choice is limited in some regions. There is a growing need for services.
 - Some funded service providers have cost pressures that have meant they have stopped accepting further participants or started charging participants for some programmes.

- Participants may have limited understanding of the system, for example the fact that they can access multiple services, which means that people may receive more support because they are better connected rather than based on their needs.
- 18 Cabinet has agreed that funding associated with Community Participation, Very High Needs individualised funding, and Transition Services will be available for inclusion in personal budgets as an EGL approach to Disability Support Services is implemented nationally.
- 19 Incorporating the bulk-funded Community Participation into personal budgets proved challenging in Mana Whaikaha due to factors such as the oversubscription of some services and differences between funding levels. Funding brought into Mana Whaikaha has not been able to be individualised at the pace envisaged.

We commissioned research to inform the development of an improved approach to community participation funding

- 20 MSD commissioned Consultancy Services from MartinJenkins to carry out research informing the development of a new Community Participation Services funding model. This research looked at Community Participation Programmes, Very High Needs Individualised Programmes and Business Enterprises.
- 21 MartinJenkins were asked to:
- develop a service cost model for Community Participation Services delivered through MSD contract vehicles
 - quantify capacity issues in these services.
- 22 They were asked to consider:
- how much it costs MSD-contracted providers to deliver Community Participation Services
 - the appropriate level of funding to provide quality Community Participation that align with the principles of EGL
 - the nature of the gap between the demand for Community Participation Services and current supply.
- 23 MartinJenkins engaged with Community Participation providers and found that they used one or more of four basic models, with some providers offering all models:
- a 'group-based' model, including a mix of on-site and off-site activities
 - an 'on-site' model, including a mix of group and individual activities
 - 'supervised upskilling', in which people are employed short-term to build skills to improve their chances of getting paid work in the community

- 'individual facilitation', in which providers help people to integrate themselves into community activities or employment, but do not deliver activities themselves.
- 24 The time that participants spend engaging with Community Participation Services varies significantly, as do other factors such as the ratio of participants to facilitators or support workers. This translates to wide variations in per participant or per participant hourly costs in delivering services, with MartinJenkins presenting cost models for each service type.
- 25 MartinJenkins also asked a sample of Community Participation and Very High Needs participants to identify what was most important to them in terms of programme quality. The factors identified most commonly were:
- staff that cared about them
 - opportunities to try new things and meet new people
 - feeling safe
 - accessible, clean and comfortable facilities.
- 26 The engagement and information gathering process took longer than expected due to COVID restrictions and the inability to meet face to face. The timeframe was extended to ensure the engagement process was undertaken authentically and there was adequate time to analyse the results.

Community Participation Services funding should be consistent with Enabling Good Lives and Social Sector Commissioning principles

- 27 The 2011 'Enabling Good Lives' report by the Independent Working Group on 'Day Options' proposed the EGL approach specifically to address concerns with Community Participation Services and other similar services.
- 28 We consider that the EGL approach remains the best approach to achieving participation and inclusion for disabled people. It is crucial that our approach to funding Community Participation Services is consistent with EGL principles, which is the Government's agreed basis for the transformation of the disability system.
- 29 The funding model provides an opportunity to:
- support providers to deliver services in a way that is more consistent with the EGL vision and principles, and in some cases incorporates individual facilitation or personal budgeting on a small scale
 - change funding arrangements to be more easily incorporated into an EGL approach to services being implemented by Whaikaha.
- 30 We also need to consider both the sustainability and transparency of the Community Participation Services funding model. This means:

- the funding model minimises future cost pressures, for example by encouraging providers to remain agile and efficient, or supporting disabled people to potentially have more choice and control when using Community Participation Services
- providers, disabled people and whānau should be able to understand how the model allocates funding for services and better reflects EGL principles.

Social Sector Commissioning

31 The proposed model aligns with the principles of Social Sector Commissioning. In particular, the transparency and sustainability of funding model and the performance funding pool, supports the sector to progress performance reporting and innovation.

We have developed a proposed new approach for funding Community Participation Services

32 MartinJenkins presented full cost models for the various types of services. MartinJenkins found that Providers vary in their approach to providing services. They use different service models and often an individual provider might use more than one type of service model. These models did not consider other funding sources or MSD current funding levels.

33 MSD's funding under these contracts is seen as contributory only, and not covering the full cost of these services. Providers are expected to obtain additional funding from philanthropic or other sources to cover the full cost.

34 Combined with MSD's commitment to a contributory funding source and MartinJenkins report we have determined what we consider to be the best approach to funding community participation services (Community Participation Programmes, Very High Needs Individualised Programmes and Business Enterprises).

35 This approach builds several elements on top of the existing funding model:

- funding for additional actual participants
- a cost pressure increase
- a pool of additional participant hours
- performance funding.

36 These elements are explained below.

Funding providers for additional actual participants

- 37 Community Participation Providers will receive contributory funding for each additional participant beyond their contracted number of participants, which may be subject to meeting certain agreed performance standards.²
- 38 The additional funding allows for more community participation placements, which should reduce the barrier of access to some community participation services.
- 39 In addition, it:
- incentivises providers not to turn away disabled people
 - incentivises service quality by ensuring providing additional funding for the providers that disabled people most want to engage with.
- 40 Some providers are not supporting their contracted numbers of participants. We do not propose at this stage to vary contracts to reduce funding for these providers, but this remains an option where providers do not meet agreed performance standards.
- 41 The cost of this element for the 2022/23 financial year will be \$2.600m.

Cost pressure increase

- 42 We also propose a general cost pressure increase of 7 percent for Community Participation Programmes, Very High Needs Individualised Programmes, and Business Enterprise providers.
- 43 This acknowledges that many providers were already experiencing financial challenges prior to recent inflation, and that the contingency was created by holding back part of a planned cost pressure increase.
- 44 The cost of this element for the 2022/23 financial year will be \$5.000m.

Pool of additional participant hours

- 45 The next element of the model is a pool of funding for which Community Participation Providers in good standing may apply to fund additional participant hours. (This may also be made available for Very High Needs providers)
- 46 This funding may be used:
- to increase participant numbers on an ongoing basis
 - for additional participant hours for existing clients – potentially to better align the needs of clients with the services that can be provided to support them.

² Providers will be funded for each additional participant at their standard per participant level.

- 47 Providers would apply to MSD for a given number of hours at a set rate, which will reflect MartinJenkins' cost modelling.
- 48 We propose that \$6.750m per year is available for providers.

Performance funding pool

- 49 The final element of the model is a small pool of performance funding, which is part of the overall appropriation. This is considered as 'seed funding' to progress performance reporting and innovation which will help move towards alignment with EGL principles. MSD will develop an outcomes-based performance framework for Community Participation Services.
- 50 Successfully meeting these performance standards would entitle Community Participation and Very High Needs Individualised Programme providers to a portion of the funding pool, pro-rated by participant numbers.
- 51 We do not consider it to be feasible to finalise and implement this framework for the 2022/23 financial year. Once the framework is established the performance funding pool amount will come from within the overall appropriation of \$14.350m. [This pool may be higher in any given year depending on take up of the other funding elements from the appropriation.]

Risks

- 52 The table below identifies risks, mitigations, and responses.

Risk	Risk: mitigation/response
Providers may be expecting to be fully funded by the new model	<ul style="list-style-type: none"> The recommendations respond to engagement led by MartinJenkins. They are a step to addressing key funding issues facing providers, including the cost pressures faced over the last couple of years (7% cost pressure increase), funding for additional participants, and support innovation in the industry. <p>Engagement with providers to explain the model and provide transparency. .</p>
The model could add additional administrative burden to MSD.	<p>There will be additional work for MSD, including:</p> <ul style="list-style-type: none"> engagement with providers, variations to current contracts to address the cost pressure and the inequity top up planning the funding process and applications will require some extra work for MSD <p>Business analyst expertise will be provided to support planning and contracting.</p>
The model could be perceived by Providers as adding administrative burden to current contract requirements.	<ul style="list-style-type: none"> In developing the process for drawing down funding. MSD will consider and align with State Sector Commissioning principles and seek to ensure funding requirements for providers is as efficient as possible. <p>Provider input will be sought before any additional performance reporting requirements are implemented.</p>

Perceived lack of engagement with providers.	<ul style="list-style-type: none"> • Providers had significant engagement opportunities through MartinJenkins and gave significant time to support the analysis. • Following this engagement providers are waiting for decisions to be made and there is an expectation that extra funding will be available to cover recent cost pressures. <p>MSD will communicate decisions on the funding model to providers and the sector as soon as practicable. Relationship managers will manage one-on-one relationships with providers and questions that may arise.</p>
--	---

Next steps

We request your feedback on the proposed model by 11 November 2022

- 53 We recommend that you consider the proposed model and provide any feedback or concerns to MSD by 11 November 2022.
- 54 We will use this feedback to rework or refine the proposed model as required.

We recommend that you also seek feedback from the Minister for Disability Issues

- 55 As the Community Participation Services appropriation falls within your Ministerial responsibilities, and responsibility for drawing down the contingency lies with you and the Minister of Finance, the Minister for Disability Issues has no formal responsibility.
- 56 Given that Community Participation funding serves disabled people, and that alignment with the EGL vision and principles, and integration into an EGL approach to service delivery are the end goal, we recommend that you seek feedback on the model from the Minister for Disabled People.
- 57 MSD has consulted with Whaikaha – Ministry of Disabled People on the proposed model, who provided feedback on the strengths-based approach and alignment with EGL principles.

We will engage with the sector to socialise our proposed approach

- 58 The MartinJenkins work included consultation with the sector, both in-person and through zoom meetings. This engagement has informed the assessment and modelling used to develop recommendations for your consideration.
- 59 In addition to the engagement already completed, MSD will communicate with the sector to ensure the sector understands the process and outcomes as the work progresses.

We will formally seek agreement to draw down the contingency in November 2022

- 60 The contingency expires on 1 February 2023 if not drawn down sooner.

61 To ensure this deadline is met we intend to seek agreement to the drawdown from you and the Minister of Finance in mid-November 2022.

Once the contingency is drawn down, MSD National Contracts will work with providers to distribute funding

62 Following the decision to draw down the contingency, MSD National Contracts will work with providers to confirm what additional funding each is eligible for, vary contracts as appropriate, and distribute funding.

The proposed review of employment, participation and inclusion supports provides one avenue for future change

63 While we consider the proposed funding approach will support transitions to EGL and improved service quality, it is a first step rather than a full solution.

64 The proposed review of employment, participation, and inclusion services, which we are reporting to you on separately, provides an opportunity to learn from the proposed changes and to consider the next steps for the Community Participation funding model within a broader context [REP/22/10/974].

65 Community Participation contracts expire in 2024. This may provide an opportunity for further changes to the funding model to better support alignment with EGL.

File ref: REP/22/10/993

Author: Lynley Hutton, Senior Policy Analyst, Disability Policy

Responsible manager: Sarah Palmer, Policy Manager, Disability Policy



Report

Date: 14 April 2023

Security Level: Sensitive

To: Hon Priyanka Radhakrishnan, Minister for Disability Issues and
Associate Minister for Social Development and Employment

Community Participation Services funding model – Update on Implementation

Purpose of the report

- 1 This report provides an update on changes to the funding of Community Participation Services to improve the sustainability and transparency of funding and improve alignment with Enabling Good Lives (EGL) principles.

Executive summary

- 2 Funding of services for disabled people needing additional support with participation and inclusion is currently provided via the Community Participation Services appropriation and includes Community Participation Programmes, Very High Needs Individualised Programmes, Business Enterprises, and Transition Services.
- 3 In Budget 2020 a contingency was set aside to meet cost pressures in the disability sector, this funding was not announced at the time.
- 4 Between July 2020 and June 2022 work was undertaken to determine options for the implementation of the contingency.
- 5 In October 2022 the Minister for Social Development and Employment approved a funding model for Community Participation Services that improves funding sustainability and transparency and is consistent with Enabling Good Lives (EGL) principles.
- 6 Draw down of the contingency funding of \$14.350m from Budget 2020 was approved by the Minister of Finance and Minister for Social Development and Employment in December 2022.
- 7 The new approach builds on the existing funding model, providing funding for other elements, such as additional actual participants and a cost pressure increase, as well as a pool of funding for additional participant hours and performance and innovation.

- 8 Next steps include working with providers to distribute funding, including a contestable fund to support the transition to EGL and engaging with providers and the sector to advise them of the proposed approach and funding changes.

Recommended actions

It is recommended that you:

1. **note** as part of Budget 2020 Cabinet set aside a contingency for the Community Participation Services Appropriation to demonstrate commitment to longer term funding certainty for the disability sector.
2. **note** the Ministry of Social Development has developed a new model for funding Community Participation Services that aims to improve alignment with Enabling Good Lives, and to be more sustainable and transparent. This funding model incorporates:
 - a. existing baseline funding for providers
 - b. funding for additional actual participants
 - c. a cost pressure increase
 - d. a pool of additional participant hours
 - e. performance and innovation funding.
3. **note** the release of contingency funding of \$14.350m from Budget 2020 was approved by the Minister of Finance and Minister for Social Development and Employment in December 2022.
4. **note** that MSD will commence engagement with providers and the sector in late-April to advise of funding changes in order to meet timeframes for implementation.



Rebecca Brew-Harper
General Manager
Service and Contracts Management

06/04/2023

Date



Hon Priyanca Radhakrishnan
Minister for Disability Issues and Associate
Minister for Social Development and
Employment

23/4/23

Date

MSD funds services to support disabled people to achieve participation and inclusion outcomes

- 9 MSD, through the Community Participation Services appropriation, provides contributory funding¹ to organisations that provide services for disabled people who need additional support with participation and inclusion (and in some cases employment outcomes).
- 10 The Community Participation Services appropriation totals \$111m for 2022/23. There are four main categories of funding:
- **Community Participation**, which is bulk funded to providers for services that are broadly open to disabled people who need support with participation or inclusion.
 - **Very High Needs individualised funding**, available to people who were assessed as having Very High Needs support through the Ongoing Resourcing Scheme (ORS) assessment when they were at school.
 - **Business Enterprises**, which provide employment opportunities in a segregated setting for disabled people who have difficulty finding open employment. Most Business Enterprises utilise the Minimum Wage Exemption Permit scheme which allows them to pay their employees less than minimum wage.
 - **Transition Services**, which support young disabled people receiving ORS support in their final year of school to plan for life after school.

Budget 2020 provided an opportunity to improve how we fund these services

Budget 2020 set aside a contingency to improve how we fund services

- 11 As part of Budget 2020, Cabinet authorised increases to the Community Participation Services appropriation to meet cost pressures in the sector. This was set aside as a contingency to allow MSD to work with the sector to determine the best approach to delivering high value services, with a sustainable and transparent approach to funding.
- 12 Improving how we fund these services provides an opportunity to address some of the problems identified including:
- poor alignment of the funding model, as well as some providers' service offerings, with the vision and principles of EGL
 - significant funding differences between providers, with some providers supporting more people than they are funded for

¹ MSDs funding is seen as contributory only and does not cover the full cost of these services. Providers are expected to obtain additional funding from philanthropic or other sources to cover the full cost.

- limited provider choice in some regions, as well as service offerings remaining unchanged
 - the impact of cost pressures on some service providers
 - participants having limited understanding of the system and the service choices and options available to them.
- 13 In October 2022 the Minister for Social Development and Employment approved a funding model for Community Participation Services that improves funding sustainability and transparency and is consistent with Enabling Good Lives principles.
- 14 The drawdown of contingency funding of \$14.350m from Budget 2020 was approved by the Minister of Social Development and the Minister of Finance in December 2022.

New approach for funding Community Participation Services

- 15 The new approach for funding addresses the immediate issues around cost pressures, transparency and flexibility, while supporting providers to offer services that aligned with EGL principles. This should reduce the barrier of access to some community participation services. This also incentivises service quality by ensuring it is providing additional funding for the providers that disabled people most want to engage with.
- 16 The funding approach builds on the existing model that provides funding for four elements including:
- for additional actual participants
 - a cost pressure increase
 - a pool of additional participant hours
 - performance and innovation.
- 17 These elements are explained below.

Funding providers for additional actual participants

- 18 Community Participation Providers will receive contributory funding for each additional participant beyond their contracted number of participants, which may be subject to meeting certain agreed performance standards.
- 19 The additional funding allows for more community participation placements, which should reduce the barrier of access to some community participation services.
- 20 Some providers are not supporting their contracted numbers of participants. We do not propose at this stage to vary contracts to reduce funding for these providers, but this remains an option where providers do not meet agreed performance standards.

Cost pressure increase

- 21 A general cost pressure increase of 7 percent for Community Participation Programmes, Very High Needs Individualised Programmes, Transition from School and Business Enterprise providers.
- 22 This cost pressure increase will be calculated based on actual numbers and not contracted numbers. This will enable those providers delivering support to more participants than they are currently contracted for to be compensated.

Pool of additional participant hours

- 23 A pool of funding for which Community Participation Providers may apply to fund additional participants. This may be used:
 - to increase participant numbers on an ongoing basis
 - for additional participant hours for existing clients – potentially to better align the needs of clients with the services that can be provided to support them
 - to better align with EGL principles.

Performance and innovation funding pool

- 24 The final element of the model is a small contestable pool of performance and innovation funding. This is considered as 'seed funding' to progress performance reporting and innovation which will help move towards alignment with EGL principles.
- 25 This aims to support the establishment and development of systems, practices and processes that will deliver better experiences and outcomes for those receiving Community Participation services. Some potential examples of Innovation Fund proposals include:
 - Development of new service models that align with the EGL principles.
 - Use of technology to enhance service delivery and support the people they serve.
 - Improved processes and practices where disabled people are leading, governing, overseeing, and monitoring the change to design systems, policies, practices and processes.
 - Collaborative initiatives with other organisations or community members to develop innovative solutions.
 - Professional opportunities for their staff to enhance their knowledge on EGL principles, innovations in the disability sector, training programmes that focus on promoting choice and control of the disabled people.
 - Research and evaluation.
- 26 A detailed process for inviting proposals for the Performance and Innovation Funding, including questions, evaluation criteria etc will be developed.

Providers will also be asked to undertake a self-assessment as part of the application and repeat this at the conclusion of the funding.

Implementation

Engagement with the sector, providers and agencies

- 27 A communications and engagement plan has been developed to support engagement with the sector, providers and agencies. Communications include advising providers of funding changes, advising the sector, and ensuring MSD website is updated to support providers, clients and their whānau, and the sector to understand current funding and services.
- 28 MSD needs to start engaging with providers, including communications to the sector, in late-April to ensure funding, including the 7 percent cost pressure increase, is confirmed before June 2023. Communications to providers are planned from late-April.

Next Steps

Key activities

Key activities over the next few months include:

Late April	<ul style="list-style-type: none">• Communications with providers and the sector advising of changes to the funding model• Variations approved to extend Business Enterprise contracts by two years.• Variations approved to confirm funding changes for other CP contracts, including additional participants.
June – September	<ul style="list-style-type: none">• Working with the sector to determine areas/cohorts with unmet need.• Establish a process/plan to address unmet need. This could include an open tender to identify providers to deliver these services.
July onwards	<ul style="list-style-type: none">• Performance and innovation funding applications sought and evaluated.

File ref: REP/23/3/264

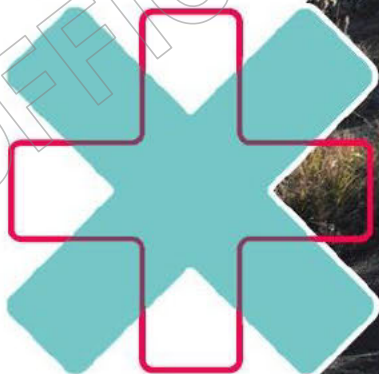
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A COST MODEL FOR DISABILITY SERVICES

Report for the Ministry of Social
Development

December 2021





CONTENTS

>> Summary.....	9
Context	10
Cost components	12
Service quality	13
Capacity issues	14
Key findings and opportunities	14
>> 1. Introduction	18
Purpose and scope of this review	19
Our approach	20
Structure of this report	21
Terminology	22
>> 2. Context.....	23
>> 3. Programme cost components.....	34
Overview of the cost components	35
Community Participation	37
Very High Needs	50
Business Enterprise	63
>> 4. Scenario-driven cost model.....	73
Introduction	74
The cost model scenarios	78
All scenarios: Summary	87
>> 5. Service quality	90
>> 6. Capacity issues	98
>> 7. Key findings and opportunities.....	104
Approaches and service models	105
The level of unmet demand	106
Measuring and reporting on providers' performance	107
>> Appendices	109

Appendix 1 . Detailed scenario cost models 110

Scenario 1	111
Scenario 2	112
Scenario 3	113
Scenario 4	114
Scenario 5	115
Scenario 6	116

TABLES

Table 1: Key figures for Community Participation services	27
Table 2: Size of the annual contracts – in dollars	27
Table 3: Size of the contracts – in numbers of participants	28
Table 4: Number of service models offered by Community Participation and Very High Needs providers	31
Table 5: Proportions of CP and VHN participants for each type of service model	32
Table 6: Labour costs for CP Support Worker/Facilitator	38
Table 7: Participant facing hours – calculations and assumptions	39
Table 8: Range of CP participant-to-Support Worker ratios	39
Table 9: Average ratios of CP participants to Support Worker	40
Table 10: Range in SW/FAC labour cost per CP participant-hour	41
Table 11: Hours of support for CP participants	42
Table 12: Cost of FTE-equivalent CP Coordinator/Supervisor	43
Table 13: Direct labour cost per hour of CP support	44
Table 14: Cost of CP Manager	44
Table 15: Costs of VHN Support Worker/Facilitator	51
Table 16: Range of ratios of VHN participants to Support Worker	53
Table 17: Average ratio of VHN participants to Social Worker/Facilitator	54
Table 18: Range in SW/FAC labour cost per VHN participant-hour	54
Table 19: Hours of support for VHN participants	55
Table 20: Cost of FTE-equivalent VHN Coordinator/Supervisor	56

Table 21: Direct labour cost per hour of VHN support.....	58
Table 22: Cost of VHN Manager	58
Table 23: Cost of BE Supervisor	65
Table 24: Range of BE employee-to-supervisor ratios	67
Table 25: Cost of BE Manager	69
Table 26: Template used to apply cost model assumptions to each scenarios	77
Table 27: Summary of the six scenarios	88
Table 28: Students receiving ORS-funded services who will turn 16 in 2021 – by region	100
Table 29: Number of people turned away when seeking CP or VHN services	102

FIGURES

Figure 1: Community Participation funding per contracted position	29
Figure 2: Business Enterprise funding per contracted position	29
Figure 3: CP Support Workers' average salary	38
Figure 4: Ratio of CP Support Workers to participants	40
Figure 5: VHN Support Workers' average salary	52
Figure 6: Ratio of VHN Support Workers to participants	53
Figure 7: VHN Programme Coordinators' average salary	57
Figure 8: VHN Managers' average salary	59
Figure 9: BE Supervisors' average salary	66
Figure 10: Ratio of BE Supervisors to employees	67
Figure 11: BE Managers' average salary	69
Figure 12: Responses to the participants survey	94



PREFACE

This report has been prepared for the Ministry of Social Development by Andrew Burns, Frauke Kruse, Steve Struthers, and Mark Burns from MartinJenkins (Martin, Jenkins & Associates Limited).

MartinJenkins advises clients in the public, private and not-for-profit sectors, providing services in these areas:

- Public policy
- Evaluation and research
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>> SUMMARY



This report has been written for the Ministry of Social Development (MSD) and will inform the Ministry as it considers how to improve the funding and delivery of Community Participation services to people with disabilities.

This will be particularly relevant as it continues its Disability System Transformation in alignment with the Enabling Good Lives principles and framework and in partnership with the Ministries of Health and Education.

CONTEXT

MSD manages three types of contracts

The Ministry of Social Development manages a category of contracts under the umbrella of “Community Participation”, which fund organisations to support people with disabilities to participate in and contribute to their wider communities.

There are three types of contracts:

- **Community Participation (CP)** – for organisations to support people with disabilities to participate more in their communities, through organised activities or other forms of support
- **Very High Needs (VHN)** – for organisations working with individuals verified as meeting the Ministry of Education’s “Very High Needs” criteria
- **Business Enterprise (BE)** – for businesses that employ individuals with disabilities.

The people who qualify for these services

People qualify for services under these contracts if:

- they are aged 16 to 64 (or 65 and over if they don’t qualify for Superannuation), and,



- they have a disability or health condition that is likely to continue for at least six months, and
- their disability or condition is a barrier to them participating and being included in the community, and
- they need support to address this barrier.

Disability services have historically been underfunded, but the size of the funding gap is unclear

It is generally agreed that disability services have been historically underfunded. However, the exact size of the funding gap is unclear, and the amount of funding each provider gets varies considerably.

The funding per participant under the CP and BE contract categories vary a lot from provider to provider, but the variation isn't based on a fixed formula

Not only does the overall size of the contracts vary considerably across service providers, but there is also quite a range across providers in the dollars funded per participant in the CP and BE contracts (see the charts below). The reason for these differences appears to be historical as opposed to being derived from an established formula.

MSD's funding is contributory only

As well as the varying funding levels, MSD's funding under these contracts is seen as contributory only, and not covering the full cost of these services. Providers are expected to obtain additional funding from philanthropic or other sources to cover the full cost.

Service providers use a range of service models

Providers under the same contract vehicle (CP and VHN) also vary in their approach to providing these services. They use different service models and often an individual provider might use more than one type of service model. In some cases a provider may offer all of the service models.



Here are the four service models we identified:

Service Model A: "Group-based"	People are offered opportunities to participate in group activities, some of which are on-site at the organisation's facility and some off-site in the broader community. The activities are provided by the organisation's staff or by contracted individuals or organisations.
Service Model B: "On-site"	People are offered opportunities to participate in a mix of group activities and individual activities, on-site at the organisation's facility. The activities are provided by the organisation's staff or possibly by contracted individuals or organisations.
Service Model C: "Supervised upskilling"	People are employed short-term by the contracted organisation to work for it, either on-site at its facility or off-site, so that the participant can build skills that will improve their chances of getting paid work in the community.
Service Model D: "Individual facilitation"	The provider acts as a facilitator, helping participants to integrate themselves into community activities or employment, or both; the organisation does not deliver any activities itself.

COST COMPONENTS

Cost components for the providers are divided into direct staff and non-staff costs.

Staff costs

The main component – representing roughly 80–90% of the total cost to providers – is for the staff they employ to provide, coordinate, and manage the programme or service.



CP and VHN providers typically employ three categories of staff: Support Workers / Facilitators (who work directly with the people participating in the service); Coordinators; and Managers.

Business Enterprise (BE) providers typically have two categories of staff: supervisors and managers.

Other costs

These non-staff costs include

- third-party contractors to provide subject-matter expertise or specialised support
- programme materials and other consumables
- transport for participants as part of the programme, and
- in rare cases, the rental of space outside the organisation's own facilities.

The amount of these costs varies widely among different providers based on the service models that they use.

SERVICE QUALITY

A sample of CP and VHN participants prioritised these four quality components over others

- Having programme staff that care about them
- Having the opportunity to try new activities and meet new people
- Feeling safe while participating in the programme
- Having accessible, clean, and comfortable programme facilities.

Providers identified the following areas as ones where more investment will lead to better service quality

- skills development for frontline staff
- new and more varied activities to offer participants



- more vehicles or other transport options
- greater access to specialists
- expanding or improving existing programme facilities and/or establishing new locations in under-served areas
- technology and skilled assistance for tracking and assessing programme performance.

We identified some opportunities to improve how service quality is assessed

- Develop quantifiable performance benchmarks
- Provide guidance on tracking and reporting on participants' employment outcomes, where relevant
- Develop a consistent set of questions and rating scales for measuring participants' satisfaction with a provider's service quality
- Develop a common framework template and guidance on the development of individual participant plans.

CAPACITY ISSUES

Estimating the size of the "service gap" is a challenging task

MSD wants a better understanding of the extent to which the services it currently provides through its CP, VHN, and BE contracts are meeting the demand for those services among individuals with disabilities. However, estimating the size of the "service gap" for Community Participation services is a challenging task.

KEY FINDINGS AND OPPORTUNITIES

Below we set out findings and opportunities in three areas:

- Approaches and services models



- The level of unmet demand
- Measuring and reporting on providers' performance.

Approaches and services models

Findings

Providers use a wide variety of approaches and service models

This is based on their own philosophy and experience of what produces good results, the interests of their participants and their families, and the financial realities of providing the service.

There is no apparent alignment between the service model used by a provider and the amount of funding it receives per participant.

Opportunities

Establish a set of core service model types

MSD should work with providers and with representatives and advocates from the disability community to establish a set of core service model types around which MSD would contract.

The four service models we identified for this report could be used as a starting point for those discussions.

For each service model, MSD would establish key costing assumptions, such as the fully-loaded personnel costs for each position and ranges for participant-to-staffing ratios, as well as annual allowances for items such as developing the participants' plans, transport, programme materials, replacing assets, and innovation.

Clarify MSD's level of contribution

MSD should make transparent what it considers its contributory percentage of funding to be, and adjust that percentage by service model type.

This will provide an incentive to providers to implement those models that MSD believes are more aligned with the principles of Enabling Good Lives.



The level of unmet demand

Findings

The level of unmet need is not clear

There is not a clear, unified picture of how much unmet need exists for community participation services among individuals with disabilities in different parts of the country.

There is also not a clear picture of how well the existing network of providers is positioned to meet some or all of that service gap.

Opportunities

Build a robust model of the demand for disability services

As part of the transition to the new Ministry for Disabled People, MSD should work with relevant agencies and organisations to build a robust model of demand for these services, ideally with region-specific data.

This would include working with the Ministries of Health and Education, ACC, the Needs Assessment Service Co-ordination Association (NASCA), disability advocacy organisations, and other key stakeholders such as the Disability Support Network.

Establish a funding pool for providers to expand their services

The new Ministry for Disabled People should consider establishing a pool of inexpensive capital funding for CP and VHN providers to access, in order to expand their offerings in areas where there is significant unmet need.

Measuring and reporting on providers' performance

Findings

There is inadequate data on providers' performance

There is an abundance of reporting by providers on the number of hours participants receive and qualitative narratives of participant achievements. However, there is very little systematic and quantitative data collection related to more outcome-oriented elements of provider performance.



Opportunities

Create a common set of quality indicators

MSD should work with providers – particularly those who have already built their own robust outcome measurement frameworks and processes – to create a common set of quality indicators, guidance on how to measure them, and a user-friendly way to submit that data to MSD.

This could include a consistent set of questions to be used in provider satisfaction surveys of participants, family, whānau, caregivers, and other key stakeholders.

Establish a quality dashboard system

Once this framework and data reporting system is established, MSD should work with providers and the disability community to establish some form of quality “dashboard” system. This would allow providers to benchmark themselves and to understand where they might have opportunities to improve their quality. This could also be used to inform participants seeking to choose a provider in time.

Create ways for providers to share good practice

In conjunction with providing greater visibility of performance, forming communities of practice would allow providers to share good practice and to understand how others were improving quality.



>> 1.

INTRODUCTION

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PURPOSE AND SCOPE OF THIS REVIEW

Purpose

This report has been written for the Ministry of Social Development (MSD) and will inform the Ministry as it considers how to improve the funding and delivery of Community Participation services to people with disabilities.

This will be particularly relevant as it continues its Disability System Transformation in alignment with the Enabling Good Lives principles and framework, in partnership with the Ministries of Health and Education.

“ENABLING GOOD LIVES”

“Enabling Good Lives” is a partnership between the disability sector and government agencies that aims for a long-term transformation of how disabled people and their whānau are supported to live everyday lives.

The EGL programme’s vision is that disabled people and their whānau have more choice and more control over their lives and supports, and make more use of natural and universally-available supports. (www.enablinggoodlives.co.nz).

The principles of Enabling Good Lives are:

- self-determination
- beginning early
- person-centred
- ordinary life outcomes
- mainstream first
- mana enhancing
- easy to use
- relationship building.

Scope and key review questions

The project terms of reference for this review describe its purpose as two-fold:

- developing a service cost model for community participation services (as delivered through three MSD contract vehicles – Community Participation, Very High Needs, and Business Enterprise)



- quantifying capacity issues in these services.

In fulfilling this scope, the review was tasked with answering the following key questions:

- How much does it currently cost MSD-contracted providers to deliver these services?
- What is the appropriate level of funding to provide quality community participation services that align with the principles of Enabling Good Lives?
- What is the nature of the gap between the demand for community participation services and the current supply of those services?

OUR APPROACH

Our review involved the following activities:

- Conducting individual **phone interviews with a representative sample of nine contracted providers**. These interviews were intended to be site visits; however, the implementation of COVID-19 alert levels prevented that from happening, with the exception of two site visits that took place prior to the alert levels being activated.
- Designing and implementing an **online survey of providers** that asked a number of questions regarding their costs to deliver and manage their contracted services, as well as questions regarding how they measure the quality of their services and their ideas for how the capacity and quality of services might be enhanced in the future. A total of 86 contract holders completed the survey, made up of 46 Community Participation providers, 28 Very High Needs providers, and 12 Business Enterprise providers (note: some providers have contracts in more than one contract category). This represents 49% of all contracted providers, who collectively hold 76% of the total annual contract dollars.
- Designing and facilitating **four online workshops for providers** (three focused on CP and VHN providers; one for BE providers). During the three-hour workshops, we shared an initial analysis of the survey data, gathered feedback on the data, and facilitated discussions regarding service quality and strategies for enhancing



service capacity. Approximately 45 individuals from provider organisations participated in the workshops.

- Performing an **analysis of the data from the provider survey and workshops** to construct a cost model for each of the identified service models.

STRUCTURE OF THIS REPORT

This report contains the following sections:

- **Context** – We outline some of the key historical information about the community participation contracted services, such as their purpose, number of contracted providers, size of contracts (in dollars and number of individuals served), and the different models of service delivery used by providers.
- **Programme cost components** – For each of the three contract types, we itemise the various elements that comprise the providers' delivery of these programmes/services and their associated costs, based on data collected through the provider survey, workshops and interviews.
- **Scenario-driven cost model** – We present our cost model using a series of service-model scenarios for each of the three contract types.
- **Service quality** – We document the current approaches being used to assess the quality of community participation programmes/services and how they might be strengthened in the future.
- **Capacity issues** – We summarise what is known about the gap between the demand for community participation services and the current supply of those services.
- **Key findings and opportunities** – We conclude with some recommendations for how MSD and its partners might use the insights from this report to strengthen community participation outcomes, particularly in the context of the continued transformation of disability services.



TERMINOLOGY

For ease of understanding, we use the following terms and abbreviations in the report.

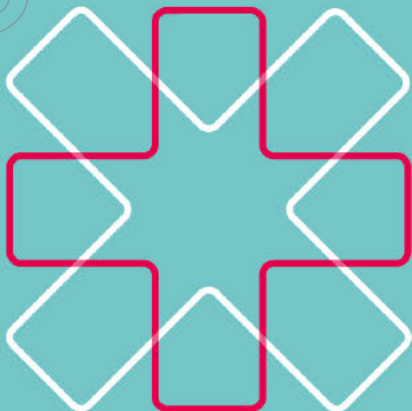
- **Participants** is the term we use to describe the individuals with disability who are served by the contracted providers. It should be noted that providers use different terms to refer to those they serve, including "clients," "members," "artists," and "employees."
- **CP** refers to Community Participation, a type of contract issued by MSD to organisations that support individuals with disabilities in their efforts to participate more fully in their own communities
- **VHN** refers to Very High Needs, a type of contract issued by MSD to organisations that provide services to individuals who have been assessed as requiring significant levels of support due to the severity or complexity of their disability
- **BE** refers to Business Enterprise, which is a type of contract issues by MSD to organisations that operate a commercial business that employs individuals with disabilities
- **Support Workers/Facilitators or SW/FAC** refers to the frontline staff who work directly with the participants to help them achieve their community participation goals



>> 2.

CONTEXT

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Community Participation services support people with disabilities in their quest to participate more actively in their communities and in ways that are meaningful to them.

This section explains who qualifies for these services, the different types of services, and the different service models used.

Introduction

The Ministry of Social Development manages a category of contracts under the umbrella of “Community Participation” to fund organisations to support people with disabilities to participate in and contribute to their wider communities. In particular, these support services are intended to enable people to:

- participate in activities in their communities that are of interest to them
- contribute to their communities in ways valued by them and their communities
- learn new skills to help them manage their lives and manage their overall well-being, and
- maintain and develop social and support networks.

These services are also expected to help build inclusive, welcoming communities and mainstream services and to make employers more confident about hiring people with disabilities.

The people who qualify for Community Participation services

People qualify for services under these contracts if:

- they are aged 16 to 64 (or 65 and over if they don't qualify for Superannuation), and,
- they have a disability or health condition that is likely to continue for at least six months, and
- their disability or condition is a barrier to them participating and being included in the community, and



- they need support to address this barrier.

The main vehicle for funding these services are contracts between MSD and organisations that provide a variety of opportunities

There are three types of contracts covered in this report:

- **Community Participation** – which funds organisations to facilitate eligible individuals' increased participation in their communities through organised activities and/or other forms of supports; these services are delivered either at the organisation's facility or out in the community
- **Very High Needs** – which funds services to organisations working with individuals who have been verified by the Ministry of Education as meeting the "Very High Needs" criteria through MoE's Ongoing Resourcing Scheme (ORS) process
- **Business Enterprise** – which provides financial support to businesses that employ individuals with disabilities; most of these enterprises have obtained a Minimum Wage Exemption from the Ministry of Business, Innovation and Employment that enables them to pay employees less than the minimum wage

There are also other government programmes

It is important to note that there are additional government programmes that are designed and funded to support individuals with disabilities as they seek to increase their community participation. Examples of these are:

- MSD contracts with Employment Services providers to deliver mainstream programmes that assist individuals with disabilities to secure paid employment, by providing wage subsidies to employers that place these individuals into positions that typically have on-the-job training and ideally lead to long-term employment.
- MSD also manages Transition Services contracts, which fund providers to assist young people who are supported through the Ongoing Resourcing Scheme (ORS) to develop transition plans around their employment, continuing education, community participation, and/or adult support services after they exit school.



- The Accident Compensation Corporation (ACC) provides community participation support (through its Living My Life programme) to assist those who have been disabled as a result of an accident. Individuals receiving these services from ACC are not eligible to receive CP services contracted by MSD.
- The Ministry of Health purchases Community Day Services for people who either a) were deinstitutionalised under formal deinstitutionalisation plans, or b) have been assessed as having high and complex needs and an intellectual disability, to help them take part in their community and improve their personal skills by providing access educational, socialisation, recreation, and leisure activities. Individuals receiving these MoH-funded services are not eligible to receive CP services contracted by MSD.

Disability services have historically been underfunded, but the size of the funding gap is unclear

It is generally agreed that disability services have been historically underfunded. However, the exact size of the funding gap is unclear, and the amount of funding each provider gets varies considerably.

Until 2019, providers had received no significant increase in their baseline contract funding for at least 10 years. Cost pressures were affecting overall service quality and the financial viability of many providers who often rely on volunteers and philanthropic funding.

In response, the Government provided 6% cumulative increases over two years to the Community Participation and Very High Needs services, as well as to Transition Services (which are outside the scope of this review). This additional funding was used mainly to increase the contribution MSD makes for existing contracted services.

MSD currently contracts with roughly 150 organisations to provide Community Participation, Very High Needs and Business Enterprise services, for approximately 10,000 people with disabilities, at a total cost of \$83.5 million a year.



Table 1: Key figures for Community Participation services

	Community Participation	Very High Needs	Business Enterprise
Number of current providers	91	69	14
Total dollars contracted annually	\$51.4 m	\$27.8 m	\$4.3 m
Total number of positions (participants) contracted to serve	8,243	1,395	869

Size of the contracts

The size of these annual contracts – in dollars and in numbers of participants – varies greatly among providers (see tables below). For example, two CP providers together represent 59% of the contract dollars and 38% of participants.

Table 2: Size of the annual contracts – in dollars

	Community Participation	Very High Needs	Business Enterprise
Average	\$564,913	\$402,223	\$304,431
Median	\$177,142	\$114,165	\$257,261
Maximum	\$27,724,769	\$5,521,833	\$602,809
Minimum	\$7,104	\$21,331	\$88,358



Table 3: Size of the contracts – in numbers of participants

	Community Participation	Very High Needs	Business Enterprise
Average	91	20	62
Median	48	5	60
Maximum	2,604	281	134
Minimum	1	1	13

The amount of funding per participant under the CP and BE contract categories vary considerably from provider to provider, but the variation isn't based on a fixed formula

Not only does the overall size of the contracts vary considerably across service providers, but there is also quite a range across providers in the dollars funded per participant (see the charts below) in the CP and BE contracts. The VHN contracts have a fixed amount of \$21,332 per participant.

Based on interviews with MSD staff and providers, the reason for the differences and contract amount per participant appears to be historical, as opposed to derived from an established formula.

For example, an organisation that had been serving people with particularly complex needs and had secured contract funding that reflected that situation might have retained the higher per-participant funding even if their participant mix has since changed.

The graphs below show the distribution curves of the contract dollars per participant received by providers for each of the three contract types.



Figure 1: Community Participation funding per contracted position

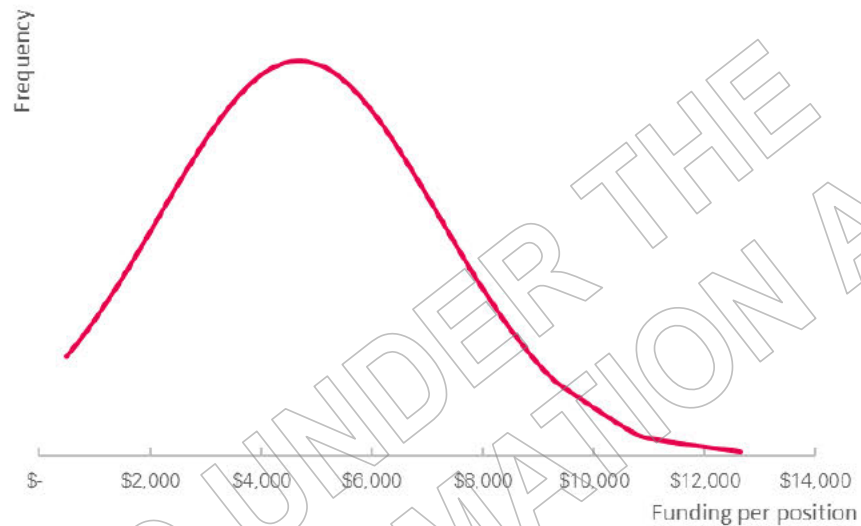
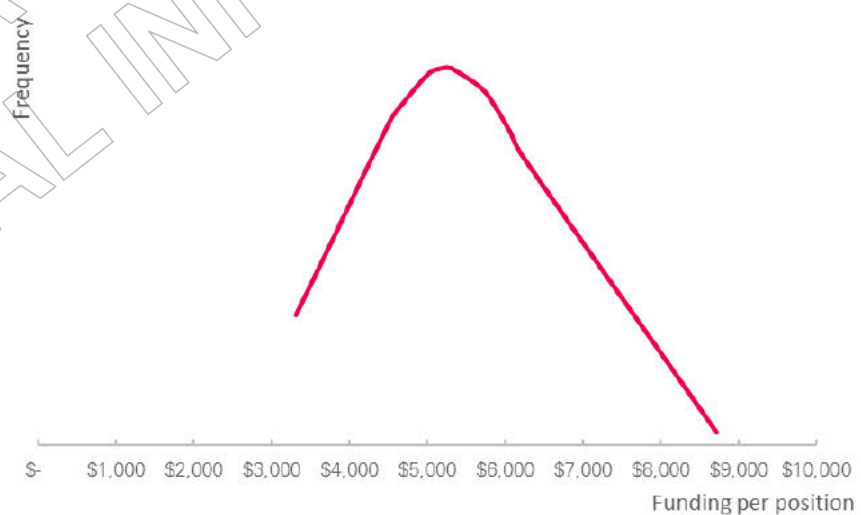


Figure 2: Business Enterprise funding per contracted position



The funding MSD provides through its CP, VHN and BE contracts is seen as only contributory

As well as the varying funding levels, MSD's funding under these contracts is seen as contributory only, and not covering the full cost of



these services. Providers are expected to obtain additional funding from philanthropic or other sources to cover the full cost.

Providers told us they use fundraising campaigns, grants, and their own organisational reserves to fill the funding gap. Estimates for these non-contract funds for individual providers ranged from \$1,500 to \$450,000 per year.

Many providers also said they use resources from their better-funded government contracts that support other programmes in their organisation to, in effect, subsidise the costs of providing their CP, VHN, or BE services.

Service providers use a number of different service models

Finally, providers under the same contract vehicle (CP, VHN, or BE) also vary in their approach to providing these services. We learned from providers that they use different service models and that, in many cases, an individual provider might use more than one type of service model and in some cases offer all of the service models.

For our survey of CP and VHN providers, we identified and defined four main service models. We recognise, however, that individual providers may offer unique variations to these base models, based on the demographics and interests of the population they serve, as well as the provider's philosophy of what promotes the most effective community participation.

Developing these service models was necessary to enable us to construct a robust cost model that can most effectively accommodate the different approaches used by various providers.

Here are the four service models we identified

Service Model A: "Group-based"

People are offered opportunities to participate in group activities, some of which are on-site at the organisation's facility and some off-site in the broader community. The activities are provided by the organisation's staff or by contracted individuals or organisations.



Service Model B: "On-site"	People are offered opportunities to participate in a mix of group activities and individual activities, on-site at the organisation's facility. The activities are provided by the organisation's staff or possibly by contracted individuals or organisations.
Service Model C: "Supervised upskilling"	People are employed short-term by the contracted organisation to work for it, either on-site at its facility or off-site, so that the participant can build skills that will improve their chances of getting paid work in the community.
Service Model D: "Individual facilitation"	The provider acts as a facilitator, helping participants to integrate themselves into community activities or employment or both; the organisation does not deliver any activities itself.

CP and VHN providers: the service models they use

The provider survey indicated that not only do Community Participation providers use different service models from Very High Needs providers, but many individual CP and VHN providers also use more than one service model.

Table 4: Number of service models offered by Community Participation and Very High Needs providers

	Number of CP providers	Number of VHN providers
1 model	12	11
2 models	5	11
3 models	14	3
4 models	12	3



BE providers: The service models they use

For Business Enterprise contracts, there is essentially a single-service model: participants join the provider organisation as employees, perform the relevant duties of their job, and participate in professional and social development activities much like those that providers in the same contract category receive one might find at any business enterprise, but aligned with the needs of individuals with disabilities.

Most participants currently fall under service models that are centred around provider-managed activities, but there is an emerging shift towards a more facilitation-based model

The table below shows data from the provider survey that calculates the percentage of participants that are participating in each service model. Providers told us there is a slow but clear emerging shift of participants from the "Group-Based" model (A) to "Individual Facilitation" (D).

They attributed this to a generational shift in expectations among people with disabilities of what constitutes "participating in the community", and to more use of technology to facilitate that participation.

The provider organisations that have already moved to the facilitation model told us it is more financially sustainable. They also said it represents, in their judgment, a more authentic approach to embracing the Enabling Good Lives principles and to challenging the broader community to be more inclusive.

There is evidence that well-trained and well-supported staff can succeed in moving participants from one model to the other.

Table 5: Proportions of CP and VHN participants for each type of service model

Type of service model	% of CP participants	% of VHN participants
A. Staff-managed group activities with a combination of on-site and off-site	44.3%	42.7%
B. Staff-managed mix of group and individual activities,	28.4%	29.8%



predominantly taking place on-site		
C. Staff-supervised employment , either on-site or off-site	6.5%	4.1%
D. Facilitated integration of individuals into off-site community-run activities or employment	20.7%	23.3%

However, many providers said that although transitioning to this new approach has significant benefits, there is still strong demand among many participants for the more “comfortable” model of staff-managed activities, particularly among those who have worked with that approach for many years.

Family members and caregivers also often prefer the more traditional model because it provides a greater sense of stability and also provides more hours of respite that they may need in order to work.



>> 3.

PROGRAMME COST COMPONENTS

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To develop a cost model it is first necessary to understand the cost components of the relevant programme or service.

In this section of the report, we set out separately the estimated current costs for each of the three contracted services – CP, VHN, and BE – based on the survey results we received from providers and on insights gained from workshops and interviews with providers.

OVERVIEW OF THE COST COMPONENTS

Cost components for the providers are divided into direct staff and non-staff costs

There are two key components to the cost of providers providing Community Participation, Very High Needs, and Business Enterprise services.

The main component – representing roughly 80–90% of the total cost to providers – is for the staff they employ to provide, coordinate and manage the programme or service.

This includes not only the direct wages paid to each employee but also the associated costs for items such as ACC, Superannuation, recruitment, training, vehicle allowance, and individual phone and computer equipment.

This component also includes an indirect overhead rate to cover the cost of overall organisational expenses not directly attributable to the programme, such as administrative functions (HR, finance), IT, and facility expenses.

Categories of staff that are typically employed

CP and VHN providers

These are:



- **Support Worker or Facilitator** – a person who interacts directly with the participants in providing the service
- **Coordinator** – a person who oversees the programme and the support workers or facilitators day to day
- **Management** – a person responsible for managing the overall organisation.

Business Enterprise providers

Providers **under BE contracts**, they typically have two categories of staff:

- supervisors who oversee the staff carrying out relevant job duties for the enterprise, and
- managers who direct the overall enterprise, including the administration of the MSD contract.

As previously noted above, employees who provide administrative support to the organisation in areas such as human resources, finance and IT are considered as part of the overhead rate applied on top of the direct costs of these primary positions.

Non-staff costs – the second cost component

The second cost component includes any non-staff costs that are driven directly by the programme or service design.

These include:

- third-party contractors to provide subject-matter expertise or specialised support
- programme materials and other consumables
- transport for participants as part of the programme, and
- in rare cases, the rental of space outside the organisation's own facilities.

The amount of these costs varies quite widely among different providers based on the service models that they use.



COMMUNITY PARTICIPATION

CP 1 Personnel costs

CP 1.1 Direct labour cost of Support Workers/ Facilitators

All service models depend on Support Workers/Facilitators (SW/FACs) to provide frontline support to the participants. This support by SW/FACs is by far the largest individual cost of the Community Participation programme, accounting for 50% to 60% of the total costs.

The main cost drivers for this component are:

- the salary rate and associated personnel costs for a Support Worker/Facilitator
- the ratio of SW/FACs to participants, based on the provider's service model
- the number of participants served
- the number of hours of support a participant is provided per week.

The survey data indicates that this is predominantly a skilled workforce with at least 75% of SW/FACs having Level 3 or 4 qualifications.

CP 1.1.A The salary and personnel costs of employing a Support Worker/Facilitator

The survey results for the cost of a Support Worker/Facilitator full-time equivalent are shown in the distribution table below. The average salary is \$49,357, with the full costs of a full-time-equivalent SW/FAC equalling \$62,252. Included in that is an overhead recovery rate of 13.2% of the salary.



Figure 3: CP Support Workers' average salary

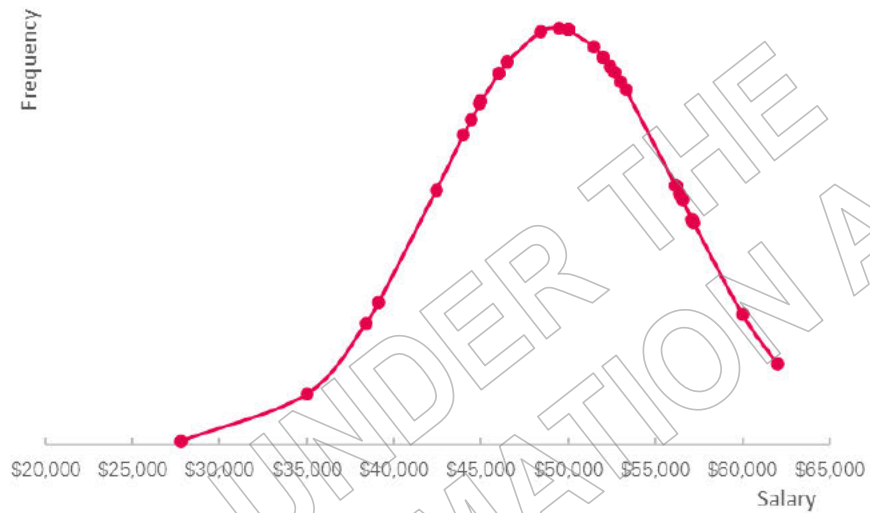


Table 6: Labour costs for CP Support Worker/Facilitator

Cost of CP Support Worker/Facilitator: Components	\$ amount
Average salary	49,357
ACC, Super & allowances	2,288
Employee's phone & computer equipment	1,422
Recruitment	795
Training	1,115
Indirect overhead (general admin, IT, finance, HR, office rent, etc)	7,275
Total FTE cost	62,252
Overhead as a percentage of salary and allowances	13.2%



This translates into an hourly cost of \$37.41 per participant-facing hour, based on the assumption that 20% of a SW/FAC's time over the course of a year is not participant-facing. See the table below for calculations and assumptions.

Table 7: Participant facing hours – calculations and assumptions

	Hours	Weeks/days per year
Working hours	40	52 2,080
Less leave	8	4 (32)
Less training	8	3 (24)
Less admin	5	52 (234)
Less stat holidays	8	11 (88)
Less sick	8	5 (40)
Actual participant facing hours		1,662
Participant facing time %		80%

CP 1.1.B Service model type and the associated ratio of SW/FAC to participants

Our analysis of the survey results indicates that providers are using very different ratios of participants to SW/FACs, as demonstrated by the wide range and large standard deviation displayed in the table below.

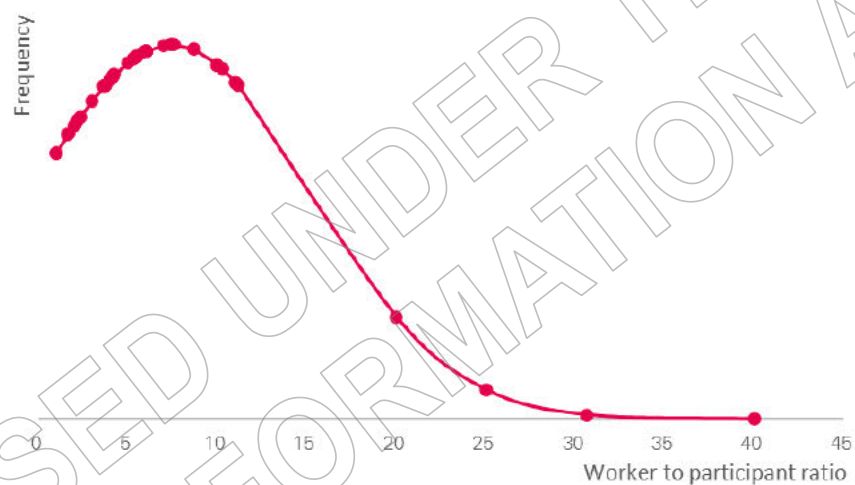
Table 8: Range of CP participant-to-Support Worker ratios

	Ratio
Maximum ratio of participants to 1 Support Worker	40.00
Average ratio of participants to 1 Support Worker	7.43
Median ratio of participants to 1 Support Worker	5.50



Minimum ratio of participants to 1 Support Worker	1.00
Standard deviation	7.70

Figure 4 Ratio of CP Support Workers to participants



The average SW/FAC-to-participant ratios are broken down by service model in the table below.

Table 9: Average ratios of CP participants to Support Worker

Type of service model	Average ratio of participants to 1 Support Worker
Staff-managed group activities, on-site & off-site	5.91
Staff-managed group & individual activities, mostly on-site	9.65
Staff-supervised employment	4.74



Individual integration into community activities
or employment

5.77

Different service models require kinds and levels of support, and many organisations provide a variety of service models. In the workshops and interviews, providers indicated that this makes it difficult to calculate precise ratios. As a result, the ratios in the table above are only a general indication of the actual ratios.

Another key factor in determining a provider's participant-to-SW/FAC ratio is the intensity and/or complexity of the participants' disabilities and corresponding needs.

The variation in participant-to-SW/FAC ratios among CP providers and their use of different service models leads naturally to a wide range in the cost per participant-hour of providing services, as shown in the table below.

Table 10: Range in SW/FAC labour cost per CP participant-hour

Ratio of CP participants to 1 SW/FAC	\$ per hour
1 SW to 1 participant	37.41
1 SW to 2 participants	18.71
1 SW to 5 participants	7.48
1 SW to 10 participants	3.74
1 SW to 15 participants	2.49
1 SW to 20 participants	1.87
1 SW to 25 participants	1.50



CP 1.1.C. Hours of support provided to participants

The survey data also indicates that there is a wide variation among providers in the number of hours per week that participants are being served.

Table 11: Hours of support for CP participants

Hours per week	Percentage of CP participants served
Fewer than 5 hours	31%
5–10 hours	18%
11–15 hours	15%
16–20 hours	16%
More than 20 hours	20%

CP 1.2. Direct labour cost of a Coordinator or Supervisor

All Community Participation service models require this personnel resource to coordinate programmes or operations. This role includes, for example, supervising Support Workers/Facilitators, planning programmes, managing logistics, mentoring, training, backfill cover, reporting, and compliance.

The main cost drivers for this component are:

- the salary rate and associated personnel costs for a Coordinator or Supervisor
- the ratio of Coordinator/Supervisor to Support Workers/Facilitators

CP 1.2.A The salary and personnel cost of employing a Coordinator or Supervisor

The survey results for the cost of a full-time equivalent Coordinator or Supervisor are shown in the table below. The average salary is \$58,122, with the full costs of a full-time equivalent totalling \$73,498.



The overhead recovered is a reasonable 15% of the salary and other personnel costs.

Table 12: Cost of FTE-equivalent CP Coordinator/Supervisor

Cost of CP Programme/Operations Coordinator or Supervisor: Components	\$ amount
Average salary	58,122
ACC, Super & allowances	2,213
Employee's phone & computer equipment	1,308
Recruitment	1,092
Training	1,196
Indirect overhead (general admin, IT, finance, HR, office rent, etc)	9,566
Total FTE cost	73,498
Overhead as a percentage of salary and allowances	15.0%

CP 1.2.B Ratio of Coordinator/Supervisor to Support Workers/Facilitators

The survey produced consistent results of a ratio of 1 Coordinator/Supervisor to 5 Support Workers/Facilitators. Based on this ratio, the cost of the Coordinator or Supervisor adds \$8.83 per hour to the SW/FAC direct labour cost of \$37.41 per hour. This results in a total direct labour cost per hour of support of \$46.24.



Table 13: Direct labour cost per hour of CP support

	\$ amount
Total Programme/Operations Coordinator or Supervisor FTE cost	73,498
Participant facing hours	1,664
Total FTE cost per hour	44.17
Total FTE cost per hour applying 1 to 5 ratio	8.83

CP 1.3 Direct labour cost of management

All service models required this resource for overall management of the programme.

The survey results for the cost of a full-time equivalent Manager are shown in the table below.

The average salary is \$71,774, with the full costs of a full-time equivalent totalling \$93,944. The overhead recovered is a reasonable 11.5% of the salary and other personnel costs.

Table 14: Cost of CP Manager

Cost of CP Manager: Components	\$ amount
Average salary	71,774
ACC, Super & allowances	2,512
Employee's phone & computer equipment	1,384
Recruitment	2,009
Training	1,170
Vehicle (if applicable)	5,424



Cost of CP Manager: Components	\$ amount
Indirect overhead (general admin, IT, finance, HR, office rent, etc)	9,670
TOTAL cost of FTE	93,944
Overhead as a percentage of salary and allowances	11.5%

CP 1.4 Cost of developing and updating participants' individual plans

The purpose of the individual plans

The Community Participation contract template requires providers to develop an individualised plan with each participant, for how the participant will realise their aspirations for participating and contributing within their community.

The plan is expected to set out not only the participant's community participation goals but also:

- their strengths and abilities
- any barriers that could inhibit their community participation
- the supports they may need, or the skills they may need to develop, in order to overcome those barriers, and
- the opportunities and activities they plan to pursue to achieve their goals.

The plan is intended to be a "living document" and must be reviewed and updated at least annually.

Quantifying the cost of developing and updating the plan

The provider survey data and workshop feedback helped us to quantify the labour costs associated with this important activity. **We** estimate that providers spend approximately:

- 5 hours of SW/FAC and Coordinator time developing a participant's initial plan, and



- an additional 5 total hours per year of SW/FAC and Coordinator time updating each plan, usually two or three times over the course of the year.

Using those estimated hours and a blended hourly rate of \$40.18, this translates to a cost per participant of approximately \$200 for developing the initial plan and \$200 per year for updating each plan.

CP 1.5 Cost of compliance

The survey also asked providers to estimate the number of hours of staff time spent annually on compliance with their contract.

For CP contracts, the median was 75 hours (with a range from 5 to 2,080).

Providers were not asked to detail which staff positions supplied those hours. Feedback from the workshops and interviews indicated that contract compliance tasks are mainly the responsibility of Coordinator/ Supervisors and Managers.

Applying a blended rate of \$49.26 per hour leads to an estimated annual cost of \$3,695 per provider per year.

CP 1.6 Non-compensated labour (such as volunteers and student interns)

Only 50% of survey respondents indicated that they use non-compensated labour to help them provide their CP programme.

The average per provider was 531 hours a year, with a range of 60 to 1,680 hours. Given the relatively small number of total hours involved, we believe that non-compensated labour is only a minor cost component, and we are not including it in our cost model.

Conclusion: Key assumptions for CP personnel costs

Based on the survey data, we have concluded that the key assumptions regarding the personnel costs of a CP programme are the following:

- The fully loaded cost of providing a Support Worker/Facilitator's service to CP participants is approximately \$46.24 per hour; this includes the cost of supervision and support of a Coordinator/Supervisor.



- The translation to a cost per participant hour of service depends on the ratio of CP participants to Support Workers/Facilitators, which varies by service model and even among providers using the same service model. It ranges from a high of \$46.24 per hour for one-to-one coverage to as low of \$2.31 per hour for one-to-20 coverage.

CP 2 Other costs

CP 2.1 Third-party contractor cost

Half (50%) of provider survey respondents indicate that their organisations use third-party contractors to provide subject matter expertise and specialised support to help them provide the programme.

The average reported amount for these costs was \$11,495, with a range of \$750 to \$47,087 and a median of \$6,000.

For those providers who responded that they spend money on this component, it averaged \$338 per contracted participant for the year (median of \$125 per participant).

During the workshops and in direct interviews, providers told us that their use of subject-matter experts has been increasing as their CP programmes have evolved over time. Some providers are also engaging more specialised health and disability experts to help with assessing and supporting participants – these include, for example, occupational therapists and mental health experts on a consulting basis.

This area is a growing cost component and should be reflected in any comprehensive cost model of CP programmes.

CP 2.2 Programme supplies and consumables

93.5% of survey respondents reported that they buy materials, supplies, and other consumables as part of providing the programme.

The average amount spent was \$8,714, with a range of \$1,000 to \$45,000 and a median of \$5,000.

For those providers who responded that they spent money on this component, it averaged \$237 per contracted participant for the year (median of \$106 per participant).

CP 2.3 Transport

83% of survey respondents indicated that they provide some type of transport to participants so they can attend their CP programme, mainly



getting participants from the provider's facility to locations in the community.

Most providers use vans or cars owned or leased by the organisation. These often need to be customised with equipment for individuals with significant physical disabilities. In some cases, Support Workers/Facilitators use their own vehicle and the organisation reimburses them at IRD's approved mileage rate. Finally, there is some use of public transport, particularly when a participant's development plan includes being able to use public transport.

The average transportation cost was \$22,823 per provider, with a range of \$400 to \$476,767 and a median of \$7,000. For those providers who reported spending in this area, the average spend per contracted participant was \$341 for the year (median of \$136 per participant).

TRANSPORT TO THE PROVIDER'S FACILITY

While the issue is not directly related to providers' programme costs, some providers in the workshops told us that getting to the provider's facility was often a barrier to participants in CP programmes. They thought that providing some kind of financial support in this area would be beneficial.

CP 2.4 Renting community facilities

Only 36% of survey respondents indicate that they spend funds to rent community facilities to help them provide their Community Participation programme.

Based on feedback from the workshops, we believe that that percentage may in fact overstate the true figure, as there was some confusion among survey respondents that this cost area referred to the rental cost of their own organisation's facility (see item 2.5 below). Therefore, in our analysis, we excluded any responses greater than \$5,000.

With that adjustment, the average spending on renting community facilities was \$2,000 per provider, with a range of \$300 to \$5,000.



CP 2.5 Leasing facilities

Another cost component for providers operating from a fixed location is the cost of leasing a facility in which to provide their programme.

While we did not specifically include a question about this cost in the survey, we believe that a comprehensive cost model should incorporate it in some form.

During the workshops and interviews, some providers did comment that the location of the facility can be an important factor in attracting and keeping participants in the programme. Facilities that are close to public transport and to community facilities were far more attractive to the participants than facilities in industrial areas with poor public transport and more difficult access to community facilities.

CP 2.6 Replacing assets (excluding vehicles)

In workshops and interviews, providers told us that as their CP programmes have evolved over time, they have had to invest capital into assets to provide higher-quality support. The assets have included, for example, kitchen facilities, art studios, beehives, sound equipment, and tools, as well as standard fittings for facilities such as tables, chairs, computers, and other electronic equipment such as TVs.

Although we did not ask providers for specific data on this, it seems reasonable to include some type of asset-replacement cost component in the model.

CP 2.7 Investments in innovation

There was also an expectation for the programmes to evolve and change and this has real cost implications. For this component, there is no specific provision to fund change and innovation in the current contracts. There was strong feedback from providers that a robust funding model should reflect this cost component to ensure providers are adequately funded to incur this kind of expenditure.



VERY HIGH NEEDS

VHN 1 Personnel costs

The cost of personnel is by far the largest cost component of the Very High Needs programme. It accounts for 80% to 90% of the total costs, depending on the ratio of Support Workers/Facilitators to participants.

VHN 1.1 Direct labour cost of Support Workers/Facilitator

All service models used in the VHN programme require Support Workers/Facilitators (SW/FACs) to provide frontline support to the participants. This frontline staffing support accounts for 50% to 60% of the total costs.

The main cost drivers for this component are:

- the salary rate and associated personnel costs for a Support Worker/Facilitator
- the ratio of participants to SW/FACs, based on the provider's service model
- the number of participants served
- the number of hours of support a participant is provided per week

The survey data indicates that this is predominantly a skilled workforce, with at least 75% of SW/FACs having Level 3 or 4 qualifications.

VHN 1.1.A The salary and personnel costs of employing a Support Worker/Facilitator

The survey results for the cost of a Support Worker/Facilitator full-time equivalent are shown in the table below.

The average salary is \$45,818, with the fully loaded costs of a full-time equivalent equalling \$59,920. Included in that is an overhead recovery rate of 14.5% of the salary and other personnel costs.



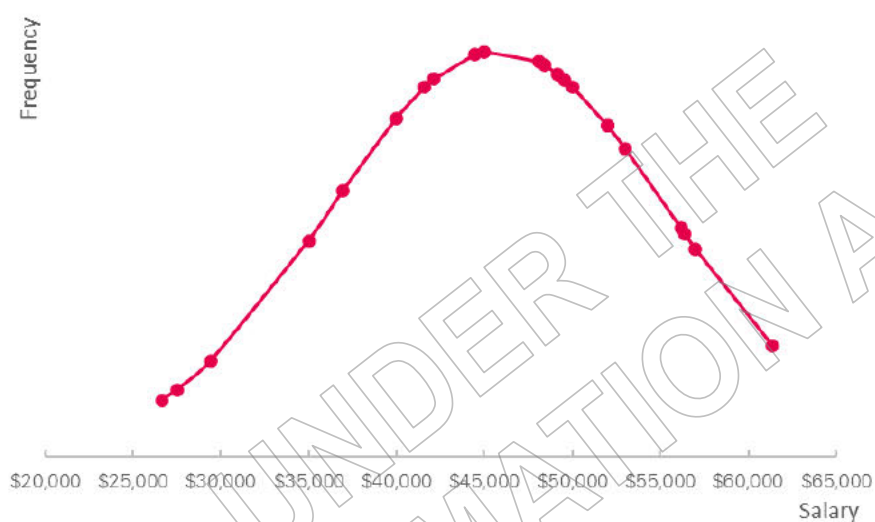
Table 15: Costs of VHN Support Worker/Facilitator

Cost of frontline VHN Support Worker (or equivalent): Components	\$ amount
Average salary	45,818
ACC, Super & allowances	2,634
Employee's phone & computer equipment	1,229
Recruitment:	1,086
Training	1,553
Indirect overhead (general admin, IT, finance, HR, office rent, and so on)	7,599
Total FTE cost	59,920
Overhead as a percentage of salary and allowances	14.5%

The graph below shows the distribution of SW/FAC salaries among Very High Needs providers that responded to the survey.



Figure 5: VHN Support Workers' average salary



This translates into an hourly cost of \$36.01 per participant-facing hour, based on the assumption that 20% of a SW/FAC's time over the course of a year is not participant-facing.

VHN 1.1.B Service model type and the associated ratio of participants to SW/FACs

Our analysis of the survey results indicates that providers are using very different ratios of participants to SW/FACs, as demonstrated by the wide range and large standard deviation displayed in the table below.

In this table the median is much lower than the average, which indicates a skewed distribution. In this case the median of 1.42 is a more useful measure than the average.



Table 16: Range of ratios of VHN participants to Support Worker

	Ratio
Maximum ratio of participants to 1 Support Worker	19.00
Average ratio of participants to 1 Support Worker	2.77
Median ratio of participants to 1 Support Worker	1.42
Minimum ratio of participants to 1 Support Worker	0.15
Standard deviation	3.71

Figure 6: Ratio of VHN Support Workers to participants



The average participant-to-SW/FAC ratios for VHN are broken down by service model in the table below.



Table 17: Average ratio of VHN participants to Social Worker/Facilitator

Type of service model	Average ratio of participants to 1 Support Worker
Staff-managed group activities, on-site & off-site	2.16
Staff-managed group & individual activities, mostly on-site	2.50
Staff-supervised employment	1.07
Individual integration into community activities/employment	3.38

Different service models require different kinds and levels of support, and organisations provide a variety of service models. In the workshops and interviews, providers indicated that this makes it difficult to calculate precise ratios. As a result, the ratios in the table above are only a general indication of the actual ratios.

The variation in participant-to-SW/FAC ratios among VHN providers and their use of different service models lead naturally to a wide range in the cost per participant-hour of providing services, as shown in the table below.

Table 18: Range in SW/FAC labour cost per VHN participant-hour

Ratio of VHN participants to 1 SW/FAC	\$ per hour
1 SW to 1 participant	36.01
1 SW to 2 participants	18.00
1 SW to 5 participants	7.20
1 SW to 10 participants	3.60
1 SW to 15 participants	2.40



1 SW to 20 participants	1.80
1 SW to 25 participants	1.44

VHN 1.1.C Hours of support provided to participants

The survey data also indicates that there is a wide variation among VHN providers in the number of hours per week that participants are being served.

Table 19: Hours of support for VHN participants

Hours per week	Percentage of VHN participants served
Fewer than 5 hours	17%
5–10 hours	24%
11–15 hours	14%
16–20 hours	17%
More than 20 hours	28%

VHN 1.2 Direct labour cost of a Coordinator or Supervisor

All Very High Needs service models require this personnel resource to provide and coordinate programmes or operations. These roles include, for example, supervising Support Workers/Facilitators, planning programmes, managing logistics, mentoring, training, backfill cover, reporting, and compliance.

The main cost drivers for this component are:

- the salary rate and associated personnel costs for a Coordinator or Supervisor, **and**
- the ratio of Coordinator/Supervisor to Support Workers/Facilitators.



VHN 1.2.A The salary and personnel cost of employing a Coordinator or Supervisor

The survey results for the cost of a full-time equivalent Coordinator or Supervisor are shown in the table below.

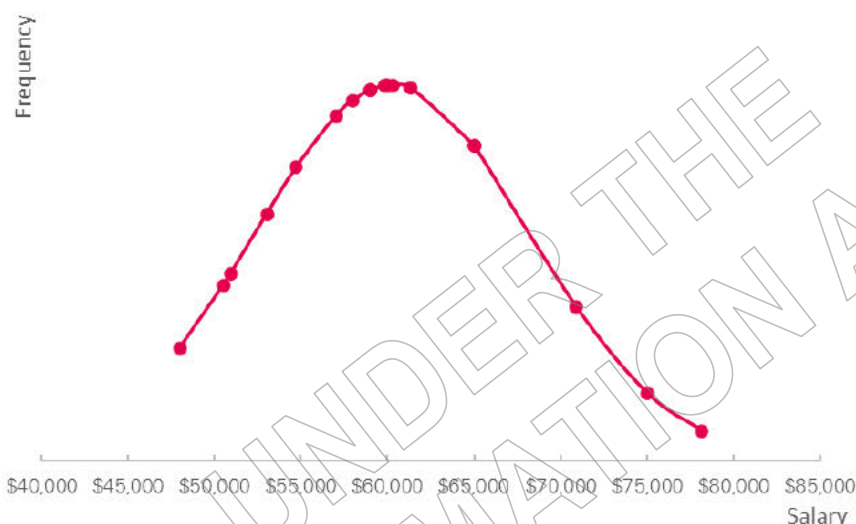
The average salary is \$60,303, with the full costs of a full-time equivalent totalling \$75,981. The overhead recovered is a reasonable 12.9% of the salary and other personnel costs.

Table 20: Cost of FTE-equivalent VHN Coordinator/Supervisor

Cost of VHN Programme/Operations Coordinator or Supervisor: Components	\$ amount
Average salary	60,303
ACC, Super & allowances	2,954
Employee's phone & computer equipment	1,238
Recruitment	1,680
Training	1,112
Indirect overhead (general admin, IT, finance, HR, office rent, etc)	8,694
Total FTE cost	75,981
Overhead as a percentage of salary and allowances	12.9%



Figure 7: VHN Programme Coordinators' average salary



This translates into an hourly cost of \$45.66 per productive hour (based on the assumption of 20% non-productive time).

VHN 1.2.B Ratio of SW/FACs to Coordinator/Supervisor

The survey responses from VHN providers on this ratio were much more varied than CP providers' responses. The average was 6 to 1, but the range was from 1 to 1, up to 29 to 1.

30% of respondents indicated that they did not use supervising coordinators. Other staffing models used included:

- no Support Workers, only Programme Coordinators and Managers
- Support Workers with Managers (no Coordinators/Supervisors).
- Support Workers with Programme Coordinators but no Managers.

Using the average ratio of 5 to 1, the cost of the Coordinator or Supervisor adds \$9.13 per hour to the SW/FAC direct labour cost of \$36.01 per hour. This results in a total direct labour cost per hour of support of \$45.14.



Table 21: Direct labour cost per hour of VHN support

	\$ amount
Total Programme/Operations Coordinator or Supervisor FTE cost	75,981
Participant Facing Hours	1,664
Total FTE Cost per Hour	45.66
Total FTE Cost per Hour applying 1 to 5 ratio	9.13

VHN 1.3 Direct labour cost of management

As noted above, not all VHN providers' service models require management resource.

The survey results for the cost of a full-time equivalent Manager are in the table below.

The average salary is \$72,481, with the full costs of a full-time equivalent totalling \$102,960. The overhead recovered is a reasonable 10.7% of the salary and other personnel costs.

Table 22: Cost of VHN Manager

Cost of VHN Manager: Components	\$ amount
Average salary	72,481
ACC, Super & allowances:	4,529
Employee's phone & computer equipment	3,946
Recruitment:	3,053
Training:	2,034
Vehicle (if applicable)	6,926



Indirect overhead (general admin, IT, finance, HR, office rent, etc)	9,991
TOTAL full cost of FTE	102,960
Overhead as a percentage of salary and allowances	10.7%

Figure 8: VHN Managers' average salary



VHN 1.4 Cost of developing and updating participants' individual plans

The purpose of the individual plans

As with CP providers, MSD requires VHN providers to develop an individualised plan with each participant, for realising the person's aspirations for participating and contributing within their community.

The plan is expected to set out not only the participant's community participation goals but also:

- their strengths and abilities



- any barriers that could inhibit their community participation
- the supports they may need, or the skills they may need to develop, in order to overcome those barriers, and
- the opportunities and activities they plan to pursue to achieve their goals.

The plan is intended to be a “living document” and must be reviewed and updated at least annually.

Quantifying the cost of developing and updating the plan

The provider survey data and workshop feedback helped us to quantify the labour costs associated with this important activity. We estimate that providers spend approximately:

- 5 hours of SW/FAC and Coordinator time developing a participant’s initial plan, and
- an additional 5 total hours per year of SW/FAC and coordinator time updating each plan, which usually happens two or three times over the course of the year.

Using those estimated hours and a fully loaded blended hourly rate of \$40.38, this translates to a cost per participant of approximately \$200 for developing the initial plan and \$200 per year updating each plan.

VHN 1.5 Cost of compliance

The survey also asked providers to estimate the number of hours of staff time they spend annually on compliance with their contract.

For Very High Needs contracts, the median was 74 hours (with a range from 5 to 2,080).

Providers were not asked to detail which staff positions supplied those hours. Feedback from the workshops and interviews indicated that contract compliance tasks are mainly the responsibility of Coordinator/Supervisors and Managers.

Applying a blended rate of \$51.77 per hour leads to an estimated annual cost of \$3,831 per provider per year.



VHN 1.6 Non-compensated labour (such as volunteers and student interns)

Only 33% of survey respondents indicated that they use non-compensated labour to help them provide their VHN programme.

The average per provider was 441 hours annually, with a range of 40 to 1,080 hours. Given the relatively small number of hours involved, we believe that non-compensated labour is only a minor cost component, and we are not including it in our model.

VHN 2 Other costs

VHN 2.1 Third-party contractor cost

Approximately half (53%) of provider survey respondents indicated that their organisations use third-party contractors to provide subject-matter expertise and specialised support to help provide the programme.

The average reported amount for these costs was \$11,649, with a range of \$500 to \$48,000 and a median of \$4,581.

For those providers who reported spending funds in this area, the average per contracted participant was \$945 (median of \$382 per participant).

During the workshops and in direct interviews, providers told us that as the use of subject-matter experts has been increasing as their VHN programmes have evolved over time. Some providers are also engaging more specialised health disability experts to help with assessing and supporting participants – these include, for example, occupational therapists and mental health experts on a consulting basis.

This area is a growing cost component and should be reflected in any comprehensive cost model of VHN programmes.

VHN 2.2 Programme supplies and consumables

82% of Very High Needs survey respondents reported that they buy materials, supplies, and other consumables as part of providing their programme. The average spend was \$10,278, with a range of \$250 to \$40,000 and a median of \$8,000.

For those providers spending funds on this, the average annual amount per contracted participant was \$792 (median of \$455 per participant).



VHN 2.3 Transport

74% of survey respondents indicated that they provide some kind of transport to participants as part of providing their VHN programme, mainly getting participants from their facility to locations in the community.

Most providers use vans or cars owned or leased by the organisation. These often need to be customised with equipment for people with significant physical disabilities. In some cases, Support Workers/Facilitators use their own vehicle and are reimbursed by the organisation at IRD's approved mileage rate. Finally, there is some use of public transport, particularly when a participant's development plan includes being able to use public transport.

The average annual transportation cost was \$17,873 per provider with a range of \$168 to \$100,000 and a median of \$6,000. The average spend per contracted participant was \$1,107 for those providers who spent money in this area (median of \$750 per participant).

VHN 2.4 Renting community facilities

Only 18% of survey respondents indicated that they spent funds to rent community facilities to help provide their VHN programme.

However, feedback from the workshops indicated there may have been some confusion among survey respondents that this referred to the rental cost of their own organisation's facility (see item 2.5 below). Therefore, in our analysis, we excluded any responses greater than \$6,000.

With that adjustment, the average was \$3,300 per provider, with a range of \$100 to \$6,000.

VHN 2.5 Leasing facilities

Another cost component for providers operating from a fixed location is the cost of leasing a facility. While we did not specifically include a question about this cost in the survey, we believe that a comprehensive cost model should incorporate it in some form.

During the workshops and interviews, some providers said that the location of the facility can be an important factor in attracting and keeping participants in the programme. Facilities that are close to public transport and to community facilities were far more attractive to the



participants than facilities in industrial areas with poor public transport and more difficult access to community facilities.

VHN 2.6 Replacing assets (excluding vehicles)

In workshops and interviews, providers told us that as their VHN programmes have evolved over time, and they have had to invest capital into assets to provide higher-quality support. The assets have included, for example, kitchen facilities, art studios, beehives, sound equipment, and tools, as well as standard facility fittings such as tables, chairs, computers, and other electronic equipment such as TVs.

Although we did not ask providers for specific data on this, it seems reasonable to include some type of asset-replacement cost component in the model.

VHN 2.7 Investments in innovation

There was also an expectation for the programmes to evolve and change, and this has real cost implications. However, the current contracts do not specifically include funding for change and innovation. There was strong feedback from providers that a robust funding model should reflect this cost component, to ensure providers are adequately funded to invest in this area.

BUSINESS ENTERPRISE

A key challenge of developing a cost model for Business Enterprise contracts is that – unlike Community Participation and Very High Needs providers – BE providers produce and sell goods and services. BE providers therefore incur some costs that, while critical to them as a business enterprise, are arguably not directly related to MSD's objective of creating meaningful opportunities for individuals with disabilities.

This raises the fundamental question of exactly what MSD believes it is buying from BE providers in exchange for the contract dollars.

That difference from CP and VHN providers also generated some confusion and frustration among BE providers about what data they should include in their responses to our survey.



BE 1 Personnel costs

As with CP and VHN programmes, the cost of personnel is by far the largest contracted cost of the Business Enterprise providers, accounting for 80% to 90% of the total costs.

This percentage does not consider the cost of materials, shipping and logistics, and other costs associated with producing and delivering the products or services that the Business Enterprise generates and sells.

BE 1.1 Direct labour cost of Supervisors

We have assumed that the BE service model mainly involves using additional supervision resources above what would be needed for a non-disabled workforce performing the same job duties, in order to ensure that the employees with disabilities get the support, training, and coaching they need to be successful.

The main cost drivers for this component are:

- the salary rate and associated personnel costs for a Supervisor, and
- the ratio of employees to Supervisors.

The Supervisors are predominantly a skilled workforce. They tend to be very experienced employees, with subject-matter expertise and the additional skills necessary to supervise their employees.

BE 1.1.A The salary and personnel cost of employing a supervisor

The table below shows the BE provider survey results for the cost of a full-time equivalent supervisor.

The average salary is \$52,206, with the full costs of a full-time equivalent totalling \$75,995. The overhead recovered is a reasonable 22.2% of the salary and other personnel costs.

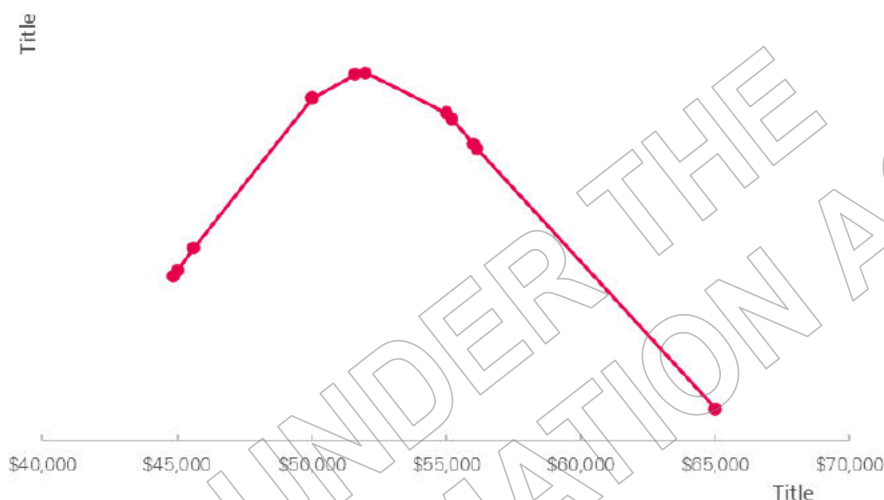


Table 23: Cost of BE Supervisor

Cost of BE Supervisor: Components	\$ amount
Average salary	52,206
ACC, Super & allowances:	2,612
Employee's phone & computer equipment	2,261
Recruitment:	1,365
Training:	1,463
Vehicle	2,271
Indirect overhead (general admin, IT, finance, HR, office rent, etc)	13,817
Total FTE cost	75,995
Overhead as a percentage of salary and allowances	22.2%



Figure 9: BE Supervisors' average salary



This translates into an hourly cost of \$45.67 per employee-facing hour (assuming that 20% of a supervisor's annual time is not employee-facing).

BE 1.1.B Ratio of Supervisor to employees

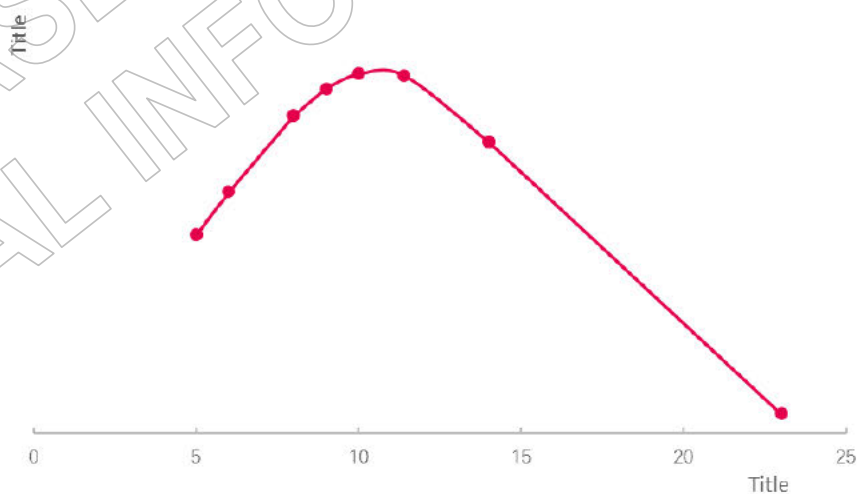
The BE survey results produced a range of employee-to-supervisor ratios, coalescing around a ratio of approximately 10 employees to 1 supervisor. However, it is important to note that this refers to the full supervision ratio. What is not known is the portion of that ratio that represents the additional amount of supervision a BE enterprise needs to provide above the amount of supervision that would be expected for that same job activity at a workplace that does not employ individuals with disabilities. For example, where a BE provider might use a 10-to-1 supervision ratio, another enterprise engaged in the same commercial activity but that chooses not to employ individuals with disabilities might use a 5-to-1 supervision ratio.



Table 24: Range of BE employee-to-supervisor ratios

	Ratio
Maximum ratio of employees to 1 supervisor	23.00
Average ratio of employees to 1 supervisor	10.60
Median ratio of employees to 1 supervisor	9.50
Minimum ratio of employees to 1 supervisor	5.00
Standard deviation	4.90

Figure 10: Ratio of BE Supervisors to employees



BE 1.2 Direct labour cost of management

All service models used by Business Enterprise providers require this resource to provide the overall management needed to meet the expectations of the MSD contract, as well as running and operating the business enterprise. This dual responsibility should be taken into account in developing the cost model.



BE 1.2.A Cost of employing a Manager

The survey results for the costs of a full-time equivalent Manager are in the table below. The average salary is \$75,573, with the full costs of a full-time equivalent totalling \$107,973.

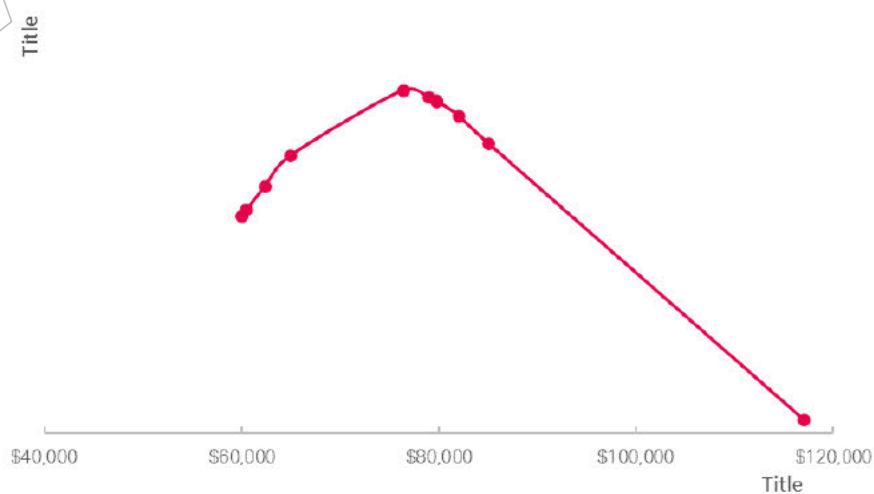
The overhead recovered is 17.9% of the salary and other personnel costs. This appears to be a reasonable amount for a full-time manager of a business.



Table 25: Cost of BE Manager

Cost of BE Manager: Components	\$ amount
Average salary	75,573
ACC, Super & allowances	3,037
Employee's phone & computer equipment	2,162
Recruitment	1,920
Training	1,830
Vehicle (if applicable)	7,025
Indirect overhead (general admin, IT, finance, HR, office rent, etc):	16,426
TOTAL full cost of FTE	107,973
Overhead as a percentage of salary and allowances	17.9%

Figure 11: BE Managers' average salary



BE 1.4 Cost of developing and updating participants' individual plans

Similar to the CP and VHN contracts, MSD requires Business Enterprise providers to develop and keep updated an individualised plan for each employee. However, the plans developed by BE providers focuses more on the employee's work goals and skills development than on their community participation objectives.

In their survey responses, BE providers indicated that, on average, they spend approximately:

- 13 hours of staff time developing an employee's initial plan, and
- an average of 23 hours per year updating each plan.

Using the average hours and a supervisor's fully loaded hourly rate of \$45 per hour, that would represent a cost per employee of approximately \$585 for the initial plan and \$1,035 per year ongoing.

BE 1.5 Cost of compliance

Our survey also asked providers to estimate the number of hours of staff time they spend annually on compliance with their contract.

For BE contracts, the average was 117 hours, with a range from 10 to 275 and a median of 90 hours.

Providers were not asked to detail which staff positions supplied those hours. Feedback from the workshops and interviews indicated that contract compliance tasks are mainly the responsibility of supervisors and managers.

Applying a 50/50 blended rate of \$50 per hour to the median leads to an estimated annual cost of \$4,500 per year.

BE 1.6 Additional personnel costs

During the provider workshop and in subsequent information sharing, many BE providers emphasised that they invest a good deal of staff time serving the needs of their employees with disabilities in ways beyond the running of the enterprise. This includes for example:

- arranging "pastoral care" time for employees to take care of non-work issues
- helping employees to understand and navigate the variety of other social supports and caregiving resources in their lives



- providing the employee with meals, clothing, and personal care items, or arranging for the employee to obtain them
- coordinating medical care (such as prescriptions, doctor visits, and vaccinations)
- arranging social functions outside of work.

We have assumed that the hours spent on these activities are captured as part of the salary data under the both the supervisory and management functions.

BE 2 Other costs

BE 2.1 Third-party contractor costs

Fewer than half (42%) of BE providers who responded to our survey indicated that their enterprise uses third-party contractors to provide subject-matter expertise for their employees with disabilities. That expertise is often around skills development or certifications.

The average reported amount for these costs was \$6,720, with a range of \$300 to \$20,000 and a median of \$2,000.

For those providers who reported spending funds in this area, the average per contracted participant was \$110 (with a median of \$125 per participant).

BE 2.2 Supplies and consumables

83% of BE survey respondents indicated that they buy supplies and consumables as part of implementing their BE contract.

The average was \$30,000 with a range of \$500 to \$103,000.

The amounts included here seem high, and the range is large. We suspect that some respondents may have included the cost of buying materials for their business in this data.

BE 2.3 Transportation

67% of BE survey respondents reported spending money on transport as part of meeting their contracted obligations.

The average was \$13,949, with a range of \$200 to \$49,600 and a median of \$7,521.



For those providers who reported spending funds in this area, the average per employee was \$292 (with a median of \$28 per employee).

However, given the type of service and support they provide to their employees with disabilities, we believe that the higher amounts probably represent the transportation costs associated with moving their goods and employees.

BE 2.4 Cost of individual planning for employees; contract compliance, and change and innovation

There was very strong feedback from the Business Enterprise providers that there was a very real cost in these areas.

The time involved in doing individual planning, contract compliance, and reporting has significantly increased. The costs of this are not recovered adequately through the overhead recovery.

There is also an expectation for the providers to evolve and change, and this also has real cost implications. There is no specific mechanism under the current contracts to fund change and innovation. There was strong feedback from providers that the cost model should somehow reflect this cost component, to ensure providers are adequately funded to invest in this area.



>> 4.

SCENARIO-DRIVEN COST MODEL



In this section we use several scenarios as a way to present our cost model. For each scenario we apply assumptions derived from the cost component analysis to demonstrate the likely cost for a hypothetical provider to deliver that model for one year to a certain number of participants.

INTRODUCTION

We used scenarios to present our cost model

The results of the analysis of cost components in the previous section demonstrate the challenge of developing a one-size-fits-all cost model.

The data on some components, such as the salary rates of front-line support workers and facilitators, were fairly consistent across Community Participation and Very High Needs providers. However, the extremely wide variety of approaches they use – and their corresponding variation in key cost drivers such as staffing ratios and number of participant hours of service provided – means that developing a model that is both simple and credible will in fact be an elusive goal.

The scenarios are driven by the service models

Therefore, for the CP and VHN contracts, we have approached the task of developing a funding model by first generating a number of service model scenarios, and then applying assumptions derived from the cost component analysis to demonstrate the likely cost for a hypothetical provider to deliver that model for one year to a certain number of participants.

We recognise that these relatively straightforward assumptions may not fully represent the complex and varying staffing models that many providers use – particularly those that are managing multiple service models and programmes simultaneously, some of which are funded by agencies other than MSD.

For the Business Enterprise cost model, we use a single scenario in which the MSD contract mainly funds the cost of supervising the employees with disabilities as they do their work tasks.



The costs associated with each scenario are based on assumptions for their cost drivers

The main drivers

Each scenario contains information on the following variables, which, along with the salary levels of their frontline staff, are the main drivers of the provider's personnel costs:

- **the** number of participants being served over the course of the year
- **the average** number of hours of service provided for a participant per week
- **the** number of weeks per year for which the participant receives that level of service
- **the** ratio of participants to frontline Support Worker/Facilitator (for BE providers, the relevant ratio is employees to Supervisor)
- **the** ratio of Support Workers/Facilitators to Coordinator/Supervisor (there is no corresponding ratio for BE providers).

Other drivers

Each scenario also includes assumptions about the other key cost drivers, based on the type of service model used, such as:

- management costs
- the use of third-party contractors for a variety of services related to programme delivery
- allowance for the development and updating of participants' individual plans
- programme supplies and consumables
- programme-related transportation of participants
- programme-related facility space rental (excludes administrative office floor space)
- allowance for asset replacement, excluding vehicles
- allowance for compliance, change and innovation

The end result will be a model that calculates an estimated cost to deliver that service model scenario to an individual participant for one



year. It is important to note that this represents the provider's cost not necessarily how much MSD would be expected to fund, given the historical expectation that these contracts are to be considered contributory.

The following table shows the spreadsheet template used to apply the assumptions of the cost model to each scenario. The completed spreadsheets for each scenario are included in the appendix of this report.



Table 26: Template used to apply cost model assumptions to each scenarios

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green boxes are inputs				
Total Support Worker and Programme coordinator cost breakdown				
Support Worker Participant facing hours based on 80% of available hours				1,664
Number of participants				
Average hours per week				
Weeks per year				
Participants hours per year				0
Ratio of SW to Participant				1
SW FTE cost				62,252
Number of SW FTE's required				0
Cost per hour of client facing time				37
% of programme coordinator ratio 1 to 5 SW				20%
PG FTE Cost				73,498
Number of PG FTE				0
Cost per hour of programme coordinator				9
Total direct labour cost per hour of support				46
Cost per hour per participant				46
SW/PG cost per year per participant				
Total Support worker and programme cost				\$0
Total Actual individual participants per year				0
Total full year equivalent participants per year based on a full year (48 weeks) at 32 hour per week				0
Average hours per week				32
Weeks per year				52
	KM per week per SW	Number	Cost	Total
Total Support Worker and Programme coordinator cost as calculated above				0
Management		0	1 93,944	0
Third party contractor		0	1 0	0
Programme supplies and consumables		0	1 100	0
Transportation	0	0	1 10,000	0
Facility rental		0	1 100	0
Allowance per participant for plan development and updating 2-3 times annually		0	1 400	0
Annual Allowance for asset replacement (exc Vehicles)		1	10 10,000	0
Allowance to fund innovation, change, compliance		0	1 1%	0
Total				\$0
Cost per actual participant				\$0



THE COST MODEL SCENARIOS

Based on analysis of the survey data, our scenarios for Community Participation and Very High Needs all share the assumptions in the table below. While there were some minor differences in salary costs between CP and VHN providers, for purposes of these scenarios we have chosen to use a single set of assumptions.

Assumption	Value
Support Worker/Facilitator fully-loaded FTE cost	\$62,252
Ratio of Support Workers/Facilitators to Coordinator/Supervisor	5 to 1
Programme Coordinator fully-loaded FTE cost	\$73,498
Management fully-loaded FTE cost	\$93,944
Allowance for developing a participant's plan plus reviewing and updating it 2 or 3 times a year	\$400 per participant

SCENARIO 1. Community Participation —Service Model B, "On-site"

Description

Participants take part in a variety of provider-managed activities, all of which are delivered on-site at the provider's facility.

Some of the activities are in a group, and some are done individually. All of the activities are delivered by the provider's staff, with no third-party contracted support.

As far as possible, the participants have a choice of activities.



Key variables

Number of participants	80
Hours per week of service provided to each participant	32
Weeks per year of service provided to each participant	52
Ratio of participants to Support Worker	20 to 1
Allowance for third-party contracted support	\$0
Allowance for programme supplies	\$100 per participant per year
Transportation	\$0
Programme-related facility space rental	300 m ² @ \$100 per m ²
Allowance for asset replacement (excluding vehicles) of \$10,000 replaced every 10 years	\$1,000
Allowance for provider compliance, change, and innovation	1 % of contract value

The cost of providing this service

Based on the assumptions listed above, the cost of providing this service to 80 participants for one year would be:

- \$497,678, or
- \$6,221 per participant.

See the Appendix for detailed calculations.



SCENARIO 2. Community Participation – Service Model A, “Group-based”

Description

Participants take part in a variety of provider-managed group activities, some activities happening on-site at the provider’s facility and some in other places. This leads to a smaller participant-to-Support Worker ratio than in Scenario 1.

All of the activities are provided by the provider’s staff, with no third-party contracted support.

As far as possible, participants have a choice of activities.

Key statistics

Number of participants	80
Hours per week of service provided to each participant	32
Weeks per year of service provided to each participant	52
Ratio of participants to Support Worker	15 to 1
Allowance for third-party contracted support	\$0
Allowance for programme supplies	\$100 per participant per year
Transportation	2 vehicles owned/leased @ \$10,000 per vehicle per year
Programme-related facility space rental	300 m ² @ \$100 per m ²
Allowance for asset replacement (excluding vehicles) of \$10,000 replaced every ten years	\$1,000
Allowance for provider compliance, change, and innovation	1% of contract value



The cost of providing this service

Based on the assumptions listed above, the cost of providing this service to 80 participants for one year would be:

- \$601,306, or
- \$7,516 per participant.

See the Appendix for detailed calculations.

SCENARIO 3. Community Participation – Service Model B, “On-site”

Description

Participants take part in a variety of provider-managed activities, all of which are delivered on-site at the provider’s facility.

Some of the activities are done in a group, and some are done individually.

As far as possible, participants have a choice of activities.

The activities are more rigorous and intensive than in Scenario 1 and therefore need more staff support, resulting in lower participant-to-Support Worker ratios. They also need more third-party contracted expertise.

The activities require more supplies, and there are more expensive assets to maintain.

The activities are also offered for only 20 hours per week, rather than the 32 hours in Scenarios 1 and 2.

Key statistics

Number of participants	80
Hours per week of service provided to each participant	20
Weeks per year of service provided to each participant	52
Ratio of participants to Support Worker	5 to 1



Allowance for third-party contracted support	\$125 per participant per year
Allowance for programme supplies	\$200 per participant per year
Transportation	\$0
Programme-related facility space rental	300 m ² @ \$100 per m ²
Allowance for asset replacement (excluding vehicles) of \$50,000 replaced every ten years	\$5,000
Allowance for provider compliance, change, and innovation	2% of contract value

The cost of providing this service

Based on the assumptions listed above, the cost of providing this service to 80 participants for one year would be:

- \$975,590, or
- \$12,195 per participant.

See the Appendix for detailed calculations.

SCENARIO 4. Community Participation

Service Model D, "Individual facilitation"

Description

Participants work with a Facilitator who helps them identify their community participation goals and then connects them with the appropriate organisations and individuals in their community to achieve those goals.

After an intensive initial period of planning and facilitation over the first six months, the number of facilitation hours provided declines over time, moving to just periodic check-ins by the Facilitator.



If the participant needs help with taking up a new opportunity to participate in the community or to overcome a new barrier or challenge, the Facilitator would respond accordingly.

While Facilitators work with participants on a one-to-one basis, they would be managing a caseload of approximately 20 participants, with a mix at different intensity levels of service.

Assumptions

Of the 100 participants in this scenario, we have assumed that:

- 50% are already being served by the provider at the start of the year and are in the ongoing “check-in” level of service (average of one hour of Facilitator time per participant per week).
- 25% enter as new participants in the first half of the year and shift to “check-in” level for the second half of the year; this results in an average of 5.5 hours per week of Facilitator time per participant over the whole year.
- 25% enter as new participants in the second half of the year, not moving to “check-in” level until the next year; this results in an average of 10 hours per week of Facilitator time per participant over those six months.

Key statistics

Number of participants	100
Hours per week of Facilitator time spent on each participant	variable, ranging from a high of 10 initially down to 1 in the “check-in” level
Weeks per year of service provided to each participant	52
Ratio of participants to Facilitator	1 to 1, with Facilitators managing a caseload of 20 participants
Allowance for third-party contracted support	\$0
Allowance for programme supplies	\$0



Transportation	3,900 km per year per facilitator reimbursed at IRD rate (75 km per week for 52 weeks)
Programme-related facility space rental	\$0
Annual allowance for asset replacement (excluding vehicles) of \$50,000 replaced every ten years	\$0
Annual allowance for provider compliance, change, and innovation	3% of contract value

The cost of providing this service

Based on the assumptions listed above, the cost of providing this service to 100 participants for one year would be:

- \$942,978, or
- an average of \$9,430 per participant.

In this scenario the actual cost for individual participants varies significantly due to the different hours per year of facilitator time spent on each participant, which vary with the changing intensity of the service provided over the course of the year.

See the Appendix for detailed calculations.

SCENARIO 5. Very High Needs – Service Model B, “On-site”

Description

Participants take part in a variety of provider-managed activities on-site at the provider’s facility. Some of the activities are in a group and some are done individually.

As far as possible, individuals have a choice of activities.

We have assumed that – as this is a Very High Needs scenario – the provider takes responsibility for transporting the participants to the facility in a specialised vehicle.



Key statistics

Number of participants	80
Hours per week of service provided to each participant	25
Weeks per year of service provided to each participant	52
Ratio of participants to support worker	1 to 1
Allowance for third-party contracted support	\$0 per participant
Allowance for programme supplies	\$100 per participant
Transportation	2 vehicles owned/leased @ \$15,000 per vehicle per year
Programme-related facility space rental	300 m ² @ \$100 per m ²
Annual allowance for asset replacement (excluding vehicles) of \$10,000 replaced every ten years	\$1,000
Annual allowance for provider compliance, change, and innovation	1% of contract value

The cost of providing this service

Based on the assumptions listed above, the cost of providing this service to 80 participants for one year would be:

- \$5,054,465, or
- \$63,181 per participant.

See the Appendix for detailed calculations.



SCENARIO 6. Business Enterprise

Description

Participants are employed to do job tasks in a certain enterprise. They receive appropriate supervision and training based on their existing skills and the level of assistance they need in order to complete their job tasks. In this scenario we have assumed a 10 to 1 ratio of employees to supervisor in line with the data provided by the providers in the survey.

They also participate in organisational and social development activities with their co-workers.

Key statistics

Number of employees	70
Hours per week per employee	32
Weeks per year of business enterprise operation	52
Ratio of employees to Supervisor	10 to 1
Fully-loaded FTE cost per Supervisor	\$75,995
Management cost (assumed at 0.5 FTE due to dual role of managing BE contract and managing the business)	\$53,986
Allowance for third-party contracted support	\$0 per participant
Annual allowance for provider compliance, change, and innovation	1 % of contract value

The cost of providing this service

Based on the assumptions listed above, the cost of providing this service to 70 participants for one year would be:

- \$620,091, or \$8,858 per employee.

See the Appendix for detailed calculations.



ALL SCENARIOS: SUMMARY

The following table summarises the six scenarios presented above.

This represents an estimation of the providers' cost for delivering these scenarios, not the level of funding that MSD is expected to provide them – given that these contracts are considered contributory.

The various assumptions driving these scenarios would be expected to vary for individual providers, based on

- their unique approach to providing these services
- the degree to which they integrate their service delivery with other programmes they offer, and
- the nature and intensity of the disabilities of the participants they serve.



Table 27: Summary of the six scenarios

Cost components	Scenario 1 CP, Model B	Scenario 2 CP, Model A	Scenario 3 CP, Model B	Scenario 4 CP, Model D	Scenario 5 VHN, Model B	Scenario 6 BE
Total actual individual participants per year	80	80	80	100	80	70
Total Support Worker and Programme Coordinator labour cost	307,807	410,409	769,516	751,481	4,809,477	531,965
Management	93,944	93,944	93,944	93,944	93,944	53,986
Third-party contractor	0	0	10,000	0	0	0
Programme supplies and consumables	8,000	8,000	16,000	0	8,000	0
Transportation	20,000	20,000	0	30,088	30,000	0
Facility rental	30,000	30,000	30,000	0	30,000	0
Funding per participant for plan development and updating two or three times annually	32,000	32,000	32,000	40,000	32,000	28,000
Allowance for asset replacement (excl vehicles)	1,000	1,000	5,000	0	1,000	0

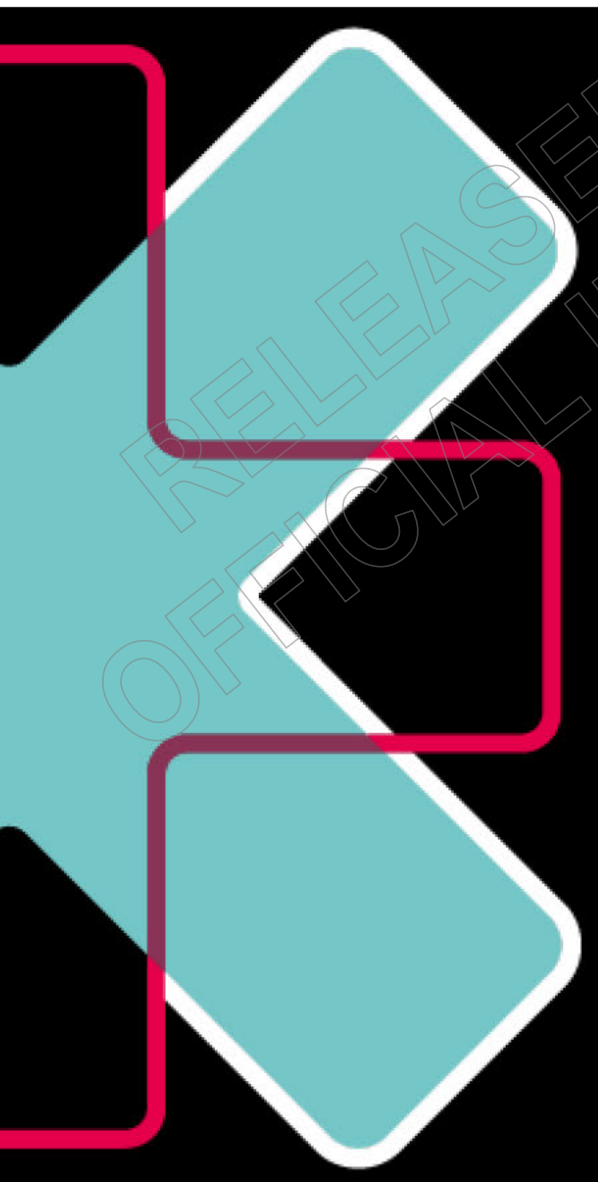


Cost components	Scenario 1 CP, Model B	Scenario 2 CP, Model A	Scenario 3 CP, Model B	Scenario 4 CP, Model D	Scenario 5 VHN, Model B	Scenario 6 BE
Allowance to fund innovation, change, compliance and participants' individual plans	4,928	5,954	19,129	27,465	50,044	6,140
TOTAL COSTS	497,678	601,306	975,590	942,978	5,054,465	620,091
Actual cost per actual participant	6,221	7,516	12,195	9,430	63,181	8,858



>> 5.

SERVICE QUALITY



In this section we set out the quality components that a sample of participants identified as priorities for them; some areas identified by providers where investment would improve service quality; and some opportunities that we identified for improving how service quality is assessed.

There is a consensus among MSD and providers that measuring and improving the quality of outcomes is important

The current MSD contracting template includes language regarding “service measures” and “outcome indicators” as well as twice-annual provider reporting requirements for “service measures” and a “narrative report.” Taken together they indicate that MSD’s focus on service quality revolves around four primary items:

- Participant engagement in activities, not just at the provider’s facility but also in the “wider community”
- Participant achievement of paid employment
- Participant satisfaction with the provider’s services
- Compliance with key elements of the contract, including development and updating of participants’ individualised plans

In their responses to our survey, providers shared additional indicators that many of them use to try and assess the quality of their organisation’s services, including:

- Participant progress on or achievement of personally identified goals
- Participant retention (as an indicator that the provider is delivering a quality service or, in the case of BE providers, a quality employment experience)
- Successful participant exits (which are defined as when a participant leaves a programme or the BE enterprise not out of dissatisfaction but because they have achieved their goals and may no longer need the provider’s direct support to pursue their community participation or employment objectives)



- Participant and staff safety
- Participant physical and mental health
- Satisfaction with the provider's services by the participant's family members or caregivers as well as by other organisations involved in supporting that individual; for BE providers, there is also the satisfaction of their enterprise's end customers with the quality of goods or services they deliver to them.

A sample of CP and VHN participants prioritised some quality components over others.

As well as obtaining providers' perspectives on what defines quality, we also developed a one-question survey for current CP and VHN participants to identify what programme features are most important to them.

We sent this short survey to roughly 20 providers of varying sizes and locations, all of whom had completed the provider survey (and therefore were more likely to participate).

They in turn invited their programme participants to complete the anonymous survey (with the assistance of a staff person or caregiver, if necessary), which asked them to choose up to five of the 10 listed quality elements that they consider most important to them.

Response options in the participant survey

The programme staff who support me care about me

The staff know how to help me dream about my best life and achieve my goals

The programme facilities are easy to access, clean, and comfortable

I can choose a lot of different things to do that are important to me

I am supported and encouraged to be out in the community on my own if I want



I feel safe when I am participating in a programme or receiving services

I can participate and receive services for as many hours a week as I choose

I have the opportunity to try new things and meet new people

I am in control of making decisions that are important to me

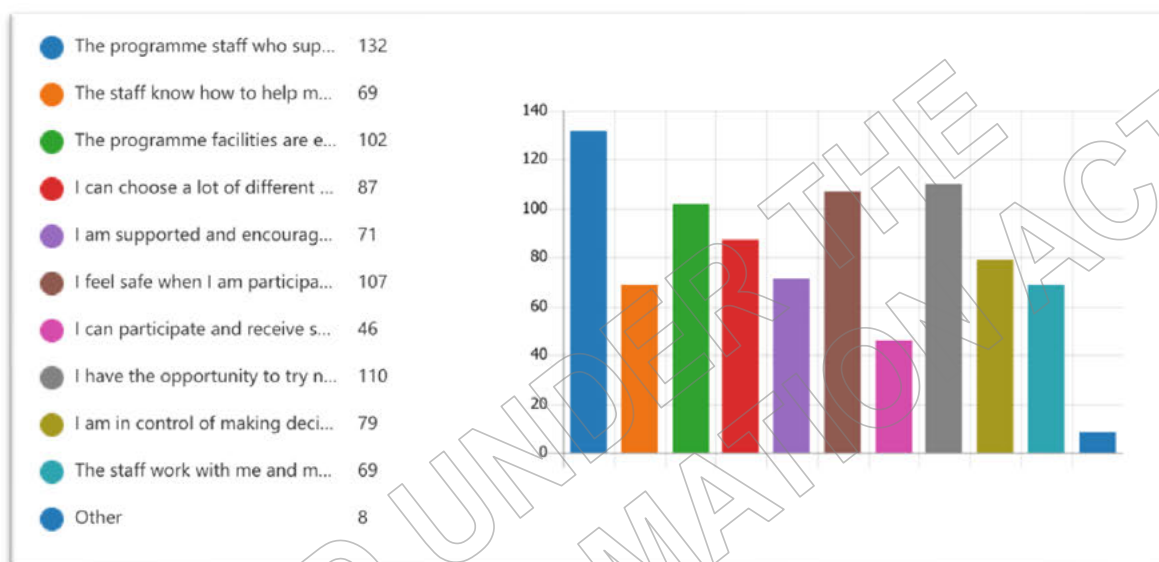
The staff work with me and my support network so that everyone knows what they need to know

We received a total of 189 responses from participants, and the results indicate that for these individuals the following four components of programme quality are most important to them (all four were chosen by more than half of those who responded):

- Having programme staff that care about them
- Having the opportunity to try new activities and meet new people
- Feeling safe while participating in the programme
- Having accessible, clean and comfortable programme facilities.



Figure 12: Responses to the participants survey



Providers identified the areas where they believe additional investments will lead to better service quality

In the provider survey and workshops, we asked providers to identify the highest-priority investments they would like to see and/or make themselves in order to improve the quality of CP, VHN, and BE services.

Beyond the expected desire for more funding to provide better pay for staff and/or to hire more staff (in order to lower participant-to-staff ratios or add capacity to serve more participants), the most frequently cited responses were:

- skills development for frontline staff, particularly in areas related to providing more vocational support/job coaching to participants, improving the health and physical movement of participants, and facilitating more community connections for participants
- Development of new and more varied activities to offer participants, which would likely involve the purchase of new programme-related equipment or technology as well as potentially contracting with more outside experts to deliver the activities



- More vehicles or other transportation options to facilitate participants getting to the provider facility as well as out to community locations for activities
- Greater access to specialists who can provide on-site services or presentations to participants beyond what support workers are trained to do
- Expansion or improvement to existing programme facilities and/or capital for establishment of new locations in currently under-served areas
- Technology and skilled assistance to strengthen the ability of providers (and, by extension, MSD) to track and assess programme performance and maintain other useful participant information (attendance, goals, etc.) electronically

There is an acknowledgement that going beyond high-level outcome statements to quantifying a provider's service quality is quite challenging

First, while MSD asks providers to submit the number of hours that participants are spending at the provider's facility and out in the community, there is no established benchmark or goal regarding the desired ratio of hours of a participant's activity that is in-community vs. in-facility. Providers feel that they make the effort to track, record, and submit this data to MSD but receive little or no feedback on whether their performance in this respect is good or bad.

Second, the objective of paid employment is desirable for many, but not all participants. Therefore, the measurement of this quality indicator should be focused only on those participants who have included such a goal in their individual plans. In addition, while determining and reporting whether a participant has obtained paid employment may be relatively straightforward, it becomes more difficult to get data on how long the individual retains the job, the wage level they are earning, or even if they are satisfied with the job.

Third, the contracts specify that MSD may implement participant feedback surveys, with an expectation that the provider will help facilitate the distribution of those surveys. However, there is currently no such MSD-developed survey. Many providers indicate that they conduct their own surveys, sometimes expanding it to include the opinions of participants' family, whānau and caregivers. Therefore, there is no



common, shared set of questions and rating scales that would make more consistent comparisons of provider quality possible over time.

Fourth, providers agree that establishing and updating individualised plans with the full participation of the participant and their caregivers is an important component of a quality service (as demonstrated by the number of hours of staff time they invest in this effort). However, there is currently no mechanism by which to assess what constitutes a quality plan or to track the degree to which participants are experiencing progress or success at achieving the goals in those plans.

Through the process, we identified some opportunities to improve service quality assessment

There is an opportunity for MSD to establish more explicit expectations around service quality while still allowing providers to take advantage of the important flexibility they have in the design and delivery of their programmes and services. This might include developing – in collaboration with providers – and then distributing:

- **Quantifiable performance benchmarks**— unique to each service model – for key service metrics, such as a minimum number and/or ratio of hours per week/month/year that an enrolled participant should be in-community as a direct result of the provider's programme.
- **Guidance on tracking and reporting on employment outcomes** – such as securing a paid position, retaining that position for x months, and earning a certain wage – for those participants for whom paid employment in the community is one of their goals
- **A consistent set of questions and rating scales for measuring participants' satisfaction with a provider's service quality** – questions would be developed so as to be accessible to individuals with a range of intellectual and physical abilities. There could also be a set of satisfaction questions for participants' family, whānau, and caregivers.
- **A common framework/template and guidance on the development of individual participant plans**, recognising that different versions may be needed for different service models. Again, these templates should be designed so as to be accessible to participants of varied abilities.

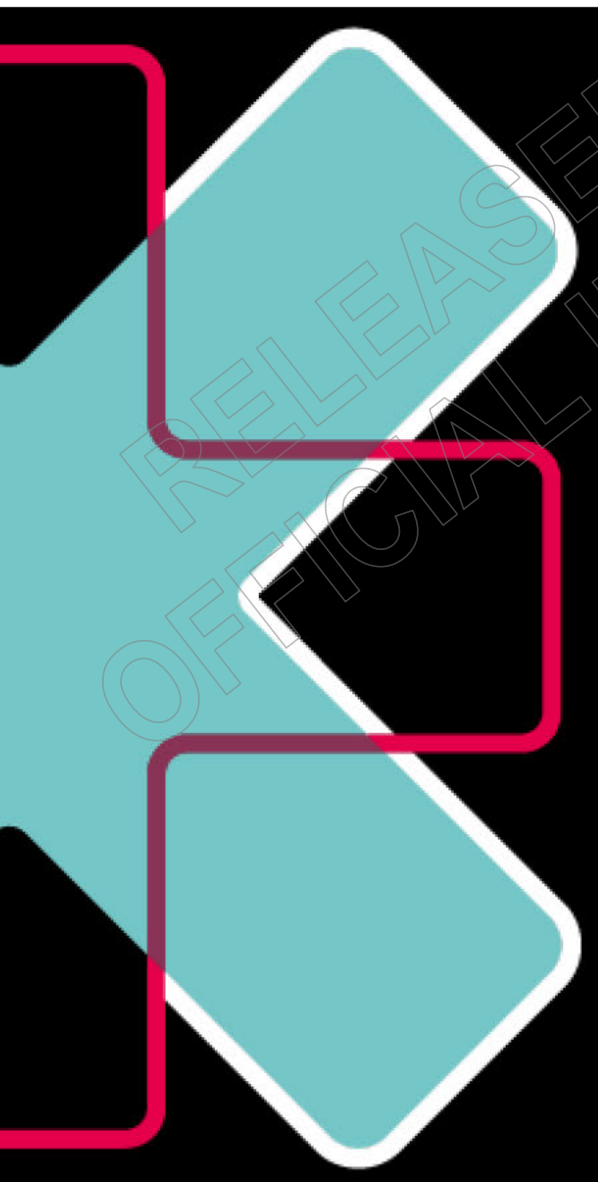


In addition, many providers expressed frustration and scepticism that the service narratives that they are expected to compile and submit are read and/or used by MSD in a meaningful way. In discussions with MSD contract managers, they indicate that those reports are read and used to inform their assessment of a provider's performance as well as in preparation for site visits they conduct at providers' facilities. Given this disconnect, it may be in MSD's interest to work collaboratively with providers to develop a more standardised and streamlined format for these service narratives that works for all parties.



>> 6.

CAPACITY ISSUES



Estimating the size of the “service gap” for Community Participation services is a challenging task.

MSD wants a better understanding of the extent to which the services it currently provides through its CP, VHN, and BE contracts are meeting the demand for those services among individuals with disabilities.

Estimating the size of the “service gap” for Community Participation services is a challenging task

Anecdotally, all stakeholders agree that the current capacity of Community Participation contracts – which today serve a total of roughly 10,000 people – does not meet the need for these services across the country.

MSD estimates that approximately 25% of all New Zealand residents have some form of disability.¹ Many of those individuals probably find ways to participate in their communities in the ways that they want without needing additional support beyond what they already obtain on their own. For example, it is estimated that 42% of individuals with disabilities and aged 15 to 64 are currently employed (compared with 79% of people without disabilities).

Using a very simple top-down calculation method:

- There are approximately 3.2 million total residents between the ages of 15 and 64
- Assuming 25% of them have a disability (per MSD estimates), that totals 800,000 individuals in the eligible age range
- If 42% of them are currently employed (which can serve as a proxy for not requiring support to overcome participation barriers), that leaves a maximum of 464,000 potentially eligible individuals

¹ This estimate is based on the 2013 Household Disability Survey and other information.



- What is not known is the percentage of not-employed individuals with a disability who would indicate that their disability presents a barrier to their participation and inclusion in the community to the extent that they want and that they require support to address this barrier. Even assuming that percentage to be as low as 10%, the “demand” for CP-type services would be approximately 50,000 people compared to the 10,000 currently being served through the existing contracts.

There are also other programmes focussed on improving community participation, offered through the Ministries of Health and Education and ACC (see the “Context” section at the beginning of this report), and these are probably meeting some of that additional demand. We did not have access to data on those other programmes, and so they are not included in this report.

The most quantifiable current estimate of future need is the number of individuals receiving ORS-funded support in schools

From a bottom-up forecasting perspective, we do know that currently there are approximately 650 students receiving ORS-funded services at school who will be turning 16 this year and therefore becoming eligible for VHN services from providers in their community.

Table 28: Students receiving ORS-funded services who will turn 16 in 2021 – by region

Region	Total
Auckland	186
Bay of Plenty	38
Canterbury	100
Gisborne	9
Hawkes Bay	28
Manawatu-Wanganui	36



Region	Total
Marlborough	3
Nelson	3
Northland	23
Otago	25
Southland	15
Taranaki	17
Tasman	6
Waikato	72
Wellington	94
West Coast	1
Home Schooling (Region unknown)	3
Total	659

Another potential source data on demand would be the number of students turning 16 who have been assessed at a lower-than-VHN level ("High Needs" and "Combined Moderate Needs" are the two other designations). Unfortunately, that data is not readily available to us. As noted above, there are other government programmes such as Transition Services that may be set up to serve them more directly, so it is difficult to assess whether or not this represents an unmet demand for MSD's CP services.

A similar source of potential demand-side data would be the volume of assessments performed on behalf of the Ministry of Health by Needs Assessment Services Co-ordination (NASC) agencies. Gathering and analysing not only the number of assessments performed but also the determined level of eligibility for services from those assessments would give MSD (and the government as a whole) a deeper



understanding of how many individuals might be likely candidates for community participation services.

Another perspective on unmet demand is data from providers on how frequently they turn people away who are seeking their services, and on the reasons for those decisions.

As part of the survey, we asked providers to indicate how often they do not serve individuals who request their services.

Approximately 40% responded that they do not have to regularly turn away people who are eligible. Of the remaining 60% of providers, most indicated that they turn away fewer than 10 individuals per year (see the table below).

The most commonly cited reasons were that they did not have either the staff or facility capacity to accommodate them, or they had already reached the maximum number of participants in their contract for the year. Some indicated that, in some cases, they or the prospective participant decide that the programme is not a “good fit” based on the individual’s community participation goals or level of need in comparison with the provider’s programme offering or – in the case of BE providers – employment opportunity.

Table 29: Number of people turned away when seeking CP or VHN services

Number who could not be served in the past 12 months	Number of CP providers	Number of VHN providers
None	16	12
Fewer than 10 people	16	11
10–20 people	8	4
21–50 people	4	0
More than 50 people	0	0

Despite the relatively low turn-away numbers from the survey, some providers during the workshop pointed out that this only represents the



individuals who are in their local community, know about their services, and are willing and able to approach them for services.

They indicated that they are aware of eligible individuals who live in communities where CP services either do not exist or are not convenient to them, which would represent an un-met demand.

Some also expressed concern at the relative lack of effective "marketing" of their CP programmes, particularly to young people who were not served through ORS funding. This results in individuals who might benefit from these services being unaware of the choices available to them.

BE providers are frustrated that funding is not available to meet what they see as a much greater need for BE programme

BE providers believe there are many more individuals with disabilities who would welcome the opportunity to work for a Business Enterprise made up mainly of employees with disabilities. These providers are frustrated that funding to expand those opportunities is not available.

In interviews and during their workshop, BE providers pointed out that Australia currently employs a much higher percentage of its individuals with disabilities in their equivalent Business Enterprises. If a similar percentage of the New Zealand disabled population were employed in BEs, it would translate to approximately 3,800 employees versus the approximately 900 individuals employed in BE locations currently.



>> 7.

KEY FINDINGS AND OPPORTUNITIES



Over the course of this project, we had the benefit of hearing and learning from a wide variety of providers. We were impressed by the passion, creativity, and resilience that these providers demonstrate in their work.

While our primary task was to collect and analyse data to develop a credible and usable cost model, we also gathered insights on how the overall system might improve. We have summarised those insights in this section, under the following three main areas.

APPROACHES AND SERVICE MODELS

Findings

Providers use a wide variety of approaches and service models

Providers of MSD-contracted community participation services use a wide variety of approaches and service models to deliver these important services to individuals with disabilities – this is based on a combination of their own philosophy and experience of what produces good results, the interests of their participants and their families, and the financial realities of providing the service.

There is no apparent alignment between the service model used by a provider and the amount of funding it receives per participant.

Opportunities

Establish a set of core service model types

MSD should work with providers and with representatives and advocates from the disability community to establish a set of core service model types around which MSD would contract.

The four service models we identified for this report could be used as a starting point for those discussions.



For each service model, MSD would establish key costing assumptions, such as the fully-loaded personnel costs for each position and ranges for participant-to-staffing ratios, as well as annual allowances for items such as developing the participants' plans, transport, programme materials, replacing assets, and innovation.

Clarify MSD's level of contribution

MSD should make transparent what it considers its contributory percentage of funding to be, and adjust that percentage by service model type.

This will provide an incentive to providers to implement those models that MSD believes are more aligned with the principles of Enabling Good Lives.

THE LEVEL OF UNMET DEMAND

Findings

The level of unmet need is not clear

There is not a clear, unified picture of how much unmet need exists for community participation services among individuals with disabilities in different parts of the country.

There is also not a clear picture of how well the existing network of providers is positioned to meet some or all of that service gap.

Opportunities

Build a robust model of the demand for disability services

As part of the transition to the new Ministry for Disabled People, MSD should work with relevant agencies and organisations to build a robust model of demand for these services, ideally with region-specific data.

This would include working with the Ministries of Health and Education, ACC, the Needs Assessment Service Co-ordination Association (NASCA), disability advocacy organisations, and other key stakeholders such as the Disability Support Network.



Establish a funding pool for providers to expand their services

The new Ministry for Disabled People should consider establishing a pool of inexpensive capital funding for CP, VHN and BE providers to access in order to expand their offerings in areas where there is significant unmet need.

MEASURING AND REPORTING ON PROVIDERS' PERFORMANCE

Findings

There is inadequate data on providers' performance

There is an abundance of reporting by providers on the number of hours participants receive and qualitative narratives of participant achievements. However, there is very little systematic and quantitative data collection related to more outcome-oriented elements of provider performance.

Opportunities

Create a common set of quality indicators

MSD should work with providers – particularly those who have already built their own robust outcome measurement frameworks and processes – to create a common set of quality indicators, guidance on how to measure them, and a user-friendly way to submit that data to MSD.

This could include a consistent set of questions to be used in provider satisfaction surveys of participants, family, whānau, caregivers, and other key stakeholders.

Establish a quality dashboard system

Once this framework and data reporting system is established, MSD should work with providers and the disability community to establish some form of quality "dashboard" system. This would allow providers to benchmark themselves and to understand where they might have



opportunities to improve their quality. This could also be used to inform participants seeking to choose a provider in time. This would empower participants, but we note that market mechanisms may not work in smaller communities where there is little choice and that setting up providers to compete may have perverse outcomes and so should be carefully considered.

Create ways for providers to share good practice

In conjunction with providing greater visibility of performance, forming communities of practice would allow providers to share good practice and to understand how others were improving quality.

CONCLUDING COMMENTS

Finally, we appreciate that this report is being delivered in the midst of the important transition to the new Ministry for Disabled People. Among the desired benefits of this transformation will be a more cohesive and integrated arrangement of services.

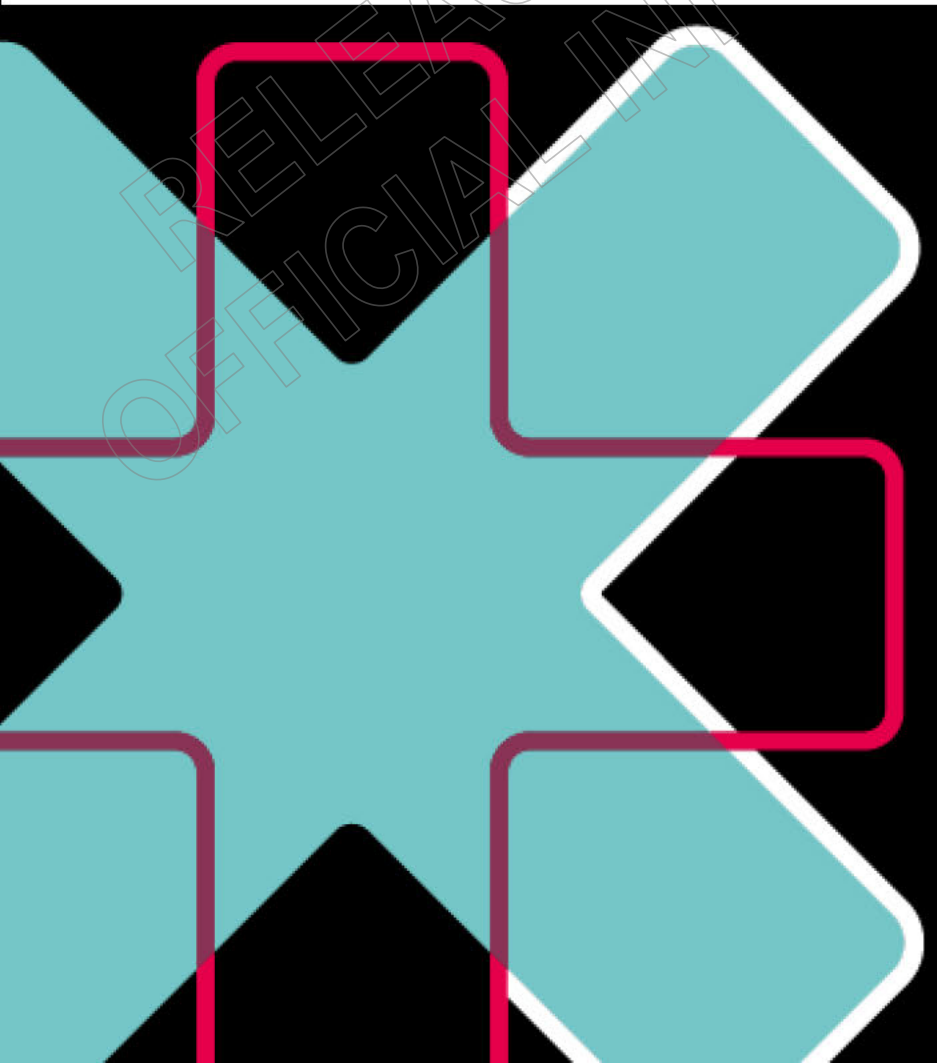
Currently, providers, participants, and their families, whānau, and caregivers face a confusing array of contracts and service options across multiple government agencies. This often leads to individuals missing opportunities to secure the programmes and services that best fit their needs.

The transition to more person-centred funding also presents exciting opportunities and challenges for MSD, providers, and individuals.

We hope that this report and the information it provides in support of a better understanding of the cost and quality of these important services will be helpful as MSD continues on this transformation journey.



>> APPENDICES



APPENDIX 1. DETAILED SCENARIO COST MODELS

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SCENARIO 1

SCENARIO 1

CP Service Description (Model B)

green boxes are inputs

Total Support Worker and Programme coordinator cost breakdown

Support Worker Participant facing hours based on 80% of available hours	1,664
Number of participants	80
Average hours per week	32
Weeks per year	52
Participants hours per year	133,120
Ratio of SW to Participant	20
SW FTE cost	62,252
Number of SW FTE's required	4
Cost per hour of client facing time	37
% of programme coordinator ratio 1 to 5 SW	20%
PG FTE Cost	73,498
Number of PG FTE	0.8
Cost per hour of programme coordinator	8.63
Total direct labour cost per hour of support	46.24
Cost per hour, per participant	2.31
SW/PG cost per year per participant	3,848
Total Support worker and programme cost	\$307,807

Total Actual individual participants per year	80
Total full year equivalent participants per year based on a full year (48 weeks) at 32 hour per week	80
Average hours per week	32
Weeks per year	52

	KM per week per SW	Number	Cost	Total
Total Support Worker and Programme coordinator cost as calculated above				307,807
Management		1	93,944	93,944
Third party contractor		80	0	0
Programme supplies and consumables		80	100	8,000
Transportation	0	2	10,000	20,000
Facility rental		300	100	30,000
Allowance per participant for plan development and updating 2-3 times annually		80	400	32,000
Annual Allowance for asset replacement (exc Vehicles)		1	10,000	1,000
Allowance to fund innovation, change, compliance		492,751	1%	4,928
Total				\$497,678
Cost per actual participant				\$6,221



SCENARIO 2

SCENARIO 2

CP Service Description (Model A)

green boxes are inputs

Total Support Worker and Programme coordinator cost breakdown

Support Worker Participant facing hours based on 80% of available hours	1,664
Number of participants	80
Average hours per week	32
Weeks per year	52
Participants hours per year	133,120
Ratio of SW to Participant	15
SW FTE cost	62,252
Number of SW FTE's required	5.33
Cost per hour of client facing time	37.41
% of programme coordinator ratio 1 to 5 SW	20%
PG FTE Cost	73,498
Number of PG FTE	1.07
Cost per hour of programme coordinator	8.83
Total direct labour cost per hour of support	46.24
Cost per hour per participant	3.08
SW/PG cost per year per participant	5,130
Total Support worker and programme cost	\$410,409
Total Actual individual participants per year	80
Total full year equivalent participants per year based on a full year (48 weeks) at 32 hour per week	80
Average hours per week	32
Weeks per year	52

	KM per week per SW	Number	Cost	Total
Total Support Worker and Programme coordinator cost as calculated above				410,409
Management		1	93,944	93,944
Third party contractor		80	0	0
Programme supplies and consumables		80	100	8,000
Transportation	0	2	10,000	20,000
Facility rental		300	100	30,000
Allowance per participant for plan development and updating 2-3 times annually		80	400	32,000
Annual Allowance for asset replacement (exc Vehicles)		1	10,000	1,000
Allowance to fund innovation, change, compliance		595,353	1%	5,954
Total				\$601,306
Cost per actual participant				\$7,516



SCENARIO 3

SCENARIO 3

CP Service Description (Model B)

green boxes are inputs

Total Support Worker and Programme coordinator cost breakdown

Support Worker Participant facing hours based on 80% of available hours	1,664
Number of participants	80
Average hours per week	20
Weeks per year	52
Participants hours per year	83,200
Ratio of SW to Participant	5
SW FTE cost	62,252
Number of SW FTE's required	10
Cost per hour of client facing time	37.41
% of programme coordinator ratio 1 to 5 SW	20%
PG FTE Cost	73,498
Number of PG FTE	2.0
Cost per hour of programme coordinator	8.83
Total direct labour cost per hour of support	46.24
Cost per hour per participant	9.25
SW/PG cost per year per participant	9,619
Total Support worker and programme cost	\$769,516
Total Actual individual participants per year	80
Total full year equivalent participants per year based on a full year (48 weeks) at 32 hour per week	50
Average hours per week	32
Weeks per year	52

	KM per week per SW	Number	Cost	Total
Total Support Worker and Programme coordinator cost as calculated above				769,516
Management		1	93,944	93,944
Third party contractor		80	125	10,000
Programme supplies and consumables		80	200	16,000
Transportation	0	0	0	0
Facility rental		300	100	30,000
Allowance per participant for plan development and updating 2-3 times annually		80	400	32,000
Annual Allowance for asset replacement (exc Vehicles)		1	50,000	5,000
Allowance to fund innovation, change, compliance		956,460	2%	19,129
Total				\$975,590
Cost per actual participant				\$12,195



SCENARIO 4

SCENARIO 4

CP Service Description (Model D)

green boxes are inputs

Total Support Worker and Programme coordinator cost breakdown

				Total
Support Worker Participant facing hours based on 80% of available hours	1,664	1,664	1,664	
Number of participants	50	25	25	100
Average hours per week	1	5.5	10	
Weeks per year	52	52	26	
Participants hours per year	2,600	7,150	6,500	16,250
Ratio of SW to Participant	1	1	1	
SW FTE cost	62,252	62,252	62,252	
Number of SW FTE's required	1.56	4.30	3.91	9.8
Cost per hour of client facing time	37.41	37.41	37.41	
% of programme coordinator ratio 1 to 5 SW	20%	20%	20%	
PG FTE Cost	73,498	73,498	73,498	
Number of PG FTE	0.3	0.9	0.8	2.0
Cost per hour of programme coordinator	8.83	8.83	8.83	8.83
Total direct labour cost per hour of support	46.24	46.24	46.24	46.24
Cost per hour per participant	46.24	46.24	46.24	
SW/PG cost per year per participant	2,405	13,226	12,024	7,515
Total Support worker and programme cost	\$120,237	\$330,652	\$300,592	\$751,481

Total Actual individual participants per year	100
Total full year equivalent participants per year based on a full year (48 weeks) at 32 hour per week	10
Average hours per week	32
Weeks per year	52

	KM per week per SW	Number	Cost	Total
Total Support Worker and Programme coordinator cost as calculated above				751,481
Management		1	93,944	93,944
Third party contractor		100	0	0
Programme supplies and consumables		100	0	0
Transportation	75	38,086	1	30,088
Facility rental		0	0	0
Allowance per participant for plan development and updating 2-3 times annually		100	400	40,000
Annual Allowance for asset replacement (exc Vehicles)		1	0	0
Allowance to fund innovation, change, compliance		915,513	3%	27,465
Total				\$942,978
Cost per actual participant				\$9,430



SCENARIO 5

SCENARIO 5

VHN Service Description (Model B)

green boxes are inputs

Total Support Worker and Programme coordinator cost breakdown

Support Worker Participant facing hours based on 80% of available hours	1,664
Number of participants	80
Average hours per week	25
Weeks per year	52
Participants hours per year	104,000
Ratio of SW to Participant	1
SW FTE cost	62,252
Number of SW FTE's required	62.5
Cost per hour of client facing time	37.41
% of programme coordinator ratio 1 to 5 SW	20%
PG FTE Cost	73,498
Number of PG FTE	12.5
Cost per hour of programme coordinator	8.83
Total direct labour cost per hour of support	46.24
Cost per hour per participant	46.24
SW/PG cost per year per participant	60,118
Total Support worker and programme cost	\$4,809,477
Total Actual individual participants per year	80
Total full year equivalent participants per year based on a full year (48 weeks) at 32 hour per week	63
Average hours per week	32
Weeks per year	52

	KM per week per SW	Number	Cost	Total
Total Support Worker and Programme coordinator cost as calculated above				4,809,477
Management		1	93,944	93,944
Third party contractor		80	0	0
Programme supplies and consumables		80	100	8,000
Transportation	0	2	15,000	30,000
Facility rental		300	100	30,000
Allowance per participant for plan development and updating 2-3 times annually		80	400	32,000
Annual Allowance for asset replacement (exc Vehicles)		1	10,000	1,000
Allowance to fund innovation, change, compliance		5,004,421	1%	50,044
Total				\$5,054,465
Cost per actual participant				\$63,181



SCENARIO 6

SCENARIO 6

Business enterprises

green boxes are inputs

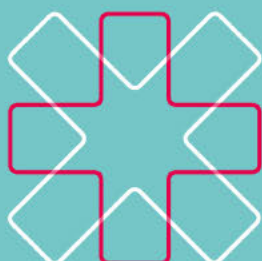
Total Support Worker and Programme coordinator cost breakdown

Support Worker Participant facing hours based on 80% of available hours	1,664
Number of participants	70
Average hours per week	32
Weeks per year	52
Participants hours per year	116,480
Ratio of SW to Participant	10
SW FTE cost	75,995
Number of SW FTE's required	7
Cost per hour of client facing time	45.67
% of programme coordinator ratio 1 to 5 SW	
PG FTE Cost	
Number of PG FTE	0.0
Cost per hour of programme coordinator	0.00
Total direct labour cost per hour of support	45.67
Cost per hour per participant	1.57
SW/PG cost per year per participant	7,600
Total Support worker and programme cost	\$531,965
Total Actual individual participants per year	70
Total full year equivalent participants per year based on a full year (48 weeks) at 32 hour per week	70
Average hours per week	32
Weeks per year	52

	Number		Cost	Total
Total Support Worker and Programme coordinator cost as calculated above				531,965
Management	0.5	1	107,973	53,986
Third party contractor	70	1	0	0
Allowance per actual participant for plan development and updating two or three times	70	1	400	28,000
Allowance to fund innovation, change, compliance	613,951	1	1.0%	6,140
Total				\$620,091
Cost per actual participant				\$8,858



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