



Blind Foundation Submission

Productivity Commission “Draft Report on More Effective Social Services”

This is the Blind Foundation’s (formerly the Royal New Zealand Foundation of the Blind) submission regarding the Productivity Commission’s draft report on “More Effective Social Services” and we welcome any opportunity to participate further.

The Blind Foundation is the main provider of rehabilitative, support and advocacy services for blind and low vision New Zealanders. The Blind Foundation has approximately 12,000 clients throughout the country.

Our Purpose

Enable people who are blind or have low vision to be self-reliant and live the life they choose.

Our Vision

Life without limits

Kahore e Mutunga ki te Ora

Four Key Priorities

1. Independent living
2. Access for all
3. Reach more people
4. Building a Foundation for the future

The Blind Foundation advises government, business and the community on inclusive standards to ensure that the people we represent can participate and contribute equally. We have four major contracts with government. We value our relationships with officials and Ministers; we seek to act as a trusted advisor and specialist on the blindness sector, as well as a long serving and expert provider of services.

General issues

The report is comprehensive and well researched. In some areas the report does not offer full evidence to support some of its findings and recommendations. The report acknowledges that key strategies such as individualised funding and contracting for outcomes have been in pilot mode for decades (p.81 and above). The report does not analyse why this is and does not offer a convincing scenario for change. Also, more attention could have been given to the analysis of market failure and political activity that has led to the proliferation of social sector provider organisations.

A micro-economic issue that has not been fully addressed in the report is the scalability of specialist providers. The draft report does not discuss the impacts that artificially constructed regional markets will have on providers' ability to fund training, professional development and invest in capital infrastructure.

The changes within government (cabinet committee, office of social services and devolved commissioning) can be accomplished by fiat and funded by the Crown. The changes implied within the provider community are extensive and come at a cost which is not fully addressed. Some providers may see opportunities for growth and to redress funding issues but overall providers are offered little positive incentive to change.

Some specific issues are:

- The limited capacity of the provider sector to manage and fund comprehensive changes to contracting processes and support systems such as ICT
- Commissioning is effectively an additional layer that will require skilled and knowledgeable staff; the public sector may not be able to support this in specialist areas
- The willingness (and ability) of providers to accept a major transfer of financial risk seems to be implicit in many of the recommendations
- Analysis of the pilot programmes for individualised funding should have been included in the draft report. For instance the total estimated size of the market and degree of take-up achieved to date would have been a useful measure. (see Disability Action submission p163)
- More attention needs to be given to the “soft issues” including change management. The potential for institutional resistance to devolved commissioning and purchasing have been underestimated. (This was a major factor behind the failure of the Health Funding Authority which was designed on very similar assumptions and principles)
- The possibility of widespread concern with data sharing proposals due to privacy issues
- Insufficient analysis of how relevant the proposals are to the different segments within the social sector.

Detailed comments on the report's recommendations follow.

Sector Structure

R5.1

The Government should make greater and smarter use of delegation and devolution in the social services system. These architectures often feature better incentives for encouraging innovation and improving social services outcomes.

Agree. In practice, though, efforts to devolve commissioning and purchasing have led to a proliferation of agencies and a dilution of the skills and knowledge base. Devolution and delegation should not be ends in themselves.

R5.3

Government has a unique role in the social services system. It is the major funder of social services, and has statutory and regulatory powers unavailable to other participants. Government needs to take responsibility for system stewardship, and for making considered decisions that shape the system. This includes the overarching responsibility for monitoring, planning and managing resources in such a way as to maintain and improve system performance.

Agree. This function cannot be carried out purely by top down control and direction. The report should recognise the need for a collaborative planned approach to both the changes indicated by the report and the ongoing management of the sector. This needs to be effective in working directly with officials. If it does not succeed at this level then providers will be likely to seek to directly influence Ministers.

Commissioning

R6.1

Formal contracts between an agency and its in-house service delivery arm make costs and expectations explicit. They should be mandatory when that delivery arm competes with non-government providers, and are desirable in other cases.

Agree. All publically funded social service contracts should be transparent.

R6.2

Commissioning organisations should ensure that in-house provision is treated on a neutral basis when compared to contracting out and other service models. This requires independence in decision-making processes. In-house provision should be subject to the same transparency, performance monitoring and reporting requirements as would apply to an external provider.

Agree.

R6.3

Commissioning agencies should consider a wide range of service models, and carefully select a model that best matches the characteristics of the service being commissioned.

Agree. The breadth of the terms of reference is such that many possible service models have a clear application in some areas and not others. It is essential to the overall reform process to ensure there is good evidence in applying a wide range service models that best match the traits of the service being commissioned.

R6.4

Commissioning agencies should always consider client-directed service models, as they empower individuals and lead to more effective services. However, those models are not always applicable. Where other service models are chosen, client choice should be supported to the extent feasible.

Agree. A client directed service model is not simply about the choice of provider. In some areas, choice of provider may be available but may deliver low grade services. The issue for clients should be can the provider deliver the quality and personalised service and the range of integrated services on offer.

R6.5

Commissioning agencies need to be clear why they are consulting and convey this clearly. Agencies should target those most affected by the service and match the amount of consultation to the size and complexity of the service, and to the value expected from consultation.

Agree. Commissioning agencies should also be aware that providers do have a legal right to be heard and can challenge the adequacy of the consultation (as they see it). Commissioning agencies need to be clear why they are consulting and convey this clearly to their stakeholders.

R6.6

The government agencies responsible for commissioning social services should actively build staff skills and agency capacity to make effective commissioning decisions.

Agree. There is potential to take resources away from developmental work and front line services to meet additional commissioning requirements.

R6.7

Government should initiate some well-resourced demonstration projects designed to build awareness of and capability in commissioning.

Agree. The MSD recently promoted changes to the process for contracting employment support contracts. The proposals are based on the very early results of demonstration projects that have not run for a full cycle that can be effectively evaluated. Proving that something is “feasible” in the short term, does not necessarily demonstrate a long term cost benefit.

R6.8

Government may reasonably choose the type of funding to match its priorities. It should always be explicit about the type of funding, the appropriate level of control that this funding brings, and the likely consequences of its funding decision. Legitimate types include full funding, contributory funding, tied and untied grants, and no funding.

Agree. The Blind Foundation relies on government funding for less than 25% of its overall expenditure on services for its clients. For most clients the government and Blind Foundation funded services are actually delivered in a seamless and integrated way. However in some cases clients will only ever use donor-funded services. There is significant value for the client but some risk of cross subsidisation. The Blind Foundation can help to work through some of these challenges with the Commission. We think there are better methods of funding and specifying service mixes that could lead to improved transparency for both parties. Voluntary giving is subsidising some contracts and the Blind Foundation is willing to discuss this with the Commission. The Blind Foundation is willing to be considered as a test bed to model how to improve costing methods that could be used more widely at the interface of public and private funding.

R6.9

Full funding is appropriate when governments are paying non-government organisations to deliver the Government's goals or commitment, and want full control over the service

Agree.

R6.10

"Fully funded" social service payments to non-government providers should be set at a level that allows an efficient provider to make a sustainable return on resources deployed. This funding level will support current providers to invest in training, systems and tools. It will also encourage entry by new providers.

Agree. The Blind Foundation has been funding these vital support areas from its own resources for decades. For some organisations this could impact of long term efficiency and the ability to meet the broader charitable goals.

R6.11

Agencies commissioning social services need to be prepared to understand the costs that providers face in supplying services. They should invest in the skills, tools and research necessary to develop costing models. The Treasury could provide useful cross-government guidance.

Agree. The Blind Foundation is willing to commit its resources to work on methods to achieve this in partnership with central agencies.

R6.12

Government funding for community development should be through grants for that purpose, and co-funded in some form by the relevant community.

Agree.

R6.13

When commissioning services, government agencies should be open-minded about the size or organisational form of current and potential social service providers. Preconceptions about provider size or form risk keeping out new entrants and reducing innovation.

Agree. Track record is the best indicator of future success.

R6.14

Provider subcontracting can be an efficient way to reduce the number of relationships managed by government agencies, and to improve the quality of relationships overall. Government agencies should be open to providers of social services subcontracting the delivery of services to other providers.

Agree. This can add flexibility and may enable the government to reduce its own costs. If government requires the same levels of service and financial risk management, the overall cost and efficiency in the sector will not change. The Blind Foundation is experienced in delivering four contracts (funded from non-government sources). These contracts require a fully professional administration to be effective and if it is of assistance to the Commission we are willing to demonstrate how important this is to success in meeting the government's policy requirements.

Learning and Innovation

R7.1

Organisations commissioning social services should set payments at a level that allows an efficient provider to make a sustainable return on resources deployed. This will give providers the confidence and greater capacity to invest in innovation.

Agree. The Blind Foundation is willing to take part in researching the cost and ROI related to innovation in the disability service sector.

R7.2

Organisations commissioning social services should look for opportunities to contract providers to design and try out innovative service designs. This will promote learning about what approaches are most effective in achieving desired outcomes. Where the Government specifies and directly funds the development of innovation, it should own the intellectual property rights.

Agree in principle but note that the proliferation of innovative schemes over the last two decades detailed in the Commission report. (p 50). New schemes should be effectively evaluated early and disbanded quickly if failing. But the institutional pressures to persist are evident in the record. In many cases evaluation is unable to separate the conceptual problems in new innovative approaches from the mundane issues of under resourcing. Innovative programmes need to be designed to enable effective evaluation and require agility in responding to success or not.

R7.3

Social services commissioning organisations should shift more contracting towards contracting for outcomes and make greater use of decentralised service models. Doing both would give providers increased flexibility and incentives to innovate.

Agree in principle, but government has to be prepared to accept greater risk. Also there are many technical considerations with defining and measuring outcomes with the precision necessary to manage contracts and payments.

R7.4

Government social services commissioning agencies should respect the confidentiality of innovative ideas that providers submit as part of a tender or otherwise. Where government agencies wish to spread an innovation that a third party creates, they should negotiate for the rights to do so.

Agree. Providing the intellectual property can be defined to a good legal standard which currently may not be the case.

R7.5

Government agencies should explore a variety of additional initiatives to encourage innovation in the social services. These could include innovation funds, prizes and in-house innovation labs

Agree. These incentives are important and the requirements need to be kept efficient.

R7.6

Superu should develop and adopt a set of principles for good evaluation and provide guidance to support those principles. When the Government funds social services evaluations, it should require adherence to those principles.

Agree. Many evaluation reports prepared on social programmes over recent years do not address issues directly; it is rare to see recommendations to close a clearly ailing programme while it has any residual political value. It is important that the evaluation is done by an independent of the agency to the one that set up the programme.

R7.7

Commissioning organisations and providers should monitor and evaluate in real time a much wider range of services than at present. This would enable commissioning organisations and providers to respond to trends as they emerge and offer significant improvements in efficiency and effectiveness

Agree. It is expensive and it would be important to consider raising the barrier to encourage new projects/innovations and remove those less likely to succeed.

Data and Analytics

R8.1

The Social Sector Board should initiate a project to coordinate client-level operational data sharing to increase the scope, power and accuracy of the Government's investment approach to targeting social services. The work should follow the principles recommended by the New Zealand Data Futures Forum.

Agree. Better evaluation of programmes, better contract management, better planning and integration of services all demand good quality and connected data. The Blind Foundation has mounted cross agency research projects to achieve these objectives. The level of concern with privacy issues and consistency of data was discouraging. Our overall view is that this type of data collaboration, if it is to be useful, requires cultural, technical and financial hurdles to be removed.

Cultural: in contestable markets providers will not be willing to share data with potential competitors and funders. In very many cases the possibility of breaching client privacy would prevent subscription to any data sharing options except in the most anonymised situations; this limits the use of data. The possibility of their data not being secure would discourage clients from accepting services in some cases.

Technical: Data sharing in the health sector has made some grounds but only in the public funded sector. The health system has the basic platform of data definitions provided through mechanisms such as the National Minimum Health Dataset, International Disease Classification Index and similar for pharmaceutical products. The social sector does not have any level of data homogeneity apart from the very basic client demographics on which to base any common data discipline. The current IT infrastructure in the social services sector will be diverse.

Financial and capacity: The Blind Foundation invests in ICT and has the financial know-how and capacity to contribute the thinking about new options to network data.

In general the approach may be better once it is targeted to specific segments of providers who have common requirements.

Investment and insurance approaches

R9.1

The Investment Approach could usefully be applied more widely. Future Welfare Liability (FWL) – its underlying proxy for social return – should be further refined to better reflect the wider costs and benefits of interventions.

The FWL is a useful mechanism for prioritising programmes but will not apply to all cases. The FWL mechanism works for benefit related dependency calculations mostly where interventions now are managed by the same agency that carries the FWL. But the concept could be applied to the way future health expenditure could be offset by social sector interventions. The Blind Foundation has a number of cases where this could be researched.

The FWL approach can be applied without risk rating individuals as the programme aims to achieve an aggregate benefit. Insurance based and social bond approaches on the other hand have the drawback of being very prone to adverse selection problems and have to be very carefully designed to avoid this. The cost of set up and operation will limit the use of these methods to only large scale applications.

R9.2

The Investment Approach should be extended to operate at a cross-programme, cross-agency level.

Agree. The scale and type of some possible applications may make this difficult in some areas on contracting. The Blind Foundation is willing to work with the Commission to develop these concepts where the expenditure in one part of the sector could be off set in another.

Service Integration

R10.1

Governments and service-commissioning agencies should consider whether service fragmentation is a symptom that could be most effectively dealt with by changing their institutional-design and commissioning choices.

Agree. Structural change may provide an opening for change but the changes in attitudes and culture have to be acknowledged and tackled as new expectations are being set by the government.

R10.2

The Government should adopt a cautious approach to directing service integration from the centre, and should instead focus on ensuring that institutions and commissioning arrangements provide opportunities for bottom-up integration.

Agree.

R10.3

Efforts to integrate social services should be attentive to organisational cultures that promote or impede integration, and should address problems through remedies, including promoting a common language and values across the system and providing opportunities for formal and informal interaction between organisations.

Agree. More contestable approaches may not encourage service integration.

R10.4

The Government should assist providers to access and use operational data to improve service integration as part of investing in a better data infrastructure and safe data sharing for social services.

Agree.

Client choice and empowerment

R11.1

When commissioning services, the Government should look to empower clients where such empowerment would not be detrimental to the client or the broader interests of society. Disability support services, home-based support of older people, respite services, family services, and drug and rehabilitation services are good prospects.

The Blind Foundation agrees and also sees the benefits applying in those parts of the sector. In other areas where a choice of provider is not possible work should be done on how client choice and empowerment can be achieved within a service structure. The Blind Foundation has decades of experience in client centred governance, service design and operation that it is prepared to make available to the sector.

Better purchasing and contracting

R12.1

The Government should give an agency the task of developing a single set of up-to-date guidelines for agencies entering into contracts with non-government providers of social services. That agency should provide training on these guidelines to other agencies and providers.

- *To encourage agencies to use the guidelines, the Government should:*
- *provide training about the revised guidelines to relevant agencies and providers;*
- *require agencies entering a contract to sign a declaration that they have used the guidelines; and*
- *assess agencies' management of contracts with non-government providers in the Performance Improvement Framework reviews of agencies.*

Agree.

R12.2

To improve tendering practice, government agencies should face new requirements to:

- *undertake reasonable consultation with providers and clients during the pre-contract phase;*
- *report yearly their compliance with tendering timelines;*
- *take account of the past performance of bidders when assessing bids. If agencies intend to ignore past performance, they should publish at the start of the tendering process the reasons why they are doing so;*
- *consider standardising tendering requirements, but standardisation should not be mandatory;*
- *develop, in consultation with providers, a risk management framework that identifies risks and how best to allocate them; and*
- *set contract duration in the context of their overall risk management framework, and taking into account factors such as providers' incentives to invest in relevant capabilities and equipment.*
- *Government agencies should publish their reasons for selecting particular contract duration.*

Agree.

R12.3

Departments, agencies and non-government providers should expand the use of contracting for outcomes where it is efficient to do so.

Agree. Where it is efficient it is important to do so. At this stage, the Blind Foundation is able to work with outcome directed contracts. However the outcomes are not to the stage where the Blind Foundation would be prepared to take on financial risk. Outcomes have to be able to be reported within the time frame of the contract and to be properly attributable to the Blind Foundation's interventions and not to external uncontrolled events. These are quite high barriers. We note that the social bonds pilots run by the Ministry of Health will use independent evaluators and will be evaluated over the 3 to 5 year period. This is effectively a programme evaluation model not a contract reporting based mechanism.

R12.4

The Government should improve the capabilities of agencies to contract for outcomes, ideally with payments for outcomes achieved in those contracts.

Agree. We continue to liaise with our counterparts internationally and have been investigating models of enabling individuals with disability to achieve good outcomes, in a financially sustainable manner. We are interested in individual outcomes, financial sustainability and community inclusion and how measures are defined and reported on. We are working with the Ministry on Results Based Accountability.

R12.5

Government agencies should:

- *adopt a risk-based approach to monitoring contracts as part of their risk management framework; and*
- *publish the reasons for their chosen monitoring arrangements, including an analysis of the costs and benefits to all parties.*

A purely risk based contract monitoring regime may have some perverse limitations. Focusing on known risks may divert activity and allow other emergent problems to go unrecognised. It may prevent the agility and innovation if there is a more risk adverse culture of contracting.

R12.6

The State Services Commission should develop a set of minimum expectations around the promotion of contract management capability, and require the statements of intent of relevant agencies to demonstrate how they will meet those expectations.

Agree. Central government agencies need to continue to grow the capacity and capability of their contract management staff. It appears there is high turnover of staff in these roles and the churn of staff with the skills and experience will have an impact contract management capability across the public sector.

Implementation

R14.1

A small and cohesive committee of ministers drawn from relevant service delivery and central portfolios should be responsible for leading the Government's reform of the social services system.

Agree.

R14.2

The Government should establish an Office for Social Services, preferably within a central agency, to:

- *help ministers to develop the overall reform strategy and oversee its implementation;*
- *develop whole-of-system data and analysis – both performance data and diagnostics identifying priorities;*
- *undertake research on system-wide issues and provide advice to the Social Sector Board of chief executives and to the relevant ministers;*
- *undertake evaluations of the performance of the social services system;*
- *provide advice and design guidance for agencies engaged in commissioning; and*
- *promote continuous improvement and the development of capability across the system.*

The Office would need clear terms of reference that steer it towards favouring customer-centred, devolved and data-rich approaches and whole-of-system thinking

Agree.

The structural changes are easy to make and will bring about change; what is proposed will work effectively at a central agency level. But for the long term effectiveness for clients, the changes being proposed will require shifts in attitude and behaviour across the wider sector. These matters require further consideration.

The direction taken from these recommendations is that the change process will be directed from the top down. The Commission's proposals do not address incentives for providers. It is unrealistic to expect that provider organisations will agree to a significant transfer of financial risk and the cost and effort of change based on goodwill alone.