



Submission to the  
Productivity Commission Inquiry  
on More Effective Social Services

**NOVEMBER 2014**

# Introduction

Thank you for the opportunity to contribute to the inquiry that you are undertaking on more efficient social services.

Barnardos welcomes this inquiry.

We agree that it is timely and important to look at the social services systems as a whole.

Over the last two decades various governments and individual government agencies have undertaken substantial pieces of work looking to improve components of the funding, contracting and delivery of social services<sup>1</sup>. We acknowledge the significant effort that has gone into these reviews. However from our perspective these reviews have often been piece-meal, slow, and have not resulted in significant or sustained improvement. This process of making continual small adjustments and band-aiding the biggest problems has, in itself, become a creator of inefficiencies, frustrations and wasted resources within the system. In our view it is time for a substantial, coordinated rethink of the system as a whole.

Good intentions are not good enough. The system as a whole, and all of us as individual participants within it, need to be confident that we are working in the best ways possible to achieve real and lasting outcomes for children, families and communities across New Zealand.

This is a complex issue and Barnardos does not have all of the answers. Our submission is just one of many that we hope collectively will create a clearer path forward.

Our contribution focuses on identifying possible solutions based on our history of working in this sector for more than 40 years<sup>2</sup>. We have purposely chosen to narrow our response. Instead of attempting to address all of the questions posed by the Issues paper, we have instead focused on one question:

*What are the key elements of a commissioning and purchasing system that would help organisations like Barnardos to more efficiently and effectively deliver outcomes for children and families in New Zealand?*

Many of the ideas that we present in this submission are basic and simple. In our experience we know how important it is to do the basics well. By articulating a simple structure that may work, we hope to make a contribution that others can add to and build upon.

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<sup>1</sup> Just some of these reviews, processes and initiatives (to which Barnardos and many others in the social services sector have committed significant time and effort) include: Pathways to Partnership (MSD), Child Youth and Family Baseline Review, Family Services National Advisory Committee processes (FACS – led), Taskforce for Action on Family Violence (MSD-led), Results Based Accountability (FACS), The Green/White Paper on Vulnerable Children, Vulnerable Children's Plan, Investing in Services for Outcomes, and we note that Treasury has just started another process by releasing a request for information on Social Investment for At-Risk Children and their Families.

<sup>2</sup> For more information about Barnardos and the work we do, please see our latest Impact Report and Annual Report at <http://www.Barnardos.org.nz>.

## Contents

This submission is divided into three parts:

- **Part One: What does 'effective and efficient' mean to us?**

In this section we briefly articulate what we think 'efficient and effective' means from two perspectives:

- the perspective of the children, families and communities that we work with
- our own organisational perspective.

- **Part Two: What might an effective and efficient system look like?**

In this section we provide two diagrams which set out the main components that we think need to be included in a system that is efficient and effective.

- **Part Three: Key issues**

In this section we pay particular attention to three key issues the government-driven social services system and take a closer look at what some possible solutions and approaches may be. These three issues are:

- what sustainable funding might look like
- options for reducing the compliance costs of the contracting and procurement process
- an approach to help build a valid evidence base and sound data collection systems.

## Further Information

If you would like to discuss any part of this submission or require any further information please contact:

Jeff Sanders  
Chief Executive  
Barnardos New Zealand  
Jeff.Sanders@Barnardos.org.nz  
04 3857560

**Ruia, taitea, kia tū taikā kā ānake**  
**Strip away the bark and expose the heartwood**

# Part One: What is an efficient and effective system?

In order to build a 'good' social services system it is important that we can articulate what an effective and efficient system is. From Barnardos' perspective, an effective and efficient system is one that:

- delivers positive outcomes for children<sup>3</sup>, families and whānau
- contributes to the creation of social capital and whānau ora
- delivers a return on the investment by reducing the costs associated with vulnerability and increasing the benefits to our economy and society

In order to get there, we think that it important that the system:

- listens to and meets the real needs of clients - the children families and communities who use and need social services
- creates a sustainable base from which organisations like Barnardos can operate.

## Listening to clients

Barnardos regularly consults with people who use our services. We have drawn out the key messages and themes that we have heard through these processes to inform this submission.<sup>4</sup>

This is what families and communities have told us is important if the system is going to work for them.

### 1. The system needs to support services that stick with people for the long haul

Too often services start and stop. Service providers come in promising big things but are gone within a few years or give up too easily. When families and communities are dealing with tough multi-generational issues we should expect that progress is hard and that things get stuck. It is when things are hard and stuck that service providers most need to stay with a family. Sticking with communities and families, never giving up, being in there for the long haul even when things are tough is really important.

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<sup>3</sup> Whenever we use the term 'children' in this submission we are referring to children and young people aged 0-18 years.

<sup>4</sup> In particular we have looked at what children and families told us in our 2012 and 2013 nationwide Client Satisfaction Surveys and during the community consultation process we undertook in 2008 in the Taita/Pomare community to inform our community development work.

## **2. The system needs to support services where people don't feel like a number**

Families and children want to be *seen*. Their particular needs, community, ethnicity, experiences and strengths need to be recognised and taken into account. One-size does not fit all.

## **3. The system needs to support connected services where the whole picture makes sense – not just each little bit**

Families and communities talk about a warm cloak (a korowai), a web of services, a safety-net of both formal and informal supports that connect together. It is important that services are connected and make sense. And it is not just the input of professional and formal services that matter. Support to help build and strengthen connections with friends, family, neighbours, cultural groups, churches, and so on, also makes a really big difference. The social services system works best when it can harness all of these resources within a community– not just be 'lumps' of intervention from the outside.

## **4. The system needs to recognise that relationships matter**

People in the community want to know who (people, not just organisations) to ask for help and need to feel comfortable when they do ask for help. They want to know staff (as people, not just job titles or employees of an organisation). It is important that staff don't constantly turn over and that families have the opportunity to work with staff members with whom they 'click'. Families tell us how important it is that we value relationships – that we take time to build relationships and trust. Research time and time again points to the significance of a sustained quality worker client relationship in achieving change.

## **5. The system needs to support people to retain control**

Families and children need to be *heard*. This includes children, families and communities:

- having the opportunity to set their own objectives and reach goals that matter to them
- knowing when and how they can affect the design and delivery of services within their family and community

## **6. The system needs to recognise and support reciprocity**

Genuine reciprocity is valued by communities. Reciprocity is different from accountability or obligation. Reciprocity is about individuals and communities having opportunities to give back, share what they have learnt, and help others. Reciprocity is an important ingredient of a system that is respectful, and which strives for real, long term, sustainable change. Reciprocity is an important element if a system is to be embedded *in* – not done *to* – communities.

## Commentary: Seeing the whole picture

What we think is particularly important about listening closely to families and children who use social services is that they continually remind us of the importance and value of informal social supports, unexpected and individually created pathways to change, and that trusting relationships are often at the core of successful social change. This stuff can be very hard to quantify and describe. There are times when groups talk about the need for 'magic' as one of the final ingredients for social services to work. At other times people who work in the sector talk about working to create systems where '1+1=5'. By this we mean that the 'seen and counted' activities of formal service provision is done in such a way that it unleashes unexpected possibilities, potentials and relationships that are often necessary to achieving sustained outcomes for children and families.

You cannot commission 'magic' or 'trusting relationships' and government is unlikely to want to use tax-payers' money to fund unquantifiable and unexpected potential. However Barnardos argues strongly that the commissioning and purchasing system cannot ignore that these are part of an efficient and effective overall system. It is these parts of the system that communities and families often talk to us about as being of vital importance. If government and service providers only see what we can count and pay for then there is a real risk that other important elements of the system will be unintentionally squashed and driven out.

It may be useful to consider the following analogy. For someone to recover from heart disease they are likely to need highly skilled and focused attention from surgeons, dieticians, physiotherapists and pharmacists. Without this specialist care they may well die. However in order to sustain their health they are also going to need a partner that cooks healthier food, friends that encourage them to exercise, a local chemist that notices when they don't come in and/or are getting the wrong medications, a GP who is accessible and has time to listen to them, relationships (to family, whānau church, work, marae) that gives them a sense of purpose and so on. It is not the role of the surgeon or physiotherapist to make sure that this person has supportive relationships and a sense of purpose. However, if the system of specialist medical intervention has no acknowledgement or support for the total picture of care that is needed then there is a high chance that this person will receive expensive medical treatment that makes little difference to their long term health and wellbeing.

The same analogy holds true for families that are trying to deal with complex parenting problems, chaotic lives or issues of family violence. Seeing the whole picture matters.

## Creating a sustainable base for organisations like Barnardos

In addition to the six issues identified above, for the system to work for Barnardos, the following elements are also important.

### 7. Enough certainty and stability

No system can (nor should it) guarantee a totally predictable environment. However we consider that an effective system needs to create enough certainty and stability to support organisations like us to:

- Plan, retain and develop our staff and invest in infrastructure. This means that within the system there needs to be:
  - a clear enough sense of direction and overall plan

- conscious and explicit change management processes that take account of the system as a whole (not just each little bit)
- stable enough funding systems with enough predictability around quantum of funding, access to funding, and length of time services are funded for. We recognise that some services need closer monitoring and regular review and reapplication for funding. However there are many other services where it seems that we could have greater predictability without putting either funders or clients at risk.
- Build relationships and meaningful collaborations with other NGOs, agencies and iwi.
- Do the tough work. We need enough stability and certainty to stay for the long haul, reach and keep hard-to-work-with clients, work with clients in ways that allow us to try, fail, learn and try again.
- Take manageable risks and innovate. We need enough stability and certainty to move beyond survival mode - to be able to imagine and test new ideas and new ways of operating, to be able to have small failures without collapsing.

## **8. The ability to retain our independence**

We want a system that recognises the value of organisations like us having some space to act as truly independent organisations. To be effective, we consider that the system needs to recognise NGOs as something other than less expensive and smaller versions of government agencies. We consider that the system needs to provide space for organisations like us to do what we do best including:

- being nimble - having more freedom than government agencies to try new things, be adaptable, take advantage of the unexpected
- tapping into and unleashing community resources – the value of neighbours, churches, community groups, family and friends, hapū and iwi, as well as local employers and businesses
- increasing accessibility and reach - reducing the stigma that people often associate with using targeted social services
- being flexible and able to take small risks – not too rule bound and bureaucratic
- meeting needs that may not be government priorities – but which are valued by local communities themselves.

It is not the role of government to fund all of our activities or to support all of our priorities. However, we do want a system that enables us to have enough space to self-fund activities and ways of working that we value.

## **9. A system that values learning and innovation**

To learn and to innovate is inherently risky and requires the conscious expenditure of resources. We need a system that manages this by:

- *Supporting a culture of continuous learning and evolution.* At times the current environment seems to focus on perfectionism and punishment: too much thinking, ‘paralysis by analysis’, over investment of time at the start of projects followed by significant and negative consequences if things go wrong. A learning culture would support organisations like ours to take small steps, welcome and learn from mistakes, keep testing

what seems to be working and stop doing what isn't working without being viewed as failing. This learning approach seems unlikely to happen spontaneously. It would take conscious management. It requires setting aside time to notice, think and learn. It requires significant trust and determination by all parties to learn rather than to blame and shame.

- *Making innovation 'worth it'*. Under the current system there is very little reward for innovation. To make innovation worth the risk and investment of time, energy and funds the system needs to have a clear and explicit pathway from innovation to stability. How do we access ongoing funding if we prove our worth?
- *Finding a manageable way to measure outcomes*. A key problem at the moment is the wide variety of outcomes, results, goals and measures that are used by different agencies – both government and non-government. Identifying outcomes that are valid and meaningful, measuring them and learning from them is hugely resource intensive. An efficient system needs to find a way of coordinating this process to encourage the sharing of ideas and supporting infrastructure. Everyone doing it alone is neither efficient (for organisations) nor effective (for children and families).

#### **10. A way of managing the tension between competition and collaboration**

The current system of contracting with NGOs seems to want to have both a significant level of competition and at the same time actively encourage collaboration. The aim may well be to get the best of both worlds. However this is a difficult combination for organisations to manage. There are strong incentives to build our own competitive advantage by not sharing, by seeking to undercut others and by closely guarding our own intellectual property. At the same time the strong message from government (and from the children, families and communities we work with) is that they want and value genuine collaboration amongst providers. An effective system cannot ignore this tension. We need clarity and separation between those funding systems and processes that are about collaboration and those that are about competition – as well as a clear understanding of why these different approaches are being used.

#### **A case-study: The downside of a competitive funding environment**

Barnardos has spent significant time and resources over the last year developing a new tool (Māiatanga) for our social workers to use when working with families and children. Māiatanga has been developed in very close consultation with Child Youth and Family (CYF) and is especially designed to make it easier for higher risk families that move between our two organisations. Barnardos Māori leadership and CYF Māori advisory group have worked together to support culturally appropriate practice. We are now beginning an extensive training and on-going support process with our staff to ensure that this tool is effectively used, that we learn more about how to use it well, and that it contributes to improved outcomes for children.

All of this means that Māiatanga is a significant investment in our intellectual property and social work practice capability. Māiatanga has the potential to give us a competitive advantage when we go through the RFP process to deliver services for vulnerable children and families.

A few weeks ago another organisation similar to us called us to ask if they could have a copy of Māiatanga.



Given that we firmly believe that Māiatanga can help vulnerable children and families achieve better outcomes, we want to share and promote its use as widely as possible. Collaborating with other NGOs is also important to us. Our good relationships with other organisations make a real difference for the people we work with. But at the same time, how do we protect our investment? Should we be concerned about giving away our competitive advantage? We were only able to develop Māiatanga because of a good collaborative relationship with CYF. Is this good relationship something that is 'ours' to protect for Barnardos own benefit? It was after all due to the skill and insights of our own staff that we were able to identify that an opportunity existed to work with CYF in a new way. Or does the generosity of CYF mean that we should share what we have done with others in the sector?

Holding true to our principle that children always come first means that in these situations we try to do what is in the best interests of children and to share what we know as openly as possible. However the funding systems we work within means that this creates a significant conflict of interest for us.

Even if there was much greater clarity about when and how competitive approaches would be used this sort of example of the conflicts created would still exist. There is very little incentive (other than our commitment to our principles) for organisations to work to improve outcomes for children and families by sharing our learnings, our ways of working, our expert staff, and our systems and processes.

### **11. A way of managing the issue of such a large number of providers**

The number of non-government agencies within the social services sector is a factor that needs to be addressed within an effective and efficient system. It is very difficult to have a system that consciously manages issues of sustainability, quality, staff development and retention, capacity building etc, and at the same time has an agnostic attitude to the type and number of providers that exist.

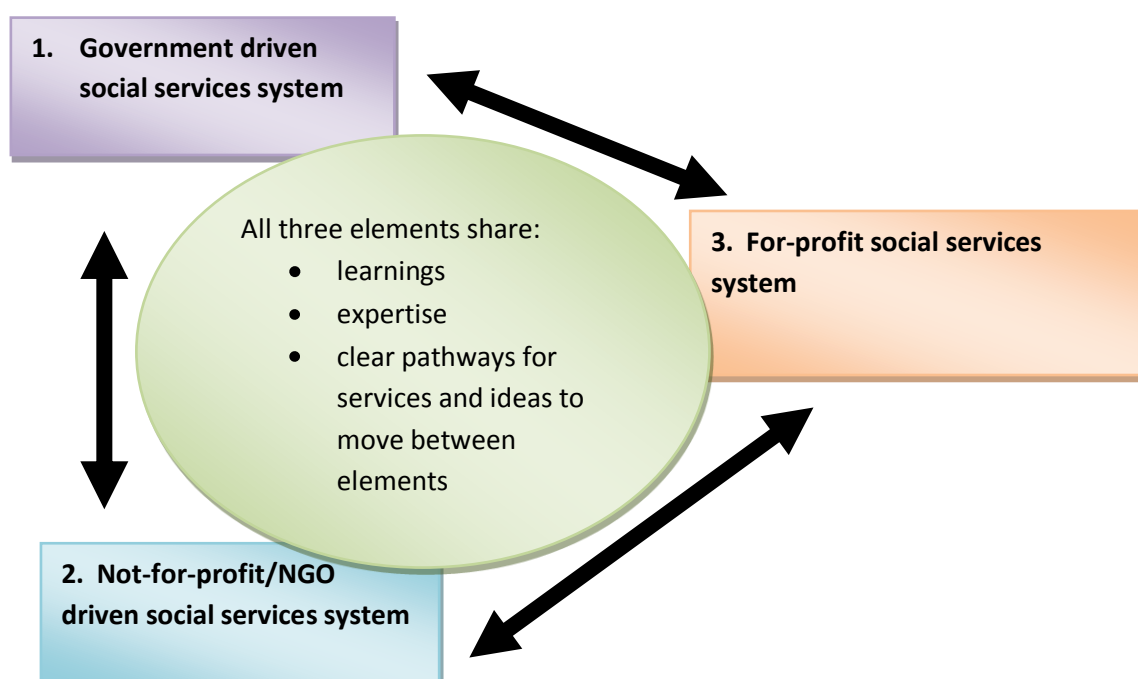
Barnardos realise that this is contentious issue. But we do think that it needs to be explicitly managed in an effective and efficient system. Innovation, new ideas and new ways of operating are important. Just because an organisation like ours has existed for 40 years should not guarantee that we will continue to exist for another 40. New Zealand needs variety of provision in order to be able to meet the diverse needs of communities. However at the same time New Zealand has a small population and a limited pool of both public and private funding. How thinly do we want to spread funding? How many client management and payroll systems do we want to create? Do we really have enough skilled people to sit on hundreds of effective governance boards? Why should families have to deal with ten different organisations to get what they need?

## Part Two: What might an effective and efficient system look like?

This is a very big question. We have used the 11 factors identified in Part One above to identify what some of the important elements of a system may be and what this could look like if they are all put together.

### Viewing the system as a connected ecosystem

We suggest that an effective and efficient system needs to be recognised as an ecosystem that is made up of three separate, but interdependent elements.



This ecosystem works well when:

- all three elements exist, value each other and operate within balance
- all three elements have enough independence and at the same time collaborate enough to share learnings, expertise and create workable pathways between each other

### How is this different from what we already have?

Although in theory this ecosystem already exists, there are a number of fundamental problems that are undermining it.

#### The current system is not in balance

From our perspective it seems that unintentionally and over time, the government driven system has gradually eroded or denuded the not-for profit/NGO system. This is because the focus of government funding has gradually moved from:

- the situation where government provided contributory funding for activities that were clearly owned and driven by NGOs but which the government recognised as being of value to the community so was happy to contribute towards; to now.
- where government in fact drives activities by contracting NGOs to deliver services - the service intentions, volume, timeframes and even the process of delivery is often prescribed (or at least quite tightly defined) by government. However these government-driven services are not fully funded by government. Instead the costs of government-driven services are being subsidised by NGOs as NGOs use their infrastructure and fundraised money to cover the costs of delivering on government contracts.

There are very unclear roles, responsibilities and accountabilities within this current system. The unconscious actions of both NGOs and government have contributed to this situation. To rebalance the system there needs to be real clarity about when and how the NGO sector is expected to act separately and independently from government, and when it is operating as a fully funded agent of government. We consider that this loss of independence by the NGO sector is significantly and negatively impacting on the current systems' ability to innovate, be clear about value for money, and to distinguish between commissioning and delivery.

### **There is currently no conscious oversight of the ecosystem as a whole**

Each part of the system currently looks after its own best interests. What is missing is an appropriate mechanism that takes responsibility for oversee the system as a whole. By this we do not mean tight or cumbersome regulation. What this mechanism is and how it operates would need further thought. However one option might be to create some form of small, expert, independent advisory body that focuses on supporting balance and appropriate connections between each part of the system. This body could also have some responsibility for ensuring that the system as a whole is well informed by the views and experiences of children, families and communities who are using social services. Too often in the current system we get stuck in the detail, get stuck in conversations that are too driven by self-interest, and miss the significant opportunities for efficiencies that could come from taking a more coherent view of the system as a whole.

### **The linkages and opportunities for learning and sharing between the systems are currently missing**

The arrows and green circle in the diagram above often don't exist in the current system or are very weak. While all three parts of this ecosystem are separate, they are interdependent. At the moment the system is not making the most of the energy, resources, expertise, and learning that are generated by each separate part. There are not enough (or well-functioning) systems to support the efficient and effective sharing of these resources across the different parts.

### **The current system does not clearly articulate the role of the for-profit sector**

There has not been an explicit enough conversation about the role, place, strengths and weaknesses of the for-profit sector. Barnardos supports the idea of for-profit social service provision. There may well be opportunities to significantly expand or enhance this part of the system. (We are unclear as to whether organisations that are using the social enterprise model to reinvest their 'profits' back into their charitable organisations should be considered part of, or separate from ,the for-profit sector). However while we support further investigation and possible support of the for-profit

sector, this needs to be done very carefully. There are very real risks around this. In particular we see risks around:

- cherry picking - increasing the choice and opportunities to access services for the less vulnerable and easier to service communities while not addressing the real and complex needs of the hardest to serve communities
- driving for profit at the expense of quality - lowest cost and lowest common denominator provision being provided for the highest need clients with quality provision only available for those who can afford to top-up or pay more.

We consider that these risks might be able to be managed better if we recognise the for-profit sector as a separate part of the system and ensure that there is independent oversight of how the system as a whole is working.

Barnardos is an organisation that could be seen to be a participant in all three parts of this ecosystem.

- There are times when we want to, and value, delivering services under contract to government. When the roles, responsibilities and accountabilities in this part of the system are clear and when activities are fully funded, we can see that real value is generated for government, NGOs and most importantly for families and children. Section 3 sets out some ideas that might help to make this part of the system work efficiently and effectively.
- There are also times when Barnardos designs and implements our own services and supports for children and their families. We have a strong history of trying new approaches and looking to fill gaps where we think there is a strong community need that is not being met by government.
- Our early childhood education services are run as a social enterprise. This puts us in the space where others are operating as for-profit providers. It is our work in this space - while at the same time holding values that the most vulnerable children at the heart of our work - that makes us aware of both the potential of for-profit provision to be a valuable part of the system of social service provision as a whole, and also be aware of the risks for some of the highest need children and families.

The ecosystem model that we are articulating does not require organisations (or even service types) to fit neatly in one part of the system or the other. Rather it requires: explicit recognition of the role and objectives of each different part of the system, conscious choice about when to use which part, and some oversight to keep all parts in balance and to allow movement and learning between all three parts.

## Commentary: Using the ecosystem model to address gaps in the provision of early childhood education

At the moment, the way government funds and regulates early childhood education services means that it supports the provision of these services by for-profit providers and social enterprise organisations such as Barnardos. In Barnardos' view, this system works well for the majority of families and young children. For families there is often significant choice around where, when, how and the cost of early childhood education for their children. However Barnardos is concerned that in areas of significant social deprivation and for children or families with high and complex needs, the system does not work as well.

Under the ecosystem model that we have articulated, these concerns would not have to be addressed by making changes to the for-profit system that is working well for the majority of families. Instead we may be able to learn from how government currently funds and provides residential care for high risk young people. Perhaps in some areas, or for some specific groups of children, government would like to contract for the provision of high quality, responsive early childhood care and education that combines education with access to other therapeutic and social welfare services. This is likely to mean that the needs and issues of parents as well as children would need to be able to be seen and addressed (requiring an ability for the Ministry of Education and Ministry of Social Development, and a range of other government agencies to collaboratively fund a service). Purchasing these sorts of services may be through clearly defined contracts, where the government pays the full cost of the service and there is no expectation of profit.

This does not mean that all early childhood services would be funded in this way – but rather we could use what we have learnt from other parts of the ecosystem to try a different approach when the for-profit market fails to deliver outcomes, quality and choice for the most vulnerable children and families.

### **Detailed elements of the government-driven and NGO-driven parts of the ecosystem**

As well as the importance of seeing the system as a coordinated ecosystem, Barnardos considers that there are a number of important elements which need to be included within the Government and NGO driven parts of the system (ie those parts of the system labelled 1 and 2 in the diagram above).

The diagram below sets out these elements.

# Key elements of the government and NGO driven parts of the system

## 1. Government-Driven Social Services System

**OVERALL GOVERNMENT PLAN**  
(A national level plan and related regional level plans)

- There is clarity about what Government wants to achieve, why, for whom, and how this will be measured and monitored
- There is clarity about which parts of this plan are set, which parts are changeable, and when/how regular reviews will be held

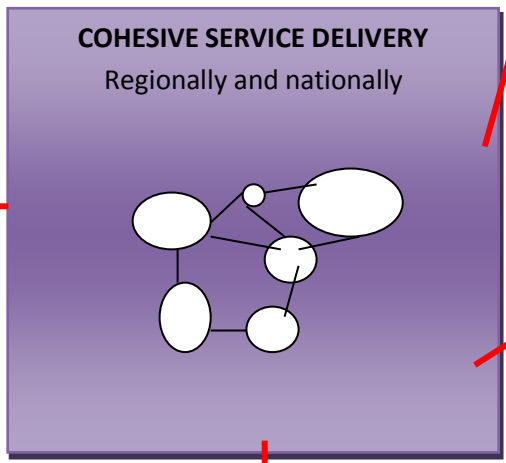
**COMMISSIONING SYSTEM**  
(Regionally and nationally)

- Commissioning is explicitly linked to the overall plan that is government driven and fits with government objectives
- The expectation is that commissioning is joint. There would be very few instances where government agencies commission on their own.
- As far as possible the processes for procurement are standardised and simplified
- Commissioning makes sense as a whole – not just piece meal or service by service.
- The commissioning process includes a planned and well managed process for *decommissioning*
- Commissioning includes a range of procurement and contracting tools that are fit for purpose. Consciously choosing the best tool that fits with the size, scale, risk profile and type or service that is wanted.

**A LEARNING SYSTEM**  
(Regionally and nationally)

A mechanism exists within the commissioning system that consciously and strategically manages the overall commission and purchasing system. This includes:

- Seeing and managing the government commissioning as a whole (not agency by agency)
- Consciously and expertly managing change
- Consciously leading and implementing an overall strategy
- Actively looking for ways and putting in place mechanisms that supporting learning across all of the different players within the Government social services system



**Conscious support of infrastructure (when it relates to government objectives)**

- Workforce retention and development
- Support and space for collaboration
- Clear processes and support for moving from innovation to commissioning and from commissioning to decommissioning.
- Mechanisms that invite providers to assist in problem solving (not just delivering tightly bound services)

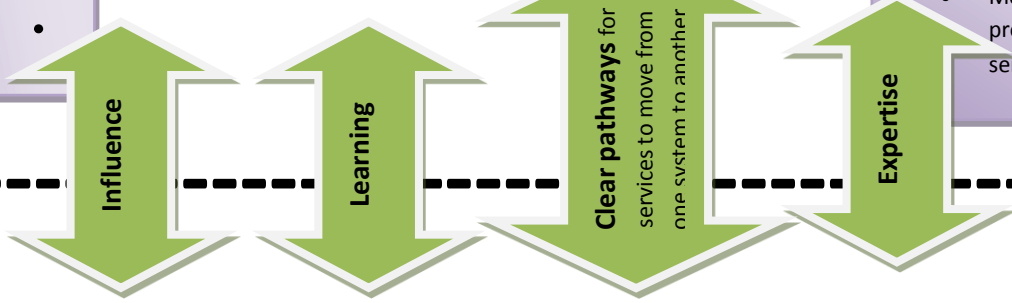
**Clarity around outcome measure**

- There is a set of common, valid, well developed outcome measures and common supporting data collection and analysis infrastructure across all (most) services
- Space for 'uncommon' measures when needed or wanted
- The system is clear and upfront about the process and output measures that will be needed
- The costs and infrastructure requirements of measuring outcomes and outputs is factored into the price paid for services.

**Sustainable Funding**

- Services are fully and sustainably funded.
- Funding recognises the costs of infrastructure required to support services
- There is no expectation that NGOs will subsidise the costs of service delivery that is commissioned by government to meet government objectives

**Input from service users**  
A regular and valid process for hearing from the community including children, young people and families who use social services



## 2. Independent/ Non-Government Driven Social Services System

Lower risk and/or higher alignment with government objectives and approach

Higher risk and/or lower alignment with government objectives and approach

**THIS PART OF THE SYSTEM IS PURPOSELY DIFFERENT FROM GOVERNMENT.**

Non-government organisation and agencies can act in ways they think work best.

- The vast majority of activity that happens in this part of the ecosystem is funded independently of government
- The services that are funded from this part of the system are driven by NGO objectives and NGO ideas
- NGOs bear the risks
- NGOs set their own objectives and outcomes
- NGOs lead the work/activities
- When appropriate, and only when it is in their interest, government may support activities with partial funding and/or expert help (ie around systems design, evaluation or outcomes measuring to assist with the validity of any learnings that may come from innovative new responses). However there is no expectation of government funding of the activities that occur in this part of the system, or the infrastructure to support it.

### Funding sources

NGOs fundraising/Angel Investors private sector funding /philanthropic funding/social enterprise activities

Options for partial /contributory government funding

Social Impact Bonds

## How is this different from what currently happens?

### Role clarity

Under the system that we currently have it is easy for roles and purpose to become confused.

The model we are proposing would provide greater clarity. The activities that occur in the government-driven part of the system would be clearly linked to government objectives that are expressed in national and regional level plans.

We are proposing that when government does purchase a service as part of the government-driven system, then it should be fully funded. NGOs should not be expected to top up the costs of the service. As a consequence, we expect that if this system were to operate, government would commission and fully fund fewer services than it currently does.

The sorts of services that we envisage being purchased in the government driven part of the system are those that are higher intensity, higher risk, and/or requiring a high level of cross-government input and coordination. These are the sorts of services that need professional social work practice, good oversight and supervision, significant levels of professional judgement, multi-disciplinary responses and supporting systems that allow for good case management, data collection and outcomes monitoring. These are the services that government cares most about and would usually be for children and families with higher needs. Fully funding these services means paying not just for the direct service itself, but also for the infrastructure that supports quality delivery of higher risk, professionally-based services. The services that are purchased and delivered within the government-driven part of the system are intended to be and expected to be driven by government goals, directives and risk appetite.

In contrast, those services that are provided in the not-for-profit/NGO-driven part of the system are clearly driven by NGOs themselves. This is not to say that government would never fund anything that happens in the NGO-driven part of the system but rather that there is no expectation of funding from government. The not-for-profit/NGO-driven part of the system is where government could choose to only part-fund or contribute towards those services that are judged to support government objectives.

When government part-funds services in this space it needs to be clear that the main benefit it will gain is the ability to test or trial new ideas and approaches at lower cost and lower risk than if it fully funded an activity. What it is not getting is cheap provision of services that are core to meeting its own objectives. If services are core – they should be fully funded from within the government-driven part of the system.

The NGO-driven space is where there is a much greater possibility for innovative, collaborative funding approaches that include the private sector, local community resources, the use of NGO fundraising money and (when appropriate) some government contribution as well. Services or projects are not tightly tied to government objectives and are not owned by government. They are non-government driven and provide an opportunity for communities to test and fund services that they themselves value.

## **Clear pathways for innovation**

Barnardos thinks that this clarity of roles will support the creation of conscious spaces for innovation. The system we have proposed gives NGOs and the private sector the space to drive innovation. This is because:

- When NGOs are delivering core services for government (ie funded from the government-driven part of the system) those services are fully funded. This leaves NGO-generated resources to be used in innovative ways, rather than to prop up the provision of core services.
- There is clarity that this is the role of the NGO sector – to provide ‘more and different’ – not just to do government’s work for a lower price.
- Innovation is worth it. In our proposed system government would set up and support a process that takes innovative ideas that have proved themselves from innovation to stable, long term funding. Of course this also means that the system would also have processes for consciously decommissioning government funding from services that are no longer working or no longer fit with government objectives.

## **The government driven system seeing itself as a learning system that carefully manages change**

From Barnardos’ perspective one of the key problems within the current system is that resources (time, energy, money, systems, and expertise) are wasted because the government system is not connected and does not seem to see itself as having a strategic or continuous learning role.

We consider that the government driven system needs to not only think about how to commission and purchase services – but also how to learn and manage change. This means:

- Seeing the connections between all of the commissioning that government is doing to ensure that one part not undermining the other and taking time to look at the whole picture of government system – not just each little bit, each separate agency, each separate service.
- Thinking ahead. What do we need in the future to fit with the overall plan? What does this mean for workforce, infrastructure etc?
- Actively learning from what happens in the for-profit and NGO-driven parts of the ecosystem.
- Recognising that the flip side of commissioning services, and moving innovative services to become stable services, is being able to **de**commission services. The government system needs to actively manage this change – not just apply knee-jerk stops and starts.

## **A clearer plan and direction within government driven system**

Effective commissioning relies on there being a shared vision of both what we want to achieve and the process we will use to get there. We have lots of government plans at the moment (each agency has a Statement of Intent and related plans and systems). However for an organisation like Barnardos all of this individual planning is complicated, hard to follow, and there are lots of opportunities for broken communication and poor linkages between the plans and what is commissioned and delivered.



We realise that this may be very hard to achieve, but ideally we think that there would be one overall government-wide plan that gives a clear sense of direction at both a national and regional level. This plan should be about what all of government wants to achieve for children families and communities – rather than what each individual government department or agency wants to achieve. This would give NGOs much clearer guidance of the sorts of innovative services government is more likely to support.

We also think that it is very important that there is much greater opportunity for people who use services to have well-coordinated and validated input into the plans that are made by government – as well as the ability to influence the activities that are driven by NGOs. Finding ways to be able to listen closely to the experiences and expertise of communities– and particularly from children and young people themselves –is a very important part of making sure that the services that are commissioned and purchased are relevant and appropriate. This would also help all of us (government, NGOs, the private and for-profit sector) to keep seeing and finding ways to add the magic - the bits that are needed to create a web of informal and formal support that lead to long term safety and change for families, children and communities.

## Part Three: Key Issues

### **What sustainable funding might look like for those services funded within the government-driven system**

We consider that it may be useful to consider the following ideas when designing a sustainable funding system for those services that are purchased in the government-driven part of the system.

It is important to remember that the ideas set out below apply to what might happen within the government-driven part of the social services ecosystem only. We are not suggesting that all government funding for the whole NGO sector follows these suggestions. Within the not-for-profit/NGO – driven part of the system the roles and responsibilities of government are different and the expectations about the quantum and type of funding and support for particular services and NGOs would be much lower.

#### **Contracting for quality.**

We recommend that for services that are commissioned and purchased in the government-driven part of the system, there is a clear focus on funding for quality.

It seems that one of the main reasons why government has moved towards contracting out social services (rather than providing them in-house) has been a focus on driving down price. Being able to do more with less is a sensible aim. However we are concerned that without some balance there will be significantly negative impacts for both NGOs (as organisations try to not only survive but better meet the needs of children and families) and more importantly, on communities.

As we stated in section 2 above, we consider that the sorts of services that government should fully fund are those that are most likely to be considered core to government meeting its own objectives along with services that are higher intensity, higher risk, and/or requiring a high level of cross-government input and coordination. These are the sorts of services that need input from professional social work practice, good oversight and supervision, significant levels of professional judgement, multi-disciplinary responses and supporting systems that allow for good case management, data collection and outcomes monitoring. These are the 'long-haul' services.

In these cases quality and stability matters. Organisations delivering these services need to:

- be culturally intelligent and responsive
- have enough qualified staff and associated systems and practices that mean the organisation is keeping up with changes in social work theory and practice and supporting front-line staff with good quality practice tools, supervision and professional development opportunities
- have good client case management systems that ensure clients are kept as safe as possible and at the same time receive the most appropriate services at the best time. This means a good supporting IT infrastructure as well as processes to collect meaningful data, learning from it, and make necessary changes.

The costs of providing this infrastructure need to be factored into the price paid for services. Fully funding means funding the infrastructure and expertise that are needed to support the quality provision of services to children, families and communities with the highest needs.

It is important that there are incentives to reduce overhead costs and to provide quality infrastructure in efficient and effective ways. However, in Barnardos' experience there is a limit to this. Only so much of a quality infrastructure can be held together for a long period of time with number 8 wire. If government wants stable NGOs that have professional staff, a clear strategy, a commitment to Te Tiriti o Waitangi that is seen in their everyday practice, and an ability to collect and learn from reliable outcomes data – then there needs to be a way of supporting that infrastructure.

One-off funding (like the CIR funding pool) is helpful – but not sufficient. We consider that on-going contracts for core, government driven services need to recognise the costs of quality and value quality enough to pay for it. You cannot separate a programme of work from the people who develop and deliver it. Constant change and little investment in key elements of quality service provision may well drive prices down, but this is often at the expense of building sustainable, professional organisations that can be counted on to deliver quality services. The risk is that the types of programmes or interventions funded are chosen simply because their (overheads) costs are low, and not because it is actually needed or helpful or makes a difference. Current government funding models may actually undermine the government's desire for evidenced-based practice rather than support it.

In addition to funding the infrastructure that is necessary to support quality service provisions, it is also important to consider how to support the provision of regional services. The costs of this for a national organisation like Barnardos are very high. Once again, if government wants organisations like Barnardos to be available to provide high quality services in rural and regional areas, then our regional infrastructure needs to be sustainably funded.

### **Contracts that support bounded discretion**

We consider that government needs to be clearer about when and why it is contracting out the provision of services that are core to meeting its own objectives.

If government knows exactly what it wants done, by which sort of staff, when and to whom - then there may well be an argument for providing that service in-house. If the only reason for contracting out is to reduce costs, then (as mentioned above) we would caution government to consider the long term effects on quality. Of course there are other reasons why government would want to contract out very tightly defined and predetermined services (including lack of expertise or existing infrastructure within government agencies). However in most situations we consider that the most significant advantage for government in contracting out core services is because these are really complex problems and government (just like everyone else) does not have all of the answers.

There are times where it feels like government thinks that it only has two options – tight control through highly specified contracts and very close monitoring, or a hands-off approach (that is about NGOs doing something that we think is useful and then telling government about it). We consider that the concept of bounded discretion may a useful middle ground.

NGOs are not just mini-government agencies. Our different histories, cultures, values and reputations mean that often NGOs can bring a different (and advantageous) approach to delivering services. In particular in our experience we consider that NGOs are often more likely or able to

- try new things, be adaptable, take advantage of the unexpected
- tap into wider community resources (ie using informal, not just formal networks of support to achieve outcomes for children and families)
- build trust and have time to listen to clients
- adapt services in ways that meet individual client's needs and to support children and families to retain control
- bring elements of reciprocity to service delivery. We are more able to find ways of connecting people to people and connecting people into communities in ways that encourage community ownership, leadership and provide opportunities for giving back.

Too often in the current system service provision is too tightly specified to actually realise the benefits listed above.

Of course not all NGOs are able to add value in these ways. The skills and abilities of NGOs is not consistent. What research suggests is that good NGOs<sup>5</sup>

- have signed up to Codes of Conducts;
- network with others, to learn from them;
- are accountable to all those interested in, or affected by, their work;
- have professional organisational procedures and systems;
- know how to leverage the energy, skills and expertise of others;
- are good listeners;
- are keen to learn;
- know how to ask and answer critical questions.

One idea that may need to be explored is whether a process needs to be introduced for rating or auditing NGOs against these types of criteria. It may be that for certain types of services, or in particular incidents, NGOs need to have a particular rating in order to demonstrate the value and quality of the benefit they add.

There will be a small number of times when government would want to totally guarantee that a service is delivered in a very specific way. However government needs to realise that when it does so, it gives up many of the benefits of contracting out. To gain some of these benefits, government has to recognise that it is giving up some control. The services that it buys may be government driven, but they are not totally owned and controlled by government.

We consider that for most services there needs to be far more focus on commissioning (government carefully articulating what it needs to see being achieved for whom and why) and much less focus on tightly defining the way we get there. This is what we mean by bounded discretion.

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<sup>5</sup> See [www.dochas.ie](http://www.dochas.ie) and [http://dochas.ie/Shared/Files/2/Effective\\_NGOs.pdf](http://dochas.ie/Shared/Files/2/Effective_NGOs.pdf) for examples.

Increasing flexibility and reducing constrictions on service design and delivery does not mean that there would be less accountability in the system. NGOs should have contracts stopped when we have not been able to deliver value for money. NGOs should be monitored and required to regularly report on what we are doing with government money and what outcomes we are achieving as a result. In fact, in the current system we consider that there is not enough focus given to the reports that we do write. It often feels like as long as we submit something, no one really cares what the report says. There is not enough emphasis within the current system on learning, and sharing what is learnt across providers of similar services. We would argue strongly that less time and effort should go into over prescribing services up front and far more effort should go on learning focused monitoring during the course of a contract.

### **Bulk funding for outcomes and expected volume**

A funding system that supports organisations like Barnardos to operate sustainably is one that allows for bulk funding. By this we mean:

- Paying the full price of the service upfront, rather than paying on delivery.
- Having a contract that clearly specifies expected volumes and outcomes, but which has no cost claw-backs<sup>6</sup>. Through regular reporting an NGO will be indicating whether it is on track or not to deliver expected volume and outcomes. If there is a short fall, this should be the start of a discussion – not an expectation of reduced funding. Why is there a shortfall? What is being learnt? What are the best next steps? Sometimes ending the contract early will be appropriate if the NGO cannot deliver on what is wanted. However for the services we are talking about here (ie fully funded services that are the focus of the government driven part of the system) there will often be times when there are good reasons why volume and outcomes have not been met – and this is not always a bad thing. Volumes and outcomes that are set at the beginning of a contract for delivering complex services to high need communities can only ever be a best guess. They are not accurate predictors of exactly what is needed. Taking a considered learning approach – rather than a claw back approach – is particularly important if we are to:
  - reach and engage effectively with the hardest /most vulnerable clients
  - stay for the long haul, to learn and to improve.
- Very limited (if ever) use of bonus payments for higher volumes of better outcomes. We recognise that bonus payments are designed to create an incentive to do as much as possible with available funding. This is obviously a good thing. However we are very cautious about the incentives that are also created to cherry pick – to only provide the service to clients that are the easiest to work with and/or the most likely to achieve outcomes. We have also seen cases of “client chasing” – service providers acting more like door-to-door sales men than social workers and enrolling clients in services that they don’t really want or need just to make sure that volumes targets are met or exceeded.

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<sup>6</sup> Obviously this is within reason. Claw-backs would be appropriate in those cases where a provider has substantially failed to deliver the service or in some other way significantly broken the trust of the contract

- Pricing that takes account of infrastructure costs that support quality and specific service delivery.

## **Options for reducing compliance costs within the contracting and procurement process**

The current contracting and procurement process is cumbersome, costly and often frustrating for organisations like us. Some possible ways in which this could be improved include the following

### **A single database of information**

It takes us a significant amount of time to rewrite and re-craft the information that we are required to provide in just slightly different ways for each RFP about our strategic plan, responsiveness to Māori, finances, governance, HR, complaints procedures, IT infrastructure, and so on. It would be great if we could write this once, in one standard template and only change it when it is really necessary. It may be useful to create one central database to which each NGO can supply detailed information about their infrastructure, skills and expertise, service history etc. This database could be available to all government agencies when they are considering RFPs. This would mean that any government agency can get the information they need about who we are and how we run by accessing the one information depository.

### **Standardised templates and processes**

It would be very useful if all RFPs from government agencies uses a standardised template (questions and lay-out) and submission process. Slight variations in the way questions are asked, the order of questions and the processes for submitting information lead to significant amounts of time and effort without any real benefit in the quality of information provided.

Government agencies should also consider the costs of the process they ask for. When RFPs insist that multiple copies of responses are provided in bound folders with dividers for each section as well as on USB sticks this creates significant cost for us. There are also costs associated with couriering these packages. Are there more options for responses to RFPs to be provided electronically in order to be able to reduce these costs?

It would also be good if there were common, standardised systems and tools that support multiple purchasing options across all government agencies. This includes having common templates and processes for :

- invoicing – how it occurs and the information required
- reporting and monitoring – standardised templates, standardised questions, common ways of collecting and reporting client data and information
- a common approach to outcome measurement.

### **Quality ratings for NGOs**

As discussed above (pg 20), another option which might warrant further thought and investigation is that idea of introducing some sort of process for rating or auditing NGOs against quality indicators. While this would need to be done carefully so as not to overload the NGO sector with compliance costs, it may have the potential to significantly simplify RFP processes and help to manage the issues associated with having a large number of NGOs operating within New Zealand.

## **A possible approach to help build a valid evidence base and sound data collection systems**

We need to find ways of identifying and measuring common outcome measures and making overall data collection more consistent across the system.

Barnardos supports the strong push that there currently is for social services to be outcomes driven and to build a sound evidence base. However the current system is not clear about how we are going to get there. It is vital that all parts of the system, including NGOs are able to gather, analyse and learn from data. But at the moment this is very hard. The system needs cohesion around gathering meaningful data. Data gathering is currently a huge drain on resources (and each part of the system seems to be doing it on its own). Barnardos has already invested millions of dollars to begin building a child-centred, outcome-focused, client management and reporting system. We are also investing time and effort into creating and using a meaningful Results Based Accountability (RBA) framework to guide all of our Child and Family services. This is a significant piece of work that is hard for an organisation like ours to do.

We know that the government has tried to provide direction on this (for example through the work that has been done on Investing in Services for Outcomes and RBA) but this work seems to get stuck, hard and overly complicated very quickly. When we engage with these processes it can sometimes make our own work on outcomes harder rather than easier. One possibility is that the government has not been able to provide the leadership needed in this area because it gets stuck in ‘paralysis by analysis’ problems.

Barnardos has developed a set of principles that we have used to help us give us momentum around this complex problem. We wonder whether some of these principles may be useful as part of government’s approach to this work.

<b>What</b>	<b>Why</b>
<b>1. JUST DO IT</b>	This is really hard stuff. It is easy to get stuck. If we wait until we have a totally clear way forward, or we are confident that we have exactly the right measures, we will never make any progress. We will start where we are and take action. Momentum matters. We will learn as we go.
<b>2. EVOLUTION</b>	Evolution is our main risk management strategy. It combines progress with flexibility to correct mistakes as we go. We want to hold ourselves to account for regular, incremental improvement. Slow steady progress allows us to see and correct mistakes before they become overwhelming. We are not going for ‘big bang’ actions
<b>3. CONSISTENT/</b>	We are striving for consistent, nationally relevant data. Given our historic processes and

<b>COMPARABLE DATA ONLY</b>	structure we know that we have lots of little pockets of data gathered through one-off/ local processes. It is tempting to use this to build a fuller picture of what we are doing and to plug gaps that we find. However while we will learn from these pockets of data, we will not be using it within our official RBA reporting. We want to discipline ourselves to be using and developing data that can be centrally drawn out, national consistent and comparable.
<b>4. WE EXPECT, WELCOME AND WANT TO SEE OUR MISTAKES AND FAULTS</b>	This is not about shaming or showing off. It is about learning our way forward. If we are not making mistakes and finding gaps and problems we are not doing it right.
<b>5. CULTURE AND SYSTEM CHANGE MATTERS</b>	People (staff and clients) matter. RBA is not just about numbers and measures. It is about how we see, think about, and organise our work. Taking time to support genuine culture and systems change will create a lasting platform of change. We are embedding as we go.
<b>6. CELEBRATE AS WE GO</b>	This will be hard and slow. Taking time to celebrate – to stop and see the progress we have made through our little steps - will be an important part of keeping up momentum.
<b>7. BE HONEST</b>	We will be honest with ourselves – taking time to be careful not to over or underestimate the progress of our work. It is our responsibility (not our funders or our clients) to hold ourselves to account. We will learn the most by being clear about what we don't know as well as what we do know.
<b>8. DO IT TOGETHER</b>	We want to be: sharing what we are doing; asking for help; collecting feedback; leveraging off the ideas and work of others. This applies within our own organisation – and across other organisations. This means publishing our early drafts, sharing our evolving thinking, being willing to be challenged.