

# Government Responses to Recommendations from the Productivity Commission on More Effective Social Services

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NB. The recommendations in **bold** were identified by the Productivity Commission as key recommendations.

No.	Recommendation	Govt response	Draft Government response text – for publication
<b>1. System Stewardship</b>			
R5.3	<p><b>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 should take responsibility for system stewardship including:</b></p> <ul style="list-style-type: none"> <li>• <b>conscious oversight of the system as a whole;</b></li> <li>• <b>clearly defining desired outcomes;</b></li> <li>• <b>monitoring overall system performance;</b></li> <li>• <b>prompting change when the system under-performs;</b></li> <li>• <b>identifying barriers to and opportunities for beneficial change, and leading the wider conversations required to achieve that change;</b></li> <li>• <b>setting standards and regulations;</b></li> <li>• <b>ensuring that data is collected, shared and used in ways that enhance system performance;</b></li> <li>• <b>improving capability;</b></li> <li>• <b>promoting an effective learning system; and</b></li> <li>• <b>active management of the system architecture and enabling environment.</b></li> </ul>	Agreed	<p><i>The Government agrees that it has a significant role in the social system and is influential in how the system operates. Many of the Commission’s recommendations provide ways to improve government oversight of key elements of the social system.</i></p> <p><i>All government social sector agencies have stewardship responsibilities in the social system. Government agencies have a role in ensuring that the overall system works effectively for all citizens. Individual government agencies also have particular stewardship responsibilities for their sectors.</i></p> <p><i>To support agency capability development and improved data sharing the Government established the Social Investment Unit in April 2016. It has recently agreed to establish the Social Investment Agency and the Social Investment Board.</i></p> <p><i>The Social Investment Board will replace the Social Sector Board. The Social Investment Board will focus on a small number of priority groups where a collective approach is required to achieve better results for these groups. The Social Investment Board will provide advice on what is required to achieve better results and oversee the actions undertaken to achieve these results.</i></p> <p><i>The Social Investment Agency will combine resources from the Social Investment Unit and the Social Sector Strategy team within the Ministry of Social Development. The Social Investment Agency will develop tools and guidance to assist agencies to apply social investment, provide whole-of-system advice to the Social Investment Board and Ministers, and develop new approaches to working with targeted groups with complex needs.</i></p> <p><i>Alongside the Social Investment Board, the Vulnerable Children’s Board also has a key system leadership role. The Vulnerable Children’s Board provides governance and oversight of the transformation of the system to support vulnerable children.</i></p>
R14.4	<p>The Government should enhance the role of Superu, so that it can act as an effective independent agency responsible for ongoing monitoring, researching and evaluating the performance of the social services system.</p> <p>The Government should investigate whether legislative change is needed to support this expanded purpose and initiate any required amendments.</p>	Partly agreed	<p><i>Research using the Integrated Data Infrastructure (IDI), managed by Statistics NZ, will answer complex questions, helping to improve outcomes for New Zealanders. The legislative framework for oversight, governance and stewardship of the government data system is being considered as part of the Statistics Legislative Review. Further work is underway to consider how to take a more coordinated approach to the management and use of data.</i></p>

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<b>2. Devolution and service integration</b>			
R10.1	Government social service agencies should seek further opportunities to improve service efficiency and effectiveness through client-centred service integration initiatives in those parts of the social services system that have complex inter-connected pathways. This should build on lessons from initiatives like those at the Canterbury District Health Board and the Hutt Valley Justice Sector Innovation Project.	Agreed	<p><i>The Government is committed to making services more integrated and client- and whānau-centred, especially where clients have multiple contacts with the social system. However, what works in one community or population group will not necessarily be the best model of integration for others.</i></p> <p><i>The Ministry for Vulnerable Children, Oranga Tamariki has been established to provide a nationally-led integrated response to children and young people with complex needs, both directly and by coordinating relevant activities across government for the target client groups.</i></p> <p><i>In addition to a number of existing integration initiatives such as Tāmaki regeneration, the Government has established Place-Based Initiatives in South Auckland, Northland and Tairāwhiti to better integrate services on the ground. The Place-Based Initiatives create local governance groups who will make collective decisions to determine how to integrate services. Their work programmes are developing as we gain a better understanding of what the specific solutions to integration in these areas are and how best to achieve these. Each area is starting with different local leadership models and is working towards becoming a local commissioning board.</i></p> <p><i>The Government will look at ways to take the lessons from existing integration initiatives into a repository of best-practice guidance and tools. This will be led by a national support team which will assist the Place-Based Initiatives to achieve their outcomes, take a social investment approach, and to evaluate the concept of place-based approaches. The national support team will provide advice, guidance and assistance in how to set up a Place-Based Initiative. This will be in the form of a national ‘tool-kit’ and will be updated regularly as lessons are learnt from existing initiatives.</i></p> <p><i>The emphasis on client-centred integration is happening in a range of areas across the social system. One example is the joint ACC/Health work on falls prevention and fracture liaison. This involves a single role co-ordinating across primary, hospital and community-based services, as well as between agencies.</i></p>

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R5.1	To improve innovation and outcomes from social services the Government should make greater use of devolution in the social services system.	Agreed	<p><i>The Government agrees that decisions should be made by people who have the best information to make those decisions. The best people to make these decisions will differ depending on the nature of the client’s needs, the local community, and the capacity of providers. Devolution is already a feature of many parts of the social system, such as the health and education systems, but the Government is looking at ways to go further where this is appropriate. The Place-Based Initiatives referred to in the response to Recommendation 10.1 are an example of this.</i></p>
R10.2	<p><b>To address the needs of the most disadvantaged New Zealanders (quadrant D), the Government should devolve authority over adequate resources to providers close to clients. To be effective, this devolution would require:</b></p> <ul style="list-style-type: none"> <li>• <b>an adaptive, client-centred approach to service design;</b></li> <li>• <b>commissioning agencies to have responsibility for a defined population;</b></li> <li>• <b>commissioning agencies and providers to have clear accountability for improving client outcomes;</b></li> <li>• <b>commissioning agencies to have a way of prioritising the use of resources; and</b></li> <li>• <b>an information system to support decision making.</b></li> </ul>	Partly agreed	<p><i>For the vulnerable children’s population the Government has established the Ministry for Vulnerable Children, Oranga Tamariki to provide a single point of accountability. It has a specific mandate to develop a prevention and early intervention focus and a strengthened focus on the wider cross-government accountabilities and integration of services supporting vulnerable children and young people. The new Ministry is supported by the Vulnerable Children’s Board providing cross-agency governance, ensuring linkages to relevant work by other agencies, and oversight of the transformation programme.</i></p> <p><i>The change package being developed by the new Ministry includes a number of features that are consistent with the Commission’s recommendations, such as:</i></p> <ul style="list-style-type: none"> <li>• <i>a child-centred approach to service design and stronger mechanisms for the voice of the child through a new advocacy service</i></li> <li>• <i>development of strategic partnerships with iwi groups and NGOs</i></li> <li>• <i>use of resources from across the social services system</i></li> <li>• <i>use of an investment approach to assist decision making and enable the system to learn and improve over time.</i></li> </ul> <p><b>Other models of devolution</b></p> <p><i>As the social investment approach becomes more embedded in government, we expect it to result in more delegation to frontline workers as they are equipped with more data on clients and more information on what interventions work. We expect over time for this to provide them with more discretion in local decision-making. The Government is also advancing models of devolution with a focus on vulnerable New Zealanders as outlined below.</i></p>

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			<p><b>Place-based models</b></p> <p><i>As outlined in the response to Recommendation 10.1, three Place-Based Initiatives in South Auckland, Northland, and Tairāwhiti are underway, each with a local governance group that is collectively responsible for achieving defined outcomes for a defined population in the region. Over time these approaches will develop and mature, and could involve devolution of decisions, including about resources. The national support team (which is to be transferred into the Social Investment Agency) will support the Place-Based Initiatives to use commissioning models over time.</i></p> <p><b>Whānau Ora</b></p> <p><i>Te Puni Kōkiri (TPK) commissions Whānau Ora outcomes from non-government commissioning agencies. This devolves funding and funding decisions closer to the community. The three commissioning agencies take an adaptive, client-and whanau-centred approach to match the needs and aspirations of whānau, and their children, with initiatives and services that will most effectively and efficiently meet these outcomes.</i></p> <p><i>Through ongoing and periodic evaluation, TPK will work with the Ministries of Social Development, Health and Education to ensure lessons from this approach positively shape and inform future and more effective investment in social outcomes, particularly for Māori.</i></p>
R10.3	<p><b>To address the needs of the most disadvantaged New Zealanders (quadrant D), the Government should assess and implement the most appropriate model of devolution. The Government should consider the District Health and Social Boards, Better Lives agency and alternative models.</b></p>	Partly agreed	<p><i>As noted in the response to Recommendation 10.2, the Government is developing models to focus on improving outcomes for the most vulnerable. Supporting infrastructure for these models will be provided by the Social Investment Agency and other agencies such as the Treasury and Statistics NZ. Given the extent of change already happening across the social system, particularly the establishment of the Ministry for Vulnerable Children, Oranga Tamariki, the Government is not considering the specific models suggested by the Productivity Commission at this time.</i></p>

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R13.1	In making decisions about whether and how to devolve the commissioning and delivery of social services for Māori, government should be open to opportunities for Māori to exercise mana whakahaere. This should be based on the Treaty of Waitangi principles of partnership, and active protection of Māori interests and of rangatiratanga.	Partly agreed	<p><i>The Government is open to identifying opportunities where Māori and the Government can work in partnership to improve outcomes for Māori. The Government has shown commitment to kaupapa Māori engagement through Whānau Ora and whanau-centred intervention design.<sup>1</sup></i></p> <p><b>Whānau Ora Partnership Group</b></p> <p><i>The Whānau Ora Partnership Group, whose membership consists of six Ministers and six Iwi Chairs, provides strategic leadership of Whānau Ora by setting priorities and monitoring progress towards the achievement of Whānau Ora Outcomes with contributions from government agencies, Iwi and the Whānau Ora commissioning agencies. Through this the Partnership Group helps demonstrate and ensure investment in Whānau Ora supports efficient and effective social outcomes for whānau.</i></p>
R13.2	The Government should let Māori propose arrangements within or outside the Treaty settlement process for devolved commissioning, rather than co-opt Māori groups into a process, or impose a process on them.	Partly agreed	<p><b>Tūhoe</b></p> <p><i>The Ministry of Social Development has been working with Tūhoe to investigate options and opportunities to decentralise some aspects of the government’s responsibility for providing support to improve social outcomes within the Tūhoe rohe. This work began during Tūhoe’s Treaty claim negotiations with the Crown around mana motuhake. This led to Tūhoe’s Service Management Plan, a component of its Treaty settlement.</i></p> <p><i>This work is being progressed by a governance arrangement that has Tūhoe as an active partner. There is a three tier structure comprising:</i></p> <ul style="list-style-type: none"> <li><i>• first tier - an annual Rangatira ki Rangatira Forum, convened by the Attorney General, with Ministers of Social Development, Finance and Education and the Te Uru Taumatua Chair</i></li> <li><i>• second tier - Tūhoe-Crown Direction Setting Group, which comprises the Chair and Chief Executive of Te Uru Taumata and the four Tribal Chairs, and senior officials from the Ministries of Justice, Social Development and Education, and Treasury, and provides governance and strategic guidance to the implementation groups</i></li> <li><i>• third tier - Implementation Strategy Working Groups, will comprise technical government advisors and Tūhoe advisors that will focus on specific interventions designed to improve defined (and measurable) outcomes for a specific group of people.</i></li> </ul>

<sup>1</sup> Examples include the Ministry of Health’s Family Violence Assessment and Intervention Guidelines: Child abuse and intimate partner violence; the Ministry of Development’s E Tu Whānau programme, Māori designed, developed and delivered initiatives to reduce Māori offending and re-offending.

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			<p><b>Other examples of Crown/Māori co-operation</b></p> <p>The Government has been working with iwi and Māori organisations on different elements of commissioning. For example:</p> <ul style="list-style-type: none"> <li>identifying strategic partnerships with iwi as part of the Investing in Children reform package</li> <li>undertaking partnership projects between Māori and Statistics New Zealand to identify first uses of iwi data using the integrated data infrastructure (IDI) and to provide collective investment in the new data source</li> <li>working with Māori researchers to develop a Whānau Wellbeing Framework which enables the measurement, monitoring and reporting of whanau wellbeing from a strengths-based Māori world view (Superu)</li> <li>working with Māori (and Pasifika) through the Waka Hourua programme to develop and enhance their own capacity and capability to prevent suicide and to respond safely and effectively when and if suicide occurs</li> <li>partnering with iwi and Māori organisations in Manukau, Gisborne and the Hutt Valley to provide an alternative resolution pathway for low-level offenders.</li> </ul>
<b>3. Commissioning</b>			
R6.1	<b>Commissioning organisations should consider a wide range of service models, and carefully select a model that best matches client characteristics, the problem faced and the outcome sought.</b>	Agreed	The Productivity Commission provides a broad definition of the commissioning process, from setting policy objectives, through to deciding service models, implementing services, and reviewing and evaluating outcomes. The Productivity Commission highlighted the fact that good commissioning is fundamental to effective social services, but that it is not generally undertaken in a structured or effective way. The Commission also noted that commissioning is a much broader set of activities than procurement. it includes the whole process of turning policy objectives into effective services, including refining or de-commissioning services.
R6.10	The Government should appoint a lead agency to promote better commissioning of social services. This agency should produce guidance and facilitate training for commissioning organisations.	Agreed	The commissioning approach provides a strategic cyclical process for implementing the Government's social investment objectives. There has already been work focusing on improvements to some elements of the commissioning cycle, but these have not been described as part of a commissioning cycle. Most efforts to date have focused on ways to improve the use of analytics at the beginning of the commissioning cycle and evaluation at the end of the cycle. This includes the Social Investment Unit's work on the
R6.11	<b>Commissioning organisations should actively build the required skills, capability and knowledge base and use them to substantially lift the quality of commissioning.</b>	Agreed	

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R6.12	The Government should support the development of a social services commissioning community of practice and encourage commissioning organisations to participate.	Partly Agreed	<p><i>effectiveness of interventions, Superu’s work on evaluation standards and guidance<sup>2</sup>, population analysis by the Analytics and Insights team in Treasury<sup>3</sup>, the development of CBAX<sup>4</sup>, and the design of investment approaches in the social sector.</i></p> <p><i>The Government agrees that it could develop a more deliberate approach to commissioning of services, including building in clear processes for selecting service models, evaluation, reviewing outcomes achieved, and decommissioning services.</i></p> <p><i>The Social Investment Unit (to become the new Social Investment Agency) is developing a suite of tools, methodologies and templates that will support agencies to commission services based on information about effectiveness.</i></p> <p><i>The new operating model to be given effect through the Ministry for Vulnerable Children, Oranga Tamariki will include commissioning, building capability and capacity in the market, and obtaining services from other government agencies.</i></p> <p><i>Another example of the effort to improve commissioning is a Commissioning Framework for Mental Health and Addiction.</i></p>
R6.2	Commissioning organisations should always consider client-directed service models, as they empower individuals and can lead to more effective services. (These models are most applicable for clients in quadrants B and C.) Where other service models are used, clients should be able to exercise choice as far as possible (as long as the benefits for clients outweigh costs).	Agreed	<p><i>The Government agrees that client choice should be an important consideration in the design of efficient and effective service models. Knowing when and how to apply client choice mechanisms in service models is an important part of commissioning.</i></p> <p><i>The Government has established models focused on enabling client choice through initiatives such as Enabling Good Lives and the New Zealand Health Strategy which reflects a people-centred approach to health services. Client voice is also a key feature at all levels of the new model for the Ministry for Vulnerable Children, Oranga Tamariki, from the involvement of a youth advisory panel at the strategic level to provision of an independent advocacy service at the individual level. Over time these models can be learned from and built on to expand client choice in other areas.</i></p>
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	Agreed	<p><i>Better understanding client perspectives is also the subject of government research efforts. Superu is investigating the customer experience of at least 100 at-risk families in South Auckland to understand what works and what doesn’t work in interacting with government. The Government has also supported initiatives such as the Auckland Co-Design Lab which focuses on human-centred co-design approaches.</i></p>

<sup>2</sup> <http://www.superu.govt.nz/standards>

<sup>3</sup> For example, <http://www.treasury.govt.nz/publications/research-policy/ap/2015/15-01>

<sup>4</sup> <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>

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R7.1	Organisations commissioning social services should look for opportunities to engage 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 have the right to share the innovation more widely in the social services system.	Agreed	<p><i>The Government agrees that many of the most difficult outcomes will require new and different service models and approaches to engaging with clients. This is going to require experience and input from people inside and outside government. The Government needs to strike the right balance between commissioning services that have good evidence of success and enabling innovative approaches to be tested and evidence to build around them.</i></p> <p><i>There are examples of innovative practices happening within government, facilitated by initiatives such as the Auckland Co-Design Lab. One example is the redesign of Budgeting Services which has drawn on providers and users of services to identify ways to improve the outcomes of these services. There is scope to do more, starting with trialling the use of an accelerator model for social service challenges.<sup>5</sup></i></p>
R11.2	<b>The Government should investigate, and where appropriate trial, client-directed service models for home-based support of older people, respite services, family services, and drug and alcohol rehabilitation services.</b>	Partly agreed	<p><i>The Government agrees that, where appropriate, clients should be able to determine which services are likely to best meet their needs to achieve an agreed outcome. There is a range of activities happening to develop ways of having greater client input into how services address their needs. Some examples include:</i></p> <ul style="list-style-type: none"> <li><i>• inclusion of client-directed approaches to care for older people is a key aim of the service changes underway in several District Health Boards. These models move from a fee-for-service approach that funds hours of care with a restricted range of services, to a ‘restorative model’ contracted through more flexible case mix or bulk-funded methods</i></li> <li><i>• a person-centred approach is a key theme of the refreshed Health of Older People Strategy, now the Healthy Ageing Strategy, as is providing care closer to home. An internationally accredited standard assessment tool (called interRAI) for home-based support is now used by all DHBs to assess the care needs of older people who need support to remain in their homes or who may benefit from aged residential care. This tool enables care planners to work with individual older people to help them identify needs, strengths and goals and tailor a package of care to them</i></li> <li><i>• the Healthy Ageing Strategy includes a priority action (ie within the next 2 years) to identify and implement person-centred models of care for home and community support services (Action 8a). A longer-term action is to commission a trial where a single organisation is responsible for co-ordinating the health and support services for older people in priority populations (Action 17)</i></li> </ul>

<sup>5</sup> <http://www.r9accelerator.co.nz/>

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			<ul style="list-style-type: none"> <li>· <i>the Ministry of Health is planning to implement a new, client-directed approach to respite services for disabled people and their families based on the Enabling Good Lives model. Instead of contracting with providers for set services it will allocate budgets to clients enabling them to purchase the services that meet their needs, when and where they want the services from approved providers</i></li> <li>· <i>other examples of client-directed models in the health sector include maternity services and primary health services.</i></li> </ul>
R11.3	<b>The Government should pursue further extension of client choice in disability support, drawing on the lessons from Enabling Good Lives</b>	Agreed	<p><i>The Government has been supporting client choice in disability support for over ten years. In 2010 the ‘New Model for Supporting Disabled People’ was rolled out nationally. Enabling Good Lives is the most recent iteration of client choice.</i></p> <p><i>Providing more choice and control for people over the support they purchase by making individualised funding available is a key part of the ‘New Model’. Enabling Good Lives expands the approach across other government agencies, and enables greater involvement of the disability community in the transformation of the system. To date there have been two demonstrations of Enabling Good Lives. The Government will be considering advice on a proposed approach to apply the lessons from the Enabling Good Lives approach to disability support services more broadly in early-2017.</i></p>

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R7.2	<p><b>Commissioning agencies should encourage the spread of innovation in social services by:</b></p> <ul style="list-style-type: none"> <li>• <b>using devolved service models and investment frameworks that put weight on what is valued by clients;</b></li> <li>• <b>improving the quality and transparency of information on service performance; and</b></li> <li>• <b>rewarding providers who innovate to improve their performance.</b></li> </ul>	Agreed	<p><i>The Government agrees that innovation is necessary to improve outcomes across the social system. Learning from innovative practices and disseminating this information will be critical to improving the performance of the system. However, promoting innovation needs be balanced with use and spread of evidence and best-practice.</i></p> <p><i>Over time the Government intends to use the social investment approach to move towards a system that:</i></p> <ul style="list-style-type: none"> <li>• <i>improves quality and transparency of information about service performance</i></li> <li>• <i>balances the use of evidence based interventions with opportunities to test innovative ideas</i></li> </ul>
7.4	<p>This inquiry is recommending greater use of devolution. Commissioning organisations should promote and monitor the spread of innovation in devolved systems. They should choose and refine services models to increase the spread of innovation</p>	Agreed	<ul style="list-style-type: none"> <li>• <i>uses evidence about what works and what doesn't including building an evidence base and putting appropriate monitoring and evaluation around new interventions</i></li> <li>• <i>shares lessons across the system</i></li> <li>• <i>can scale up successful interventions.</i></li> </ul> <p><i>The establishment of the national support team for Place-Based Initiatives supports the promotion and spread of innovation across locally-led models of integration. The development of the Whānau Ora Commissioning Agency model provides an example of devolution enabling innovation, including development of whānau centred approaches.</i></p> <p><i>The Social Investment Agency's commissioning work will encourage the spread of innovation in social services by testing and trialling, or supporting, new approaches and learning and determining how new effective approaches can be scaled-up to the system.</i></p>

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	<b>4. Provider market</b>		
R6.5	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.	Agreed	<p><i>The Government should be able to demonstrate clearly its expectations of providers and how it will fund those expectations so that existing and new providers can make informed decisions about their role in achieving outcomes on the Government's behalf. The Government agrees that it should have clear and transparent arrangements with providers of services about the terms of its funding and what is expected to be delivered.</i></p> <p><i>Part of this is about having a good understanding of the effectiveness of services and the costs of achieving particular outcomes. The Government has been moving towards using Results Based Accountability in its contracts as a first step, as well as testing payment by results in some outcome areas. The Government will continue to work on identifying opportunities to expand the use of contracting for outcomes, including tools and resources to support this. This will build on work started through the social bond pilot project, the Community Investment Strategy, and outcomes-based contracts for social housing support services. It also builds on the work to develop the CBAX tool to systematically analyse the costs and benefits of interventions.</i></p>
R12.7	<b>Social services agencies and non-government providers should continue to expand the use of contracting for outcomes, including the use of incentive payments, where contracting out is the best service model.</b>	Agreed	
R6.6	<p><b>“Fully funded” social services 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.</b></p> <p><b>The Treasury should develop guidance on how commissioning agencies should assess prices against this criterion.</b></p>	Partly agreed	<p><i>The Government agrees that agencies should understand the costs of providers to deliver services. Agencies, and the Social Investment Agency, are working on getting a better understanding of the effectiveness of services which will inform future decisions on how to effectively commission services to achieve outcomes. Government is doing further work on the best approach to assist commissioning agencies to understand costs of services and how to price them appropriately.</i></p>
R6.7	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 should develop cross-government guidance on social services costing models.	Partly agreed	

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R6.8	The Government should appoint an arbitrator for disputes over pricing in social services contracts that are not resolved through direct negotiations. Using the Treasury guidance on pricing, the arbitrator should attempt mediation, and impose a final and binding decision should mediation fail.	Not agreed	<i>The Government is not considering a specific arbitrator for disputes over pricing in social services contracts at this time.</i>
R6.9	Government funding for community development should be through grants for that purpose, and co-funded in some form by the relevant community.	Agreed	<i>The Government supports community-led initiatives to maximise the effectiveness of government grant funding. Grants should support capacity and capability building that contributes to sustainable improvements in community cohesion and wellbeing, in preference to one-off initiatives. Communities can demonstrate their commitment to achieving community-led development goals through “in-kind” contributions of people, time, and non-monetary resources.</i>
R6.13	Formal agreements 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.	Partly agreed	<p><i>The Government agrees that in-house provision should be tested against other models of service delivery, so that the most efficient and effective means of delivering services is used.</i></p> <p><i>As with all public services, there should be transparency about the costs and performance of in-house services to understand their cost-effectiveness and, where relevant, enable comparison with alternative providers. This is not always as transparent as it should be for public services.</i></p>
R6.14	<b>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.</b>	Partly agreed	<p><i>An example of this in practice is splitting the planning and delivery of social housing, previously provided in an integrated way by Housing New Zealand Corporation (HNZC). Reforms in 2014 separated the provider (HNZC) from the purchaser (now Ministry of Social Development). This means HNZC’s performance can more easily be compared to other providers, and MSD can switch to purchasing social housing places from other providers if they provide better value for money.</i></p> <p><i>Other examples of initiatives to improve transparency include the development of investment approaches to better understand costs, cost-drivers and impacts of interventions; for example, the welfare forward liability model. The Government is also investigating other ways to give effect to the intent of these recommendations.</i></p>

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<b>5. Performance monitoring and evaluation</b>			
R7.5	Commissioning organisations and providers of social services should use a wider range of data sources to monitor and evaluate service performance in real time. Then they could respond to trends promptly and so achieve significant improvements in efficiency and effectiveness.	<i>Agreed</i>	<p><i>The Government agrees that service performance should be monitored and evaluated in real time where this is a feasible and effective way to monitor performance. This needs to be balanced with longer-term measurement of outcomes.</i></p> <p><i>Through tools and guidance, the Social Investment Agency, together with support from Statistics NZ, will encourage the use of administrative data to regularly assess the impact and performance of social sector expenditure.</i></p>
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.	<i>Agreed</i>	<p><i>Superu has developed a set of Evaluation Standards/Principles in conjunction with Anzea (Aotearoa New Zealand Evaluation Association). Since the development of these standards/principles, Superu has developed a range of resources to support good evaluation practices and processes. Superu will develop further resources to support these standards/principles. Superu also works directly with agencies and NGOs to help them to do good evaluation.</i></p>
R7.7	Superu has developed a protocol for the publication of social science research and evaluation products conducted or commissioned by government. The Government should require all government agencies that produce or commission social science research and evaluation to adhere to this publishing protocol.	<i>Partly agreed</i>	<p><i>The Government agrees that government agencies should have a consistent approach to publishing research and evaluations. The principles in the Publishing Protocol support transparency about research and evaluation which are consistent with the Government's approach to enabling the wider sector to access information and data. There is an expectation that government agencies apply the protocol with respect to social services research.</i></p>

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R7.8	<b>Commissioning organisations should ensure that the performance of each social service programme they fund is monitored and evaluated in a way that is commensurate with its scale and design. When commissioning organisations fully fund service providers to deliver government goals and commitments, they should only fund programmes whose performance can be evaluated.</b>	<i>Agreed</i>	<p><i>The Government agrees that services should be monitored and evaluated to determine their efficiency and effectiveness and that there should be greater emphasis on this. The Government acknowledges that there are gaps in understanding about the effectiveness of programmes that it funds.</i></p> <p><i>The Government’s approach is to embed evaluation in the system of commissioning services rather than a one-off review of programmes. The Government is putting considerable effort on developing a better understanding of impact of existing and potential interventions. These include the welfare investment approach, the investment approach to justice, the Community Investment Strategy, and the new model for Investing in New Zealand’s Children and their Families.</i></p>
R14.9	The Government should initiate a multi-year review of the major social services programmes against clearly specified evaluation criteria. Reviews should be independently assessed by Superu and published.	<i>Partly agreed</i>	<p><i>Superu has developed a ‘standard of evidence’ for use by social sector agencies that will enable decision-makers to understand the impact of service provision and the strength of evidence supporting this assessment.<sup>6</sup> This will enable reviews to be undertaken in a consistent way. A commitment to building the evidence base through doing evaluations using Superu’s standards is also envisaged.</i></p> <p><i>This type of approach has significant implications for the capability of agencies and providers in the system to use evidence and do evaluation. Superu provides guidance and support to assist with building this capability.</i></p>

<sup>6</sup> <http://superu.govt.nz/resources/evidence-rating-scale>

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<b>6. Data and analytics</b>			
R8.1	Government social services agencies engaged in sharing personal data should adhere to the four guiding principles of value, inclusion, trust and control proposed by the New Zealand Data Futures Forum.	Agreed	<p>The Government has endorsed the guiding principles of the New Zealand Data Futures Forum and supported the formation of the New Zealand Data Futures Partnership. The Partnership is a group of independent cross-sectoral influencers established by Ministers to demonstrate the value of data and promote the principles via four workstreams:</p> <ul style="list-style-type: none"> <li>• supporting catalyst data-use projects</li> <li>• facilitating social licence</li> <li>• championing innovative data use</li> <li>• diagnosing and intervening to break down system barriers to data innovation.</li> </ul> <p>The Data Futures Partnership is supporting the Data Commons catalyst project, a prototype data ecosystem that is managed peer-to-peer for a freer exchange of data.<sup>7</sup></p>
8.2	<b>The Social Sector Board should initiate a project on social sector data integration that includes the design of institutions and processes to progressively develop a comprehensive, wide-access, client-centred data network. This network should be accessible to commissioning organisations, providers, clients and researchers of social services.</b>	Agreed	<p>The Government agrees that more can be done to make better use of data held by agencies and to make it more accessible outside government. Statistics New Zealand has developed the world-leading Integrated Data Infrastructure (IDI) which brings together data from the Ministries of Social Development, Health and Education, as well as Corrections, Courts, Police, Housing and the new Ministry for Vulnerable Children, Oranga Tamariki. More datasets are being added quarterly and Statistics NZ has recently piloted integrating data from the NGO sector (Auckland City Mission).</p> <p>The Government's priority for data investment is in enhanced data capture, management and analysis that supports operational decision-making, and facilitates customer-centric services. This is wider than the social sector.</p>
R8.3	The Social Sector Board should undertake a project to share client-level social sector data to increase the scope, power and accuracy of the Government's investment approach to funding and targeting social services.	Agreed	<p>The Statistics Legislative Review is focused on increasing value through better use of government data, including improving accessibility outside government. The four guiding principles of value, inclusion, trust and control adopted by the Government underlie the rationale for the Statistics Legislative Review and the consideration, in that review, of appropriate settings for access to data.</p> <p>The Social Investment Agency is developing a Data Exchange that will facilitate the safe, secure and efficient transfer of data in real time between non-government organisations and government agencies, including linking with the IDI.</p> <p>Any investment in information management/sharing capabilities must be coordinated with other activities, to maximise value and ensure consistency across the system. This includes appropriate legislative/policy settings, and robust governance to support</p>

<sup>7</sup> For more information on the Data Commons see <http://datacommons.org.nz/>

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			<p><i>appropriate, safe and secure sharing. The Government Chief Information Officer (GCIO) and Government Statistician will work with the Social Investment Agency and others to help government improve the funding and targeting of social services.</i></p> <p><i>Work is also underway to establish more coordinated leadership in the area of data and analytics.</i></p>
R8.4	<p>The Social Sector Board should design and oversee the implementation of a system for government social services agencies and social services providers to capture information on their clients and services in a consistent way. This should allow commissioning organisations, providers and evaluators of services to track clients' use of services across time, and so identify service outcomes and provider performance.</p>	Agreed	<p><i>Cabinet has recently agreed to establish the Social Investment Agency and the Social Investment Board. The Social Investment Agency, which will incorporate the Social Investment Unit, will develop tools to assist agencies to implement social investment. These tools, alongside the work to establish more coordinated leadership in the data and analytics area, should lead to improved data quality and more consistent collection. Consistency should also be balanced with providing scope to innovate and tailor services and systems.</i></p>
R8.5	<p>The Social Sector Board should set up governance arrangements that:</p> <ul style="list-style-type: none"> <li>• secure confidence and trust in the sharing of data across the social services; and</li> <li>• provide a source of independent advice to government and data users on proposals for data linking and sharing across the social services system.</li> </ul>	Partly agreed	<p><i>The Data Futures Partnership has been established by Ministers to provide an outside-in perspective on data sharing and use activities. Its social licence work noted in the response to Recommendation 8.1 above will be particularly useful in providing guidance on securing trust and confidence.</i></p> <p><i>In addition, the GCIO partnership framework includes several interagency groups. The Information Group (currently chaired by Statistics NZ) is one of these groups and provides collective oversight of the government information ecosystem, including providing independent advice to the Government on data investment across the system.</i></p>
R8.6	<p>The Government should seek partnerships with non-government organisations and universities to use data sharing and analysis to create new solutions to difficult-to-solve social problems. Where individuals give fully-informed consent, this could include sharing their personal data held by government agencies.</p>	Agreed	<p><i>The Government is actively working to develop further opportunities to partner with organisations outside government. Statistics New Zealand is promoting use of the Integrated Data Infrastructure (IDI) by academics and non-government organisations for research purposes with the intention that this will assist in improving outcomes for New Zealanders by applying expertise and ideas outside of government to government held data. Partnership Pilot Projects between Māori and Statistics NZ are current examples of this strategy in action (refer to the response to Recommendation 13.2).</i></p> <p><i>The Government is also aiming to bring in different perspectives and expertise; through, for example, the departmental Chief Science Advisor roles.</i></p>

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<b>7. Investment approaches</b>			
R9.1	<b>Future welfare liability – the currently used proxy for social return in the Ministry of Social Development’s Investment Approach – should be further refined to better reflect the wider costs and benefits of interventions.</b>	<i>Partly agreed</i>	<p><i>The Government’s view is that the welfare future liability model provides an adequate proxy for the outcomes that the Government is trying to achieve in welfare. Where a fiscal liability is likely to be a less reliable proxy for outcomes then the Government will take into account wider costs and benefits.</i></p> <p><i>However, there are a number of on-going projects that may provide the platform for incorporating wider benefits and costs within MSD’s proxy. In particular, the social housing valuation will link to the welfare future liability model. The vulnerable children’s valuation will cover a wide range of costs and benefits.</i></p>
R9.2	The investment approach’s underlying goal of greatest improvement in social value for each unit of resource deployed risks excluding some clients from receiving any service. This goal should be combined with explicit criteria that give clients access to at least a minimum level of service.	<i>Agreed</i>	<p><i>The Government agrees that eligible people should have access to at least a minimum of service. Many social services are accessed through entitlement (eg, primary and secondary education, welfare benefits).</i></p>
R9.3	The models underlying the Ministry of Social Development’s Investment Approach, and future applications of the investment approach, should be open and subject to independent actuarial and economic scrutiny. This would help build public confidence in the approach.	<i>Partly agreed</i>	<p><i>The Government agrees that actuarial information and the judgements involved in actuarial modelling should be open to scrutiny, and that the purpose and appropriate uses of actuarial information need to be widely understood.</i></p> <p><i>The welfare valuation, which is prepared by independent actuaries, is published annually on Ministry of Social Development’s website.<sup>8</sup> In addition MSD has in-house actuaries who review the valuation each year and comment on assumptions and recommendations, as well as doing reasonableness checks of results.</i></p> <p><i>Information about the approach, assumptions, variables and principles of the underlying models are published in the valuation report.<sup>9</sup> The Government considers that this provides sufficient transparency and information about the underlying models. Further detailed information about the model includes the intellectual property of the external provider and therefore it has not been published.</i></p> <p><i>There is also an External Monitor role which is carried out by the Treasury providing external scrutiny of Work and Income’s targets, ensuring these are likely to achieve the investment approach objectives.</i></p>

<sup>8</sup> see <https://www.msd.govt.nz/about-msd-and-our-work/newsroom/media-releases/2016/2015-valuation-of-the-benefit-system-for-working-age-adults.html>

<sup>9</sup> For example chapter 9 “Valuation Approach” of the 2015 report along with Appendices C, G, H and I

No.	Recommendation	Govt response	Draft Government response text – for publication
R9.4	<b>The investment approach should be extended to operate at a cross-programme, cross-agency level.</b>	Agreed	<p><i>The Government agrees that there is scope to expand the investment approach. The system needs to shift to one focussed on evidence and long-term results across the social system. Examples of where the investment approach is being extended include investment approaches for social housing, the justice sector<sup>10</sup>, and most recently vulnerable children, where we will have the first true citizen-centric valuation. Client management, investment decisions and measurement of impact will need to extend across these sectors to achieve results for individuals.</i></p> <p><i>To support the implementation of social investment, the Government established the Social Investment Unit which will be incorporated into the Social Investment Agency. The Social Investment Board, which is also being established, will focus on a small number of priority groups where a collective approach is required to achieve better results for these groups. These bodies sit in the new Social Investment portfolio, reporting to the Minister Responsible for Social Investment.</i></p> <p><i>As part of the Budget process, the Treasury has introduced tools and processes that enable some comparison of specific investments across agencies. These include the CBAX tool for cost-benefit analysis and the Social Investment Panel.</i></p>

<sup>10</sup> The Justice Investment Approach will use data and evidence to boost crime prevention and reduce harm from crime. For more information see: <https://www.justice.govt.nz/justice-sector-policy/key-initiatives/investment-approach-to-justice/>

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<b>8. Purchasing and contracting</b>			
R12.1	To improve clarity, the Government should publish separate Rules of Sourcing for Social Services. These rules should make it explicit that contracting out is just one of a number of models available for the purposes of commissioning social services, although contracts may be used with other models as well.	<i>Not agreed</i>	<i>The Government Rules of Sourcing provide flexibility for those purchasing social services and can be appropriately applied to the social sector. One set of rules for government procurement is preferable as it provides consistency across government and eliminates confusion around which rules are applicable in each situation. Specific guidance on social services procurement will provide information on the best way to apply particular rules in a social services context.</i>
R12.2	<b>The Government should develop a single set of up-to-date guidelines to support the recommended Rules of Sourcing for Social Services and should provide training on these guidelines to social services agencies and providers.</b>	<i>Agreed</i>	<p><i>The Government has developed guidance to support commissioning agencies to procure social services when contracting out is the preferred service model<sup>11</sup>. This is overseen by the Social Services Procurement Committee, which has oversight for the efficiency of procurement across the social sector. The Government has also established a social services procurement capability team as part of New Zealand Government Procurement to assist agencies to improve their procurement practices for social services.</i></p> <p><i>The guidance includes:</i></p> <ul style="list-style-type: none"> <li><i>• advice on how procurement practitioners can provide support to policy and service design personnel</i></li> <li><i>• advice on how to adequately plan for procurements</i></li> <li><i>• guidance on which procurement methods are available, such as direct sourcing and open tendering, and how to conduct them</i></li> <li><i>• what information should be taken into account when awarding contracts</i></li> <li><i>• how to manage relationships with providers and service delivery.</i></li> </ul> <p><i>The guidance is supported by the NGO Streamlined Contracting Framework which sets out common terms and conditions for contracting social services.<sup>12</sup></i></p>
R12.3	The recommended Rules of Sourcing for Social Services (and their supporting guidelines) should make it clear that relevant information should be provided to all participating suppliers in tender processes.	<i>Agreed</i>	<i>The Government Rules of Sourcing already includes this requirement. The guidance referred to in the response to Recommendation 12.2 also includes guidelines for running tender processes.</i>

<sup>11</sup> <http://www.procurement.govt.nz/procurement/for-agencies/buying-social-services/guide-to>

<sup>12</sup> see: <http://www.business.govt.nz/procurement/for-agencies/buying-social-services>

No.	Recommendation	Govt response	Draft Government response text – for publication
R12.4	Social services agencies should report annually on their compliance with the timelines and deadlines set out in tendering documentation.	Partly agreed	<i>The Government’s current approach is to promote good procurement practice in agencies. Setting realistic procurement timeframes and adhering to them is a message that is reinforced in a number of procurement training modules, guides and templates.</i>
R12.5	The recommended Rules of Sourcing for Social Services should incorporate a requirement for agencies to take account of the past performance of bidders when assessing bids. The requirement should enable agencies to ignore past performance only under exceptional circumstances and if they publish their reasons at the start of the tendering process.	Partly agreed	<i>Past performance can be a useful way of providing evidence of a provider’s capacity and capability to deliver. However, a blanket rule that compels agencies to consider past performance would create a significant barrier to entry for providers wanting to enter the market, who may not have evidence of past performance.</i> <i>The new Social Services Procurement Guidance provides advice on due diligence, including how to consider past performance.</i>
R12.6	Government agencies should apply a standard duration of three years to social services contracts unless their risk analysis indicates that a shorter or longer duration is better suited to the purpose of the contract. If the agency chooses a different duration they should publish their reasons.	Partly agreed	<i>The Government agrees that the practice of having one year contracts for social services is often not appropriate. The guidance referred to in the response to Recommendation 12.2 includes guidelines for determining the appropriate timeframe for contracts. It outlines the cost implications of unnecessarily short contracts and the factors to consider to determine contract term.</i>
R6.3	When commissioning services, government agencies should be open-minded about the size or organisational form of current and potential providers of social services. Preconceptions about provider size or form risk keeping out new entrants and reducing innovation.	Agreed	<i>The Government agrees that when selecting providers of social services it should focus on who can effectively and efficiently deliver services. It should also avoid as far as possible creating situations that make it difficult for new providers to enter the market.</i> <i>The Government can do more to send clear signals to the market about what it wants to purchase. Providers should not be precluded from working together or coming up with different arrangements and proposals to meet these requirements.</i> <i>As an example, recent social housing transactions have attracted a range of organisation types, including partners that have not previously been active in social housing, or are new to the New Zealand market. This demonstrates that, if the Government is clear about what it wants to purchase, the market will arrange itself in different ways to deliver.</i>
R6.4	In some instances government agencies have tens or hundreds of contracts with providers for similar services. In such instances, agencies should consider engaging one or more lead providers to manage government’s supply chain of smaller non-government providers.	Partly agreed	<i>Government agencies will consider this approach in determining the most efficient and effective way of delivering services and managing supply chains for services.</i>

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R7.3	Government social services commissioning agencies should respect the confidentiality of innovative ideas that providers submit as part of a tender or in other circumstances. Where government agencies wish to spread an innovation that a third party creates, they should negotiate for the rights to do so.	Agreed	<p><i>The Government Rules of Sourcing require agencies to protect suppliers' confidential or commercially sensitive information, including intellectual property. An agency must not disclose confidential information unless:</i></p> <ul style="list-style-type: none"> <li>• <i>the supplier agrees to it in writing</i></li> <li>• <i>the disclosure is required by law, or</i></li> <li>• <i>it is a limited disclosure expressly notified in a Notice of Procurement to which suppliers have consented by participating in the process.</i></li> </ul> <p><i>Rule 61 in the Government Rules of Sourcing outlines that if a procurement process leads to the creation of intellectual property then the agency should be clear about ownership of the intellectual property outside the procurement process.</i></p>
R12.8	Government agencies should structure their monitoring and reporting requirements according to an assessment of risks related to the results or outcomes they are seeking.	Agreed	<p><i>The Government agrees that agencies' monitoring and reporting processes should be consistent with the level of risk of service failure, and impact of service failure on customers.</i></p> <p><i>New Zealand Government Procurement has a Decision Support Tool that assists agencies to assess risks with the services, clients and providers and to adapt their contract management activities to reflect that risk.<sup>13</sup></i></p> <p><i>In addition to this the Cross-Government Accreditation project aims to reduce duplication and compliance for providers in terms of the assessments agencies do to monitor the capacity and capability of providers to deliver services. This means reducing duplication across agencies, by increasing consistency in processes, assessing providers against a number of shared standards, and considering the audit findings of other agencies.</i></p>

<sup>13</sup> This is available at <http://www.business.govt.nz/procurement/for-agencies/buying-social-services>

No.	Recommendation	Govt response	Draft Government response text – for publication
<b>9. Implementation and oversight</b>			
R14.1	<b>A small and cohesive Ministerial Committee for Social Services Reform, drawn from relevant social services and central portfolios, should be responsible for leading the Government’s reform of the social services system.</b>	<i>Not agreed</i>	<i>The Government agrees that there should be oversight and regular progress reports on improvements to the social services system. It does not currently plan to change existing Ministerial oversight arrangements, but will ensure regular reporting to the Cabinet Social Policy Committee.</i>
R14.2	<b>The Government should establish a Transition Office to:</b> <ul style="list-style-type: none"> <li>• <b>Help the Ministerial Committee to develop, refine and improve a reform plan;</b></li> <li>• <b>Help the Ministerial Committee identify tasks and the appropriate allocation of responsibilities for implementation;</b></li> <li>• <b>Develop and implement a model that would improve outcomes for the most disadvantaged New Zealanders;</b></li> <li>• <b>Oversee implementation of reform, and publish reports on progress;</b></li> <li>• <b>Ensure that there is adequate capability, advice and design guidance for agencies engaged in commissioning; and</b></li> <li>• <b>Encourage innovation and continuous system improvement.</b></li> </ul>	<i>Not agreed</i>	
R14.5	The Government should establish an Advisory Board to provide the Ministerial Committee with independent expert advice, from a wide range of system participants, about the design of the system and progress towards implementation.	<i>Not agreed</i>	
R14.6	The Transition Office should report publicly on reform plan progress every six months. Each progress reports should be accompanied by an independent commentary from the Advisory Board.	<i>Not agreed</i>	

No.	Recommendation	Govt response	Draft Government response text – for publication
R14.7	The Social Sector Board and the Transition Office should develop a memorandum of understanding setting out their respective roles, how they will work together and how they will resolve any uncertainties about their respective roles.	<i>Not agreed</i>	
R14.8	In establishing the Ministerial Committee for Social Services Reform, the Government should review existing social sector ministerial committees with the aim of removing duplication and streamlining their operations.	<i>Not agreed</i>	
R14.3	Developing a new approach for engaging with and delivering services for disadvantaged New Zealanders (as outlined in Chapter 10) should receive high priority from the Ministerial Committee in the reform plan. The Transition Office should be tasked with leading this development.	<i>Partly agreed</i>	<i>The establishment of the Ministry of Vulnerable Children, Oranga Tamariki, and Investing in Children reforms more generally, are a new approach for engaging with and delivering services to disadvantaged New Zealanders. This is being overseen by the Vulnerable Children’s Board.</i>

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<b>10. Other</b>			
R14.10	The Government should seek opportunities to undertake benchmarking of social services, such as through participating in the Australian <i>Report on Government Services</i> .	<i>Partly agreed</i>	<i>The Government's focus is on embedding good practices around collecting information on costs and performance of services into current systems and practices to ensure this information is informing decisions. This will enable better benchmarking of the efficiency and effectiveness of social services.</i>
R5.2	The Government should take account of the role and value of volunteers as an important part of social services when drafting new legislation. It should seek to understand the consequences for volunteering of new legislation, and ensure that intended benefits are not outweighed by unintended costs.	<i>Agreed</i>	<i>The Government recognises the important contribution volunteers make to community cohesion, wellbeing, and development. The Government agrees that costs should not be a barrier to volunteering. This is reflected in the Health and Safety at Work Act 2015, and the fee waiver regime for the Police Vetting Service. Regulations to be made under Part 4A of the Policing Act 2008, which came into force on 8 November 2016, will exempt agencies making 20 or fewer vetting requests annually, and all charities registered under the Charities Act 2005. The Police Commissioner will also be able to waive fees in cases of extreme hardship or exceptional circumstances.</i>