



Hui E! is a national network across the whole community and voluntary sector, contributing to thriving communities by promoting and strengthening the Sector:

- **Te Whakakaha** – Strengthening the collective voice of the Sector to build a stronger Aotearoa/New Zealand.
- **Te Hāngai** – Applying Te Tiriti o Waitangi in the context of the Sector’s work and its contribution to charitable outcomes across Aotearoa
- **Te Whakatairanga** – Engaging the Sector as a whole and enhancing its independence and relevance;
- **Te Āwhina** – Assisting communities to work collectively to progress their own aspirations and well-being, environmental, social, cultural, economic;
- **Te Whakawhanaungatanga** – Creating opportunities for the Sector to connect and learn from each other;
- **Te Whakanui** – Promoting the unique characteristics and impact of the Sector;
- **Te Tautoko** – Supporting strategic advocacy and leadership development within and on behalf of the Sector to enhance charitable outcomes within Aotearoa;
- **Te Tautoko** – Supporting Maori self-determination/Tino Rangatiratanga, especially within the sector;
- **Te Whakapuawai** – Developing the capacity of the Sector to succeed through meeting shared needs, supporting innovation, and participating in civic affairs;

### **Hui E!’s submission**

This submission is based on contributions from a range of community and voluntary sector organisations, some of which have made direct input on the Draft report but many of which lack resources to study the report in depth, to make submissions of their own. This situation exemplifies Hui E!’s role of speaking from a whole-of-sector perspective and on behalf of organisations that represent a wide cross-section of the sector.

This is not to say Hui E! is entirely unified and consistent across all the issues raised – diversity in the sector leads to dialogue and the expression of diverse of views, as it should in a healthy democracy.

There is much in this draft report that we support, and while we have in places commented on that, most of our comments focus towards aspects where we believe further work is required. We would be happy to help with that – please contact us if clarification is required on any point.

In the paragraphs below we attempt respond to the draft report in the order it is presented, with a minimum of diversion into other related topics.

## The Overview

Concern is expressed about Figure 0.2, which under-values the many learning opportunities that arise from well-managed and successful existing services. Government simply seems to lack the will, the data, and the means to identify such services. Data gathered by government agencies in the name of accountability under contracts is often too narrowly targeted, because of lack of understanding on the part of the contract manager, to be able to really understand what success looks like. Further, there is good evidence that most of it is never read – a box is simply ticked that a report was received. Thus it is currently impossible for many funders to know exactly what they or funding or how successful it is.

This issue – a very significant in terms of the current elected government's claim that the sector is weak and ill-managed and lacking direction – is clearly a product not of shortcomings in the sector, but of shortcomings in government's own policies and practices with regard to the contracting regime.

This links also to the concern we have with an assumption that is implicit in the report overall, which was nicely expressed in *Third Sector News* in the UK;

"In an open letter issued to coincide with the UK general election Sir Stuart Etherington, head of the UK National Council of Voluntary Organisations, also criticised the UK government's enthusiasm for social investment as an *"eager but ultimately glib search for novelty and quick fixes"*, which he says cannot be the answer to everything."

### Chapter 1: About the inquiry

Figure 1.1 misses a key element of personal and community wellbeing, that is recognised and actively supported by a significant number of organisations and is acknowledged as essential grounding for successful social and economic participation – that is spiritual nourishment.

### Chapter 2: Social Services in New Zealand

We welcome and applaud the directness and clarity of the bulleted 'Key points', and throughout the chapter. These are points that sector representatives have said to government for a long time.

Figure 2.4 does raise an interesting issue that has implications for the proposals put forward later in the report; that charities receive just 50% of their income from government. Charities per se are of course not the same subset of the community and voluntary sector as social service providers, but that 50% implies potential difficulties for government if and when it tries to impose significant change from a command and control mindset. This must be taken into account, including in the final report and recommendations of the Productivity Commission.

The reality is, community-based organisations are independent entities that have purposes and provide services outside what government purchases. These organisations have constitutions, rules and governance structures that are set up by communities and registered with multiple government agencies (e.g. Incorporated Societies, Charities Services), but they are not the same as government.

The issue is recognised to an extent in the bullet point under 2.6:

“Many providers are driven by a commitment to a mission rather than personal financial gain: While there are some for-profit providers, a sense of civic duty and commitment to a mission motivates many non-government providers. Motivations are important because they influence how providers react to incentives and how they behave ...”

The data summarised in Fig 2.7 is striking – an oft-heard complaint is that vulnerable people are not receiving the services they are entitled to, but this makes it clear why – few if any public servants at the face-to-face level with real clients can even know what all the entitlements are for the person they are supposed to assist.

This situation brings to mind the quote from Stuart Etherington above, where he criticised the UK government’s *“ultimately glib search for novelty and quick fixes”*.

In 2.9 under **Supply-side pressures on the system** the first bullet point is crucial but it misses the point;

- the need to match the skills and capabilities of providers to the changing needs of clients – providers (government and non-government) need to ensure that the skills of their workforce keep pace with the growing and increasingly complex needs of clients.

Very many organisations have to make tough choices when faced with reduced funding, either as a result of direct cuts or from the lack of any inflation adjustment in their funding ( for over a decade in many cases) – staff training is cut before services to vulnerable clients. Community organisations look with sadness at the expenditure by government agencies on staff training and support, when those same government agencies refuse to include any allowance for staff training in the contracts they set for the providers of the actual services in the community. This of course reduces the time for thinking, and it runs counter to any supposed encouragement to innovation.

#### **Hui E! Recommendation 1:**

An allocation for overheads must be included as an integral part of service provision in all Government contracts with community-based social service providers, and this allocation must include provision for staff training and development, at a level similar to that regarded as the norm in the funder’s own agency.

#### **Chapter 3: New ideas in New Zealand and elsewhere**

While we applaud the recognition in the early chapters of this report of significant problems with the current practice of contracting by government with community-provided social services, and we support improved focus and investment, that should not drive the focus to an undue concentration on innovation.

The reality is, there are many excellent existing services that struggle simply because of under-investment by the funder, which prevents an appropriate investment by the provider in for example staff training. Lack of a career path in underfunded services simply leads to high staff turnover which further undermines the ability to deliver a quality service.

In our experience an undue focus on innovation, with short-term funding for pilot projects etc, also leads government agencies with capped budgets to reallocate funds away from good existing

services that would actually deliver better results than the new idea, if they received adequate investment in the first place.

In short, a focus on innovation creates a short-term focus, whereas the complex problems identified need a longer-term approach based on in-depth experience and analysis.

#### **Chapter 4: An assessment of the social services system**

We applaud the summary of issues as Key Points on the first page of the chapter.

We also strongly support the critique in 4.3 from Locality and Vanguard Consulting re the UK, but equally applicable here. This is an excellent summation of the 'mis-orientation' that is constantly reinforced by the attempts of bureaucrats to define what services they want to purchase from service providers. Frequently the current attempts by government funding agencies to focus on outcomes succeeds only in making this 'mis-orientation' worse.

There is great risk that the current focus on "the most vulnerable (people)", from Cabinet level down, further exacerbates the problem because the targets of assistance are defined by a set of deficits. **This significant issue does not seem to be addressed in the draft report.**

Re the paragraph leading up to **F4.6**, feedback to Hui E! reinforces the experience that "Decision makers often lack the right information." Hui E! and its antecedents ANGOA and SDP have been saying to government for many years that decisions are made too remotely from the clients, and are thus unable to be responsive to need, or to be innovative.

Co-decision making involving both the community-based provider and the funder, on equal terms, would go some way to address this.

#### **Chapter 5: Institutional Architecture**

Again there is much that we support in this chapter. Some key points for us are;

- No architecture performs well for all needs and in all circumstances. And similarly, no architecture always performs poorly. However, the social services system would be improved by greater and smarter use of delegation and devolution;
- Institutional architecture and the enabling environment require active management if social services are to be effective. This active management is the role of a system steward. The current arrangements fall somewhat short of what is required of a system steward;
- Government needs to take responsibility for system stewardship, and for making considered decisions that shape the system.

However in relation to this last point, we see part of the rationale is that Government is stated to be "...the major funder of services..." This contrasts with the acknowledgement in Figure 2.4 that for registered charities at least, government only provides 50% of funding. Surely therefore, in terms of any agency that is established for (or given the role of) stewardship governance of that body must be a joint task with balanced involvement of government, iwi and community sector providers.

#### **Hui E! Recommendation 2:**

Any agency that is created for or given the task of stewardship of social services overall must have as its governance a combined group with government officials appointed by government, community based provider representatives appointed by that group, and Iwi representatives appointed by Iwi.

This is the only way to successfully address several key points made in the draft report, as follow;

- Who is best placed to commission social services?
- The social services system would be improved by greater and smarter use of delegation and devolution. Yet this decentralisation cannot be entirely unfettered, because democratic principles mean that there must be appropriate accountability to Parliament for how funds are spent.
- Government should be cautious in extending its responsibility, and do so only where there is evidence of wide community backing for such an extension, and reasonable expectation of being effective.

Re **5.3, Broad architectural designs**, we believe the shortcomings of the current level of top-down control are well established and known. What is not acknowledged in the draft report is the degree to which a narrow understanding, on the part of officials managing contracts, of accountability and of the Public Finance Act in particular, has led to that Act being referred to very, very, often as the reason for imposition of ever more monitoring and compliance demands.

Re "**Place-based devolution**" the problem with this section is that it retains an implicit assumption of control by central government, and that carries all the disadvantages of central control. Hence the experience of Relationships Aotearoa in being "required" to write 35 reports quarterly – that is 140 reports per year, or one every 14.2 working hours across a normal working year – plainly ludicrous.

Similarly, as acknowledged, "DHBs appear to be relatively ineffective in muting the political risks of the Minister of Health". This would be because even though there are elected Board members, they know that at any time they can be replaced at central government's (dis)pleasure. The public are not fooled – hence the tendency to consider the Minister of Health to be accountable for health services, and that this is not really devolution at all.

It is interesting that the examples given of **National (service-agency based) delegation** are all quasi-government agencies. And yet clearly there are NGO providers who are very capable of managing national services on behalf of both Government and the Community. In the case of the Royal New Zealand Foundation of the Blind and of Iwi Maori, it is from these groups that innovation has emerged, developing improved services and radical new approaches over time and having to spend years pushing Government to update its systems and legislation in response. These two groups are some obvious **examples in response to Q5.1**.

Re **5.4, Choosing between architectures** we strongly support the conclusion that no one size fits all. Thus we support Recommendation 5.1.

Similarly in relation to **Regulation** and the importance of Volunteers, we support Recommendation 5.2

Re **Recommendation 5.3** as noted the concept of Stewardship is useful, but in order to make real change we must refer back to our own Recommendation 2 above;

Any agency that is created for or given the task of stewardship of social services overall have as its governance a combined group with government officials appointed by government, community based provider representatives appointed by that group, and Iwi representatives appointed by Iwi.

## Chapter 6: Commissioning

In this chapter, and in particular in relation to the listed 7 conceptual models, we must refer back to section 5.4, re-emphasising that no one size fits all. We acknowledge that, as in the 7<sup>th</sup> bulleted Key Point, many of these models require a mental shift for government, from being in direct control to service stewardship.

In keeping with our experience of government agencies setting up taxpayer-funded services that put community-originated services out of business, we strongly support **Recommendations 6.1 and 6.2**.

Further, since community-based providers are much more likely to know what is already happening in a community, and less likely to proceed without checking, this strengthens the case for our recommendation 2.

Re **Managed Markets**, it is unfortunate that social housing is given as an example. Government and the multiple government agencies involved have been so wedded to control, so inconsistent in their setting of parameters and so uncoordinated in their imposition of conflicting regulation that it is very difficult for providers or potential providers to see how it can be made to work. The withdrawal of groups such as the Salvation Army is a direct result.

It is good that the draft report acknowledges the problems. However while a periodic “system reset” is proposed in the draft report, this is also not without its risks. As we have seen with the Charities Act 2005 it is difficult for government to find the energy to proceed with review of a system while that system can be portrayed as working reasonably well, even when it has clearly drifted from its original intent.

Re **Trust** models, and **Finding 6.3**, the analysis misses a key aspect of trust. In an adversarial contracting model such as exists currently trust is hard to create and maintain, and its loss leads predictably to the imposition of ever greater reporting requirements. These are of course no substitute for communication and trust – they simply create a burden for the provider.

The **Shared Goals** model discussed does recognise the value of input from service providers, and does recognise that with improved levels of communication and understanding an awareness of shared goals between provider and funder will emerge.

However given the acknowledgement (which we find to be true) in the discussion that the accountabilities of the funder can dominate the relationship, this approach has more chance of working successfully where there is shared governance and decision-making, as proposed in our Recommendation 2.

**Client-directed budgets** have been the subject of much discussion in the sector. The Commission will have received input direct from many of the organisations that participate in Hui E! on the topic. Suffice to say, for this submission, that the approach is promising and will be welcomed by some service providers and recipients, but there are risks. These were covered in our face-to-face discussion on 22 June.

Two points need emphasising;

- From a community development perspective there is risk of undermining the viability of existing providers leading to loss of a much greater range of services than are addressed in the contract;
- Again, no one size fits all. There must be flexibility and the opportunity for people to opt out, such as in the case of a person with dementia who has no support readily available to help analyse or oversee the arrangement.

With this alternative, and with the discussion of **Vouchers** that follows, the analysis in Table 6.2 is missing a key element; that arrangements for either option tend in our experience to be so surrounded with caveats about what is acceptable, set by the funder and often using “accountability under the Public Finance Act” as an excuse, that innovation or even flexibility are nigh impossible.

Thus we support **Recommendations 6.3 and 6.4**.

We also support the **Finding and Recommendation 6.5**. However we would emphasise that the cost of consultation and the potential delay in implementation should be seen as an investment. They are likely to create the opportunity for a better, more effective service, and possibly also a cheaper one.

Similarly **Finding 6.6** we support, but we suggest a complaints mechanism should also be regarded as an investment, and that this Finding be raised to the status of a Recommendation.

**Recommendation 6.6** we would support, but it must have an added proviso – that funding for similar levels of capacity-building must be made available to community sector providers.

Re **F6.8**, we support the Finding, and we recognise the need for definitive data, but the finding implies that data about the real costs, to form the basis of “criteria to determine the correct level of funding” should come from providers.

This is simplistic in that it overlooks the tensions of the relationship between funder and community-based provider. The provider will get the best contribution they can but then, given that delivery of services is their priority and driver regardless, they will tend to cross-subsidise from fundraising, donations and grants from other sources. In contrast the funder is motivated to underfund the service and will use various excuses to avoid funding full cost or full demand.

Thus providers can (and this happens) do a lot of work developing data to form the basis of criteria, only to find the funder comes to contract negotiation with a fixed price which bears no relation to the cost of the service, being set only by a higher-level budget allocation with no adjustment even for inflation.

The issue of **Contributory Funding, Box 6.4**, we discussed in our face-to-face meeting on 22 June. Suffice to say there are divergent views in the sector, but it does seem a strange concept. If one goes to buy new tyres for the car, or food at the supermarket, there is zero opportunity as purchaser to decide unilaterally how much will be paid, and that the provider will have to cover the balance of the cost from other sources.

Thus in Recommendations 6.8, 6.9 and 6.10, we give qualified support;

- **6.8**; while the decision rests finally with the funder, this should be based on consultation with the provider as to the best means to achieve shared goals.
- **6.9 and 6.10** carry an unacknowledged risk; that if funding is increased for certain services so as to address the identified issues, in an environment of “no new money” there will be no funds at all for some other services. How to make those allocation decisions is not addressed, but it would need to be addressed, at the highest level.

The intent of **Finding 6.9** is logical but it is badly worded; it implies providers who choose to provide services in addition to those aligned with government’s allocations are lacking in capability and confidence. In fact choosing to provide services not funded by government may imply that the provider has very high levels of capability and confidence.

We strongly support **Recommendation 6.11**.

Re **Question 6.1**, there should be a complaints and disputes mechanism, but this should not be limited to services where government purports to be aiming at full funding. Once better guidelines are in place as suggested elsewhere in the report, the mechanism should also be able to address other instances of arbitrary decision-making and inadequate ‘consultations’.

Re **Joint costs** and **Box 6.7** and the paragraphs that follow, this is a useful discussion and acknowledges a real problem, but it doesn’t go far enough towards an actual solution. In our view it over-states the risk that an organisation might receive multiple contributions to its overheads. Most providers who hold contracts with multiple providers have the capability to develop an indication of the proportion of their overheads that is incurred in relation a particular contract.

Re **Recommendation 6.13**, we support this as it addresses a misconception on the part of many politicians and officials, which is currently, as identified, working against that part of the provider sector where innovation is most likely.

Re **Recommendation 6.14**, we agree that Government agencies should be open to subcontracting. However they should at no point be given any power to drive or impose a subcontracting approach – that would have the same effect as identified in 6.13.

Linked with this, we strongly support the analysis quoted from Sturgess (2012) and suggest a further recommendation is required, to spur all funders but especially government ones in a healthier direction that is currently the case.

## **Chapter 7: A system that learns and innovates**



**Figure 7.1** repeats Figure 0.2, which we commented on earlier. Further comments from Hui E!'s constituency emphasise that identifying and discarding what seems not to work needs extreme care – often the issue holding a service back may simply be chronic underfunding of the expectations of the funder. Building on what exists will generally be much easier and more sustainable.

New ideas tend to be funded on a short-term basis only, with short-term thinking, not using the knowledge that is already in the system. This creates losses not just of expertise but of capable providers - when funding is shifted away organisations may collapse, and if the new idea does not succeed the existing provider cannot easily be re-created.

## **7.2 Innovation and why it is important**

We agree with **Finding 7.1** to a degree but it does not acknowledge the reality that innovation more often originates from providers, especially small and medium-sized ones, (or units within larger networks) than it does from government funders who are constrained and preoccupied by hierarchical decision-making, rigid systems and capped budgets.

What is also under-reported in this section is the degree to which competitive tendering undermines the dual possibilities of collaboration and innovation. Lowest-price contracts cannot include time for thinking, collaborative exchange of ideas, development and innovation. Further, the client is lost from the equation and they become the recipient of a preset service rather than a design partner.

Re **Finding 7.4** we would disagree that “the social services system appears to be too focused on central government as a source of new ideas”. This may be the case for people in government, but community sector organisations do not look to government for constructive innovation. From a community sector perspective what is more real is the experiencing central government as an over-controlling “gatekeeper of which ideas are trialled”.

Innovation is alive and well among community based social services providers – witness the responses to the GFC – but it is also recognised that even the best ideas still face an uphill battle to gain interest, let alone funding, from government. In a ‘no new funding’ environment huge effort can be required to gain support for even a small pilot project, so very many new ideas are simply abandoned.

A major difference between government agencies and community providers in this context is the cultural and philosophical basis that is necessary for innovation. Government agencies tend to deal with complexity by fitting people and ideas into an established structure, while community organisations tend to welcome complexity, value it, and respond accordingly.

**Recommendation 7.2** we challenge strongly. The latter part “Where the Government specifies and directly funds the development of innovation, it should own the intellectual property rights” overlooks the reality that very often the ideas and initial proposals originate outside government and have an element of intellectual property. It is the issue acknowledged in **Finding 7.6** of the report (re access to capital) combined with the constraints placed by the contracting relationship, that leads providers to seek funding from Government. That may seem to provide government with

monopoly rights and ownership, but that approach simply means new ideas become developed in a bureaucratic way and the original insight and vision is lost.

### **Chapter 8: Leveraging data and analytics**

As a general comment, in all the excitement about new tools and technology to gather and analyse data it must be kept in mind that these are only tools. The end purpose is to assist people in communities, and generally people and their needs are more complex than computer models would have us believe. Community organisations are structurally and culturally better at responding to that complexity than for-profits or government in-house services, but that responsiveness is hard to recognise in centrally defined data sets.

Feedback to Hui E! raised issues in relation to Figure 8.1;

- Sharing of data is difficult when there are conflicting incentives; the desire to share data is quite contrary to the requirement to compete,
- Transparency is hard when organisations are developing in competition, within a service improvement framework.

### **Chapter 9: Investment and insurance approaches**

Feedback to Hui E! on this section stressed the over-emphasis on fiscal management and economic analysis, with terms such as “future welfare liability” and “intertemporal transfers”, at the expense of any discussion of the bigger moral question – What can a citizen expect in the way of support from Government in a decent society?

This is surely a matter on which citizens should have a say – and in terms of building and maintaining a sustainable and supportive society it is probably more important than issues the government is consulting on, such as whether to change the New Zealand flag.

Feedback noted ACC is used as an example, and yet ACC, after years of going away from the principles established in the original Woodhouse Report and widely supported by New Zealanders, is now in a phase of swinging back from its preoccupation with future liability, and partly as the result of court cases is seen as becoming more responsive to actual client needs.

It would be a tragedy if this imbalance in the draft Commission report was to lead to a similar costly pendulum swing in government’s approach to social services.

### **Chapter 10: Service integration**

There are excellent examples of services integration that have been initiated and developed within the community sector, despite the disincentives created by competitive contracting and siloed government agencies. Government agencies must support these by rationalising their multiple accountabilities and reporting demands.

Other comments received by Hui E! highlight that;

- Integration initiatives must be sustainable;

- Integration initiatives must not be imposed or set up from a command and control mindset, as the resulting lack of local commitment will ensure they are unsustainable;
- Initiatives take time to settle in – invest in them to enable them to develop and work well,
- Short-term funding is wasted funding, because of the inefficiencies it creates;
- The points in **Finding 10.4** are aimed at where integration is likely to be beneficial, but they also identify where it is likely to be sustainable.

We support the **Finding 10.5** and **Recommendation 10.1** and our response to **Question 10.1** is “Yes”.

Given our general comments at the start of this chapter we support **Recommendation 10.2**, and note that that guiding principle must not be forgotten when it comes to **Recommendation 10.3**.

Final notes re this chapter are that;

- Work, including change, has to be funded. Providers of social services under contract generally do not have spare resources to set up something new alongside the existing service, and the existing service needs to be maintained so there is no service interruption. It is not tenable to simply shift funding from an existing service to a new integrated one, which will take time to develop and deliver - people suffer as a result;
- Initiatives for integration are much more likely to succeed if the design stages involve both the funder and existing providers, in an atmosphere of trust, collaboration, and orientation towards what is best for clients and community – not simply saving money;
- Providers can be expected to have much more depth of understanding of the needs in a community than a central government agency.

## **Chapter 11: Client Choice and Empowerment**

We do not disagree with the **Findings 11.1 – 11.10**, although **11.6** and **11.7** seem to assume there is not just funding but service availability to enable the flexibility and responsiveness. Obviously that assumption is unwarranted. In rural areas service availability is particularly difficult because of restricted availability of staff and transport/travel time issues.

**F11.11** and **11.12** we are not able to comment on – we do not have evidence either way for the assertions made. **F11.13** and **F11.14** are certainly the case for examples reported to us.

However, looking at the chapter overall and at **Recommendation 11.1**, concern was expressed in Hui E! workshops on the draft report that this chapter is short on vision, and is overly focused on a rather narrow vision of consumer (or client) directed models. A much wider vision is possible, and there is a wider range of possible approaches.

As raised at Hui E!’s face to face discussion on 22 June, there is a need to look wider: What are the elements of consumer control that can be implemented across a wide range of social services, addressing a range of needs? Working with elderly rest-home residents was given by Hui E! as one example.

### **Hui E! Recommendation 3:**

That proof of concept trials of consumer-directed services go to where the hard work is, such as with youth who, if there is not work done, will end up with custodial sentencing. The investment commitment must include investment in the delivery workforce, but the benefits of such investment will accrue to families, communities and the economy as a whole.

## **Chapter 12: Better purchasing and contracting**

The early pages of this chapter are dominated by reporting that is taken from a government perspective, and one that is at times unbalanced in its attitude.

For example under **Using competitive tendering to improve contracting**, in the paragraph **Impacts on quality**, "... competitive tenders can result in quality shading unless providers care at least as much about quality as does the procurer ..."

The problem for NGO providers is generally the reverse – that the procurer (being driven by a capped budget) cares less about quality than the provider, especially in terms of the longer-term outcomes for clients and communities. The worst cases of this tend to occur in the contracting practices of certain DHBs, although some DHBs do very well.

This mismatch is the source of great concern among providers and in communities, and it undermines any confidence community-based providers may have in procurement as a system.

We would comment also on the last part of the paragraph; "...providers ... expect their reputation for providing a quality service to be a determinant of whether they are re-appointed."

Is the Productivity Commission saying that a reputation for providing a quality service should count for nothing in decisions about the allocation of contracts? We would be interested in the Commission's response, and whether Commission applies that same principle when seeking a solicitor or an accountant.

This brings us to the view expressed by Treasury at:

[www.treasury.govt.nz/publications/informationreleases/socialservices](http://www.treasury.govt.nz/publications/informationreleases/socialservices) , which includes at p.21:

"It is not our view that government should introduce price competition into the social services market to solve the issues of efficiency and effectiveness. This is not a standard market and price competition would not lead to the direction of resources towards the clients who would benefit the most. NGOs have already expressed that they are only partially funded for the cost of their services and therefore there would not be any desire to 'undercut' each other on a price basis in this collaborative environment. Price as a lever to incentivise efficiency within NGOs will be limited.... We have interpreted the supply of services provided by NGOs to be relatively inelastic in price. People are clearly motivated by outcomes for the people they work with, and as such there is more than funding that drives this sector. This is evident in the substantial volunteer time and philanthropic funding element, and the resilience of NGO providers rooted within communities. Many NGOs are driven to respond to community need rather than responding to prices."

Section **12.3 Issues raised by participants** gives some examples of issues that are reported to Hui E! as an ongoing litany. We support them, and note particularly the examples re **short-term contracts**,

**payment terms** and **contracting for outcomes** where it is the NGO provider that carries the burden of government agency shortcomings. In each case the NGO is the more progressive and has to try to bring the government agency up to date and up to speed.

Similarly we support the comments of NGOs re the impacts on integration, on quality and on innovation. With all this in mind we support **Recommendations 12.1 and 12.2, 12.4, 12.5 and 12.6.**

Until the current problems with tendering and contracting processes can be addressed, including the attitudinal issues in government agencies re NGO provision (a big ask!) and there is evidence government agencies have invested successfully in these, we would argue strongly against **Recommendation 12.3.** To do as 12.3 suggests without the necessary prior shift in practice in government agencies would be an example of “cart before the horse” and would only make matters significantly more difficult for NGO providers.

Re **Recommendation 12.6** we believe additional provisions are required as R12.13 and R12.14, as follows:

#### **Hui E! Recommendation 4**

- In moving towards more contracting as proposed by R12.3 in the draft report, Government must support commensurate improvements in capability of community sector NGOs to define their own results;
- The State Services Commission should develop an appeal and review mechanism for situations where one of the parties to a proposed contract can demonstrate it has been treated in a manner which is contrary to the guidelines proposed in R12.2, and the mechanism should be overseen by a combined group comprising government officials appointed by government, community based provider representatives appointed by that group, and Iwi representatives appointed by Iwi.

#### **Chapter 13: The Māori dimension**

Concern was expressed in Hui E! workshops at the extent to which issues for Māori are largely confined to this one chapter, and that the chapter has too much focus on deficits rather than the opportunities that would arise from an empowerment approach.

Comments to Hui E! noted that there is progress on key indicators such as reduced reoffending where funding arrangements have enabled provision of social services in a tikanga framework.

Thus we strongly support **Findings 13.1, and 13.2,** and **Recommendation 13.1.**

We would note that Iwi are sometimes in the forefront of innovation – for example when one of Hui E!’s antecedents ANGOA contracted with Treasury and MoH to run a roadshow in 2013 on the possibilities of Social Bonds, several Iwi attended and expressed they were very keen to work with government to further explore the concept and the benefit their people.

Another comment that arose in our discussions was that the chapter overlooks the fact that very many social services providers have Maori staff, managers, service deliverers and clients.

#### **Chapter 14: Implementation**

Progress to Implementation will depend of course on Government, but we hope the Commission will take on board the comments and recommendations from Hui E! and others in the community sector before finalising the report and this section in particular.

From that point, **Recommendation 14.1** is appropriate to make it work.

Re **Recommendation 14.2**, assuming Government does agree to support a new quango, the proposed Office must not be set up as a new command and control centre. Too much centralisation is known to be antithetical to flexibility, innovation and responsiveness.

Our Recommendation 2 above points to the way to bring balance to the proposal;

“Any agency that is created for or given the task of stewardship of social services overall must have as its governance a combined group with government officials appointed by government, community based provider representatives appointed by that group, and Iwi representatives appointed by Iwi”

We would also note that in our long experience of Ministerial Advisory Committees they can be very productive at shaping policy but they have a tendency to lose value over time, with changes of government and changes of Minister, and lower-level managers being sent from government agencies, thus undermining the level of trust that is needed for them to contribute successfully.

A renewal mechanism is required, but the principle must be maintained of government officials being appointed by government, community based provider representatives appointed by that group, and Iwi representatives appointed by Iwi.

## **Chapter 15: The size of the prize**

We have no great argument with the conclusion, other than to reiterate our hope that the comments from community organisations such as Hui E! are taken on board in the final report. If this is done, the proposed reforms stand a greater chance of success.

As general comments, we emphasise several final points;

- Undue focus on a narrow vision of consumer (or client) directed models risks reducing social services to the level of addressing only a pre-selected range of individual problems, and in that losing completely the communitarian values that underpin NGO provision of social services in the first place.
- The report underestimates and under-acknowledges the importance of the social services workforce, which for NGO providers generally comprises in excess of 50% of the service cost, and is just as much in need of training as staff in the government agencies involved.
- Community-based providers are generally committed to providing the service as their highest priority, seeking funds from other sources to keep services going, but it is unethical and short-sighted for government to trade on that so as to get cheaper services while under-funding the essentials of staff training, development and innovation.

- Greater clarity around the implications of the Treaty and the relationship between Iwi and the Crown should be the starting point for service design.

For any enquiries about this submission, and for discussion or clarification on any point, please contact the undersigned.

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