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## **Submission to Productivity Commission Enquiry: More Effective Social Services**

### **1. Introduction**

- 1.1 The New Zealand Council of Christian Social Services (NZCCSS) has a long history of promoting just and compassionate responses to the needs of ordinary New Zealanders. Our organisation has six foundation members: the Anglican Care Network, Baptist Union of New Zealand, Catholic Social Services, Methodist Church of New Zealand, Presbyterian Support New Zealand Inc. and The Salvation Army. We see our work as a continuation of the mission of Jesus Christ. In seeking to fulfil this mission, we are committed to giving priority to poor and vulnerable members of our society and to Te Tiriti O Waitangi.
- 1.2 Nationally, NZCCSS membership consists of multiple social service groups working from almost 640 separate organisational sites, which collectively provide over 1,200 social service programmes throughout New Zealand. Our members deliver a wide range of services that cover such areas as child and family services, services for older people, food-bank and emergency services, housing, budgeting, disability, addiction support, community development, employment services and early childhood education.
- 1.3 The members of the New Zealand Council of Christian Social Services cover the range of large employers through to small organisations. As social service providers most of their employees are engaged in the direct provision of social services in both regulated and non-regulated employment. This includes social workers, aged carers – both home based and residential care, counsellors, youth workers, community workers, early childhood educators, nurses and other health professionals. These organisations also employ many allied staff including trades people and corporate administration and management staff.
- 1.4 NZCCSS welcomes the NZ Productivity Commissions enquiry into “More Effective Social Services”. We note the tight timeframes the Productivity Commission is working to and the extension of submission deadlines on the Issues Paper to December 2. However, even with the submission deadline extension, NZCCSS is unable to make a full submission covering all 56 questions in the issues paper. Rather this submission will identify current issues and propose improvements in social services purchasing and contracting strategies, which could make a significant difference for families and whanau accessing services, for their communities and for the organisations providing social services.
- 1.5 While NZCCSS membership is involved in a very wide range of social services and a community support activities, the key areas of activity focussed on for the purposes of this report are:

- Services for older people
- Services for children and families
- Support for those who are marginalised and excluded.

1.6 This submission will cover key issues and potential responses in each of these areas. It will not, however, follow the question format laid out in the Issues Paper. Rather it will focus on current and emerging procurement practices, privatisation of social services, emerging trends, encouraging innovation, ensuring high quality services and outcomes and will provide four basic conclusions.

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## 2. Current and Emerging Procurement Practices

2.1 NZCCSS is concerned with government procurement practices that have emerged in the post Global Financial Crisis era. These practices include:

- Extensive use of competitive procurement using tender processes that appear to favour larger corporate style organisations
- Decision making based on a philosophy of reducing “back office” costs by deliberately rationalising the number of providers providing services
- Procurement practices that see social services as delivering simple “outcomes” a commodity which can be bought as a direct transaction rather than seeing the service provider being part of a network of community supports which provide for wider well-being
- A silo approach taken to procurement decision making taking no account of how a complex web of different funding streams is often needed to support community organisations produce a range of outcomes across different sectors and provide for important but unfunded additional value to individuals, families, whānau and communities.

2.2 One of the most impactful outcomes of these new approaches to procurement is a tendency to contract private organisations to deliver services. Many examples of this type of approach are emerging:

- The reduction from 87 regionally based service providers for home care contracted by ACC to four national and one regional provider
- The rationalisation of home care provided to older people by most DHBs seeing the numbers of providers regionally reducing from 6 – 12 regional organisations to 1-3 organisations – often with at least 1 of these being an internationally based for-profit organisation
- The increasing use of for-profit or of corporate like not for profit organisations to deliver services for Work and Income, Corrections and other government agencies.

2.3 When a social service or social service outcome is seen as a simple sale and purchase transaction then the wider positive influences that are produced by supporting a charitable,

community based organisation are often overlooked. These have included unfunded transformational initiatives such as:

- Use of premises, infrastructure and staff time for community development
- Direct provision of non-government funded additional programmes or additional client numbers on existing programmes
- Coordination, management and support of volunteers
- Community education initiatives
- Development and implementation of collaborative service responses and building networks of provision
- Development and trialling of innovative initiatives (e.g. working with gang members and their families) seen as unproven or too risky by government funders.

- 2.4 The trend towards “market” responses to purchase social services has the potential to undermine the role and place of community based organisations. The market approach of commodifying the service as an outcome, delivering the contracted outcome in as a cost effective manner as possible and returning any surplus as a profit to shareholders adds no value to communities. Existing community based non-profit providers have built and developed significant, locally based and utilised community infrastructure – premises, equipment, IT resources, staff and volunteer commitment – which is used extensively by the community for purposes which extend far beyond the “funded product”. Government funding has been and remains pivotal to the development and maintenance of these resources.
- 2.5 NZCCSS members are reporting the procurement practices noted above are already impacting on this added value component provided by government funded community organisations. When a significant funding stream – or a number of smaller funding streams – are removed from a community organisation they must retrench. This has resulted in a significant reduction in the ability of affected organisations to provide the range of unfunded direct service provision along with the community support and community development initiatives which make a huge difference in the lives of many New Zealanders.
- 2.6 NZCCSS members and other community organisations delivering to a range of Better Public Service targets and using the combined contracts to provide the organisational infrastructure to do so have not had some of their contracts renewed – not because they were not delivering the required services to the required quality standards – but because the funding agency had decided to rationalise the number of service delivers contracted. This then had a knock-on effect on the organisational infrastructure with negative effects on the delivery of the other Better Public Services programmes.
- 2.7 Current procurement practices do not appear to understand and take account of the total contribution an organisation makes to community, family and whānau wellbeing when considering how to allocate funding.

- 2.8 Work with families, individuals and communities requires sustained commitment and should be resourced and financially supported in a persistent fashion. While short-term bursts of intensive and skilled work can be effective, even in complex cases, it should be recognised the change process for any situation/family may overall be a long-term process, and needs the right supportive environment over time.
- 2.9 In the context of families with complex issues, the outcomes should be based on realistic measures. The drug addict will not be clean in three months and the child abuser will not be safe in six. The outcome for each intervention should be achieving the next step in the process towards change. The first step may simply be the family or whānau acceptance of the need for change and a whānau or family accountability process. Relapse is also not failure but part of the learning process. An appreciation of the long term nature is needed, but the funded intervention may be step by step. This step by step process needs to be one that supports organisational strength and the relationships between key workers and families or whānau – not jumping from organisation to organisation.

### **3.0 Service Privatisation**

- 3.1 Two areas where the market responses have resulted in considerable privatisation of service delivery are aged care and increasingly, early childhood education (ECE).
- 3.2 The privatisation of care for older people has seen a range of highly successful private enterprises established. These enterprises have entered into the retirement village development business in order to cater for the rapidly increasing older people demographic.
- 3.3 Through this property development phase these large successful companies have been able to subsidise the cost of providing residential and hospital level care for the people who live in their retirement villages. This is seen as a loss leader in their property development model. This model seems to work reasonably well for those older people who have retired owning their own homes and who have enough assets to provide for the fees required to live in a retirement village.
- 3.4 Some residential care providers are now also charging for premium services. This practice means those who wish to have high quality fittings, furnishings, views etc. from their residential care room will pay a premium fee for the provision of these services. This is to bridge the gap between the real cost of providing quality venue and services which meet the required service specifications and what the local DHB is willing to pay for services.
- 3.5 Where a private company is providing the above there is also the requirement to make a return on investment which will allow for the payment to company shareholders of a reasonable profit margin.
- 3.6 The above process works well for private companies in that it provides for the required profit, it works for government in it hides the actual costs of providing appropriate care for

older people and it works reasonably well for older people with sufficient resources to access the kinds of support being delivered.

- 3.7 An increasing number of older people are reaching retirement without owning a home or having any retirement income. With the privatisation of the residential care for older peoples sector there is no infrastructure being developed which will meet their needs – there is no profit in it! This group will be highly at risk in the future and the quality of their lives will be significantly impacted by the introduction of this privatised model.
- 3.8 Examples of inefficient tendering and contracting arrangements in home-based support for older people have also emerged. Large national and international private providers, after originally undercutting local service providers, then begin to increase charges and decrease the level of services provided. As they have already eliminated the local provision the regional DHBs have no access to the original service providers. These local service providers had previously provided exceptional value for money and on top of this provided additional local services and volunteer coordination. Where these examples have emerged the Productivity Commission should encourage DHBs to invest in the development of local service providers.
- 3.8 The private model of provision is also strongly emerging in the ECE sector. A number of for-profit organisations are responding to government funding signals and building commercial ECE centres. These centres, while required to meet the Ministry of Education ECE requirements, are based on child care models where the children are dropped off at the gate and are cared for by the minimum number of staff (both qualified and unqualified) until they are picked up at the end of their funded time.
- 3.9 This is impacting on the traditional, community-based ECE providers. From 2010 to 2013 enrolments in the commercial education and care services have grown 57% and home-based services have grown 96%. In contrast enrolments fell in Kindergarten (by 22%), Ngā Kōhanga Reo (by 11%) and Playcentres (by 11%). While it could be argued this indicates the commercial model of care provision is meeting a need, it is also undermining the significant contribution the traditional care centres are making to the development of parenting skills, the growth of community skills and abilities (as parents are engaged with the running of the operations) and the deepening of cultural knowledge and maternal attachment.
- 3.10 If this trend continues the loss of community institutions, which contribute to effective parenting, community and cultural development could have significant and long term impacts. Many parents gained their parenting skills, their community development and community organisational skills and their cultural expertise through participating in these types of parent engaged ECE services. In future Government may need to fund additional parenting programmes, cultural development programmes and other initiatives to replace what was once achieved as an unfunded added value through the provision of ECE.

## 4.0 Emerging Trends

- 4.1 A number of emerging trends in contracting of family and community social services should be noted. There have been some positive results. This has been particularly so with the work of the Ministry of Social Development. Through its Investing in Services for Outcomes (ISO) programme the MSD has:
- Moved to 3 year contract cycles giving greater income security and the ability to plan for the longer term
  - Paid some contracts in full at the beginning of the year, meaning organisations have the ability to utilise their funding more creatively
  - Worked towards reducing the number of MSD contracts per provider to a single contract
  - Reduced the audit requirements for those organisations which have lower level requirements – although for the highest level requirements audit requirements and the associated paperwork has in fact increased
  - Put in place a provider development fund, the Community Investment Resource, to assist social service providers increase their capability to operate strategically in the current social service environment.
- 4.2 The ISO programme was heralded about 4 years ago with much fanfare. It proposed a new operating regime whereby high performing organisations would be recognised for their past performance by ‘high trust’ contracts – long term contracts with funds paid at the start of each year with the provider discretion to deliver the right mix of services to achieve the required outcomes for their communities. It also encouraged organisations to be highly effective in recording their outcomes, in working collaboratively with others and in being able to report this effectively. It was proposed those organisations which were not delivering in this way – or which were “duplicating” the work of others would quickly lose their funding.
- 4.3 While a number of positive trends emerged from this work, longer contracts, fewer individual service line contracts, up-front payments, some reduced audit compliances etc. the ISO programme also placed considerable stress on service providers. These organisations have worked hard increasing their collaborative efforts, buying in updated electronic client management and outcome tracking systems, training staff in the use of these systems. All of this was achieved with no additional operational funding. Most MSD providers have not received any funding increases for over 5 years – not even a cost of living allowance.
- 4.4 The proposed changes through the ISO programme are still emerging. MSD has not yet described its preferred social services outcomes, nor has it set out its proposed mechanism for purchasing services, the “Strategic Investment Framework”. MSD regional staff members are often unsure about what the new directions are and what advice to give to service providers; this has significantly contributed to an increase in stress on the provider group.

- 4.5 In this community and family social services space there has also been a lot of trials and changes, the introduction of a range of Social Sector Trials in local communities, the introduction of the Vulnerable Children's Act and the wide range of work coming out of this including Children's Teams, etc. etc. All of this has led to a great deal of confusion within the sector with no clear sense of strategy or direction. It is important the public sector has well thought out approaches and these approaches have been socialised internally with the public sector organisation prior to being imposed on the sector. Much of the current reform has been internal – and is still a long way from being complete. This work needs to be carried out and public service staff properly trained and prepared before inflicting multiple false starts on service organisations.
- 4.6 The Welfare Reforms and the investment approach to spending more money in order to reduce possible benefit and other payments in the future are also introducing another trend. This has been aligned with market segmentation and the development of specific products for each market segment. This commodifying of the needs of people reinforces the perceived transactional nature of purchasing a specific outcome which will fix the problem. However people live in families, in whanau and in community we need holistic approaches not segmented ones!
- 4.7 The segmented, transactional, market driven approach invites the participation of commercial operations. This increases the likelihood that a greater proportion of community and family social services will in future be delivered through for-profit companies with the associated risk of decrease in community organisations, in community skills and community resilience.
- 4.8 The emergence of the Whānau Ora and the Social Sector Trials Commissioning Agents is an interesting phenomenon. At this stage they remain unproven. However, the experience of working with DHBs (another kind of commissioning agency) has been 'interesting' with a range of widely diverse and often contradictory approaches – with some being very open to exploring new ways of working and other being almost reactionary in the services they purchase. It also appears they need a heavy hand to ensure they respond to government policy, and of course there is also a widely divergent success rates and levels of funding.
- 4.9 NZCCSS is supportive of more community input into deciding how communities should be supported by government funding agencies. However, this needs to be done within a consistent framework that allows social service providers to plan over the long term and to receive resources and support that is fair and equitable with the resources being provided in other regions. NZCCSS believes this could be achieved through the development of an effective and responsive public sector that is supported, guided and held accountable by local governance groups. These groups would operate utilising a national framework which would maintain consistency, would deliver against national requirements, but would also have a high level of local flexibility.

## 5.0 Encouraging Innovation and Experimentation

- 5.1 Christian and other community based not for profit providers of social services are committed to making a difference for the people they serve, their families, whānau and communities. This means creating new ways of working with people when different needs emerge or when current services are not producing appropriate results.
- 5.2 Community level innovation emerges from a variety of sources, it often occurs as a result of passion, drive and appropriate resourcing. Community organisations will use their infrastructure to provide venues, staffing and accountability structures for new initiatives. This is usually done at the cost of the community organisation which may start off just using their resources and skills to take a new approach. As additional needs and solutions are identified this may lead to a funding application to a philanthropic group, then after further refinement and development this may emerge as a bid to a government agency for support.
- 5.3 As already identified, key to this type of initiative is a committed local organisation with the resources and capacity to work through the developments needed. This capacity is supported by:
- A steady state contracting environment – reasonable security and level of funding
  - An auditing and reporting regime that is sensible and in line with the organisation's level of funding risk
  - A well informed public service or contracting agency which, shares good practice exemplars, is well informed on local needs and conditions and is supportive of innovation and experimentation.
- 5.4 An example of this type of innovation is the Ngā Tangata Microfinance Trust. This organisation was formed by NZCCSS, The NZ Federation of Family Budgeting Services and Child Poverty Action Group. Each organisation contributed a Trustee and resources to the Trust. The Trust secured corporate sponsorship from Kiwibank. Ngā Tangata set up a local charitable company in Auckland to issue no-interest loans to low income people. The charitable company's Board are all volunteers from local community based service providers. Once it reached a size where staff was required funding was received from a philanthropic trust, human resources supports and other practical support from a NZCCSS member and MSD seconded a worker for 6 months in order to get the organisational structure in place to employ staff. Ngā Tangata is now extending its operations throughout New Zealand and making a contribution to keeping low income people from being trapped in a cycle of debt.
- 5.5 Innovation and experimentation means risk. Some public service agencies are highly risk adverse – this means the organisations they contract are unlikely to take risks as well. The public service funders and the social services agencies must be able to take risk, and where necessary learn from failure – and not be punished for it.

## 6. Ensuring High Quality Services and Outcomes

- 6.1 NZCCSS acknowledges the concerns expressed in the Issues Paper regarding mutual dependence between certain public service organisations and service provider organisations resulting in stagnation of services and an acceptance of low-level outcomes.
- 6.2 In the experience of NZCCSS this can be replaced by a mutually reinforcing and challenging relationship where both the public service and the service provider are continually seeking ways to improve performance. As the better funded and more resourced partner the public service agency must take responsibility for understanding both national and international good practice. They must have quality evaluation teams and processes in place and have well developed strategies for sharing the insights that emerge.
- 6.3 The public service organisation must also have proper contract management systems in place, gather and utilise relevant performance information and ensure their service specifications and audit procedures are appropriate and effective. They should also be able to set performance benchmarks (which take account of regional and demographic differences) and take action when service or reporting standards are not met. Currently, the inability of some government agencies to take action to contract manage organisations (often due to perceived political risk) which are not delivering against their contract means whole of system changes are proposed. These whole of system changes would not be needed if effective contract management was in place, they are therefore very inefficient and expensive.
- 6.4 NZCCSS believes regional 'governance' groups should be established to monitor performance of social service provision within regions. These would be cross-sector groups consisting of regional leadership who would work with the regional public agencies to ensure a joined up effective plan of service delivery, which met local needs, was established and monitored. The relative performance of each plan would be shared on a national basis and learnings emerging from these initiatives shared and where appropriate duplicated.
- 6.5 These governance groups should be appointed regionally with as little central government involvement as possible. Terms of reference would ensure the groups remained both on task and apolitical. They would not be responsible for funding decisions; these would sit with the public service or other commissioning agency. The regional governance group would ensure joined up across government and community approaches to creating social and community wellbeing.
- 6.7 Organisational development funding and support would be available to social service organisations. As would opportunities for social service organisations to come together and learn off each other, contracts would be designed to encourage staff development and collaborative activities.
- 6.8 Social Services providers would be compared against regional and national benchmarks for similar organisations and where they do not perform appropriately the public service would be responsible for effective contract management, including supporting developmental opportunities and if necessary ending the contractual relationship.
- 6.9 Where new funding or new initiatives were to be introduced into a region the public service agency and local governance group would consider the best mechanism for achieving this.

This could include limited tenders, shoulder tapping of preferred organisations or open tender processes.

- 6.10 Quality independent evaluation of programmes at regional and national levels should be utilised to demonstrate the effectiveness of programmes and of service providers. Learnings from these evaluations should be widely shared – not seen as intellectual property to be used to derive profit for a company.
- 6.11 Quality service delivery has suffered in the past from pilot and trial mentality. New ways of working and new initiatives have been trialled and fine-tuned at pilot, or trial, levels. Often these pilots/trials have been promoted and supported at a political level. During the pilot/trial full and appropriate levels of funding is available. Once the trial has demonstrated its effectiveness it is then not properly rolled out, or if it is rolled out it is done so without the resourcing needed to replicate the original success. Thus the piloted/trial processes and improved outcomes are not replicated. This approach must not be continued.

## 7. Conclusion

### 7.1 **NZCCSS sees a strong network of well supported community based not for profit social services organisations as critical providing more effective social services:**

- Government funding of social services assists in the development of strong, capable, community based organisations. These organisations are critical to the wellbeing of their communities
- Any government procurement of social services process should consider the whole contribution of the social services organisations to their communities – it should not just separate out a social services outcome as a commodity to be purchased in a transaction.
- Procurement processes should take into account the range of services provided, how the different funding streams interact to produce a range of outcomes for the community, and give weight to the unfunded work of the organisation and how this contributes to wider wellbeing.
- Funding levels should be sufficient to deliver the services in a manner that achieves the required service specifications and ensures payments to staff are consistent at similar levels to payments made in the public service for similar types of work.
- Developmental funding should be widely available and sufficient to support community organisation capability improvement.

### 7.2 **NZCCSS recognises the need for community involvement in local decision making and supports the development of regional social services boards which will work in conjunction with the public service to devise local solutions to local issues.**

- These would be cross sectoral boards who would support local public services to work together to provide a joined up and cohesive approach to meeting local needs and creating regional well-being
- The governance boards would not be fund-holders or contract decision makers but would be able to hold public services accountable for their performance in contracting to achieve joined-up outcomes consistent with regional and national benchmarks

- The boards would particularly focus on how government funded social services, philanthropic funding and community contributions comes together to address local needs and reduce local vulnerabilities
- These boards would be appointed regionally for their expertise and mana; the board members would not be political appointments.

**7.3 NZCCSS supports a well-informed capable public service which is empowered to make cross sectoral decisions which result in holistic services being available where they are needed, when they are needed.**

- The public service must take responsibility for its own development, work through in consultation with sector organisations its plans and strategies and train and prepare its staff appropriately to implement these
- Contracting and audit systems should be appropriate to the work being undertaken, applied consistently and only the necessary levels of information and reporting needed should be gathered
- Where possible reporting and audit information should be used by multiple public service agencies to reduce the compliance burden on the service provider
- Public servants working in regions should be well informed of regional needs and pressures, have a good understanding of current good practice in how these needs should be met and be competent in working with community organisations
- Effective contract management, supported by strong regional governance will mean non-performing service providers will be identified, worked with and given the opportunity to improve. When improvement does not occur contracts will be reallocated
- Public service organisations should have well developed systems to role model cross sector collaboration and effective joined-up service provision to social service providers.

**7.4 NZCCSS providers cautions against the commodification of social services and excessive privatisation of social service delivery**

- Our members' experience in the areas of services to older people and ECE indicate that for-profit companies are principally concerned with profit making.
- They develop strategies that focus on meeting the needs of the group where the profit lays – often this is at the cost of services that were previously available to those with few or no assets. Resulting in this group becoming highly marginalised and vulnerable.
- The rationalisation of service delivery to two or three national and international service providers has reduced effectiveness and resulted in increasing costs for less service.
- The take-up of government funding by the for-profit organisations starves community based groups of resources often resulting in a decrease in service provision, innovation and added value services from the community groups.
- Given community groups are strong contributors to community wellbeing and community development, the ability of communities to provide for themselves may be significantly reduced.
- This in turn may mean more services will need to be commoditized and provided at a cost to government rather than emerging from resilient and well supported communities.