



**This submission is written on behalf of Community Networks Aotearoa, the national body for Community and Non Profit organisations provincially based nation-wide.**

**About us:**

Community Networks Aotearoa (CNA) is the national umbrella organisation for local Community organisations, Councils of Social Services (COSS's), Community Houses, REAPS and other social service networks throughout Aotearoa New Zealand.

We recognise that by working together, we can more effectively support local communities and member organisations to achieve social well-being. The membership of regional and local community organisations and other networking organisations includes both people in Local Government and Wellington-based Central Government, as well as those working for not-for-profit and voluntary social service organisations throughout New Zealand.

We place high value on Maori and Pakeha working together in partnership, based on the Treaty of Waitangi, along with full engagement in our multi-ethnic and multi-cultural society.

It is important to understand our vision of our organisation as being the voice of the regions, and the voice of often smaller but still important regional nonprofit entities.

We wish to make a submission on the More Effective Social Services Issues Paper which has been circulated by the Productivity Commission.

**The Reason for our Submission:**

CNA decided to survey for opinions on the Issues Paper. The reason for surveying is the broad interest from our membership, and the consequences of this Issues Paper in the long term.

We have asked our membership to send us their responses to the Issues paper so that we may reflect their views. This submission therefore reflects their responses as well as the views of CNA from our position as a national body.

*“A model is never a full-dimensional hologram of real economies, but at best a partial two-dimensional perspective ..... Lucas’s anecdote brilliantly illustrates the powerful temptation to model-builders – across the ideological spectrum – of ignoring inconvenient facts that don’t fit their models” (Schlefer, 2012)*

## **1. Responses to the actual Paper and the issues regarding how this consultation occurred:**

- **Title of Issues Paper:**

Generally there was dissatisfaction with the title. There was an assumption that the title inferred that most social services were not effective. It was not clear that the efficiency mentioned was also about how Government worked in this space. There was a feeling that the title implied inefficiency in the sector as a broad issue.

Many social service groups are starting to feel that they have had enough of this oft-repeated assumption, as they have proven frequently that the majority of them are not only efficient and effective, but able to achieve results on minute amounts of money. Ineffectiveness in many cases is affected by external factors that the organisations are not in a position to change such as behaviour of government. Of course it seems that this is part of what the Commission is trying to determine.

- **Concern at the definition of Social Services:**

There was also concern that the Productivity Commission itself did not seem to understand the definition of Social Services. It was noted that on Page 5 the definition was broad and not constructed with clarity. It is also noted that on Page 19 the government spending on 'social services' is primarily in the arena of health, education and ACC. Yet the outcomes of this issues paper will influence the way funding may be delivered to the smallest funded social services which primarily are the members of CNA's membership hubs. This is deeply disturbing, as one size does not fit all, and (for example) what may work for a DHB will probably not work for a small child caring organisation.

- **Concern at the Timing:**

Several of our memberships have expressed deep concern at the short time they have to respond. I am sure you will hear this through other submissions. I am personally aware that the time was extended when this issue was brought to your attention, however it still isn't long enough for many stretched, under-resourced and under-staffed organisations to be able to adequately respond. As well as this, due to the structures of many non-profit organisations, the time given would not have enabled reasonable consultation with the governing Boards and the memberships. This timing issue is one not well understood by Government departments and has become so common, that there seems to be sector anger and anguish about being able to be heard with appropriate time frames.

- **Language of the Issues Paper**

There has been comment made regarding the language of the Issues paper. This sector is continuously being asked to take up new language. The language of government is becoming more and more business orientated. I think there are very few non-profit organisations these days who do not understand that they are running small businesses, but the overall scope and understanding of the bigger picture regarding community wellbeing, inclusiveness; equality; and those 'soft' understandings is often excluded from formal business language.

An example of this is the very word 'Commissioning'. This is new to many, and the question is asked, "So what does this mean, and is this the new word for contracting?" Every time the language changes, the understanding changes.

- **The bias of the Issues Paper**

I have had many responses regarding the overall tone of the Issues Paper. They are along the lines that the Commission has written something from a lack of knowledge, and it would have been better had the Commission been more au fait with the community sector prior to this document.

There is a strong feeling that the emphasis on better outcomes for individuals totally ignores the need for strong, responsive and healthy communities. There was distress that the issue of funding social services was excluded from the terms of reference, and a feeling that efficiency gains were prioritised at the cost of needs of people in poverty and those reliant on benefits. One responder said “It’s not what the Productivity Commission knows, it’s what they NEED to know.”

Strong words were heard regarding the lumping together of police, education and health into the social service expenditure. This is because there are two languages. One from government that is based in economic terms and one from the sector which is based in community terms. It is difficult to compare huge providers of massive New Zealand wide broad population services to tiny providers of niche local community services.

Another strong message was, “contracting isn’t the only answer and reviewing the commissioning of services will not give government an adequate answer on how to provide better social outcomes for New Zealanders.”

The use of quotes by Kaplan has also raised the ire of some. Many social services in NZ have existed for their communities for many years. It is not appreciated when American or English models are brought in as examples that frequently do not reflect the New Zealand way of life or the historical growth of our sector in response to very specific New Zealand issues.

There is tiredness about the habit of politicians and public servants who quote overseas models which simply are not applicable in this country and the ignoring of our own rich history and the way we have lead the world in the past with innovative and appropriate social services that met New Zealanders needs.

## **2. Terms of Reference**

CNA members do not believe that the market is the appropriate place for social services.

The definition of Social Services although understandable, does not necessarily gel with the actual Social Service agencies understanding of what Social Services are. They would not for example consider police and education as social services. The current general flavour in this sector is that Social Services are focused on supporting the poor and vulnerable in our communities.

## **3. Specific Questions from the Issues Paper.**

Preamble:

It is impossible in the time allocated to answer the 58 questions. In fact it is ridiculous that this number of questions have been put before organisations. For the purposes of giving as broad a response as possible, I have endeavoured to give an overview of some of the main issues that have been highlighted by CNA membership.

### **Charities Services**

When the Charities Act was first introduced by the Labour Government in 2005, there were some tacit understandings which have not been honoured. Some of the issues going through select committees were far from perfect, and the community and voluntary sector representatives at that time expressed concern that these issues had not been given enough time and consideration.

However as a ‘quid-pro-quo’ there was agreement between the Government and the sector that the Act would be reviewed and a cabinet decision in 2010 was to conduct a ‘first principles review’ of the Charities Act. In 2012 Minister Goodhew announced that this review was cancelled. This was received with anger and dismay, and since this has occurred multiple examples of over-reach and dictatorial behaviour from Charities Services shows that in many minds, this organisation has lost its way.

Charities Services is now developing requirements of Charities that not only go against their own purposes, but actively create fear and uncertainty in the NFP sector. Some of the latest examples even go against best thinking from other government departments such as MSD.

These are only some of the issues multiple organisations are butting against with a bureaucratic legalistic organisation who says they are there to promote trust and confidence in this sector, but instead are deregistering many organisations, which leads ultimately to those organisations being defunded and smeared by innuendo

CNA has no problem with those in our sector who are flouting financial and charitable rules being investigated, but on-going regulation changes from Charities Services has created a climate of difficulty and fear in the Sector about Charities ability to be what they are, and still survive.

## **Funding and Contracting**

### **COMMODIFICATION OF SECTOR**

A major concern within the Community and voluntary sector is the commodification of Social Services. We do understand that the business model which has been presented by the current government is about investment for results. However the client bases and community issues that this sector deals with, are complicated, complex and require thought outside of a pure 'money for results' system.

If there are indeed serious questions about how to achieve better results for the investment, there needs to be a different mode of thought about how the sector is funded to provide best value for money.

CNA would like to make some specific comments on current funding and contracting behaviour from government.

- Since the beginning of contracting in 1991-1993, Government has consistently funded low with high result expectations. Government has expected this sector to find money from other sources to meet the shortfalls, but has always expected that Sector organisations will produce good results. Government does not use this model with the for-profit sector. If a contractor puts a price on the table which is accepted, then government will pay that full amount. With the global economic crisis, many philanthropic organisations have also retracted, changed their criteria, or decided to fund only large projects. As well as this, the public have become not only less able to contribute but with the increased use of finance cards, tend not to give as much to street appeals and fundraising events. Sector organisations are unable to access easily money from corporate organisations, who unlike their American counterparts, do not have a culture of giving for the sake of it, but who wish to get something back in return. Many sector organisations are unable to meet these needs. Add to that the issue that corporate organisations frequently choose one organisation to support and reject others often with annoyance, because so many have asked. The question is, what are sector organisations to do?
  - Social enterprise is something that works for some, but not for most. It is complex and sets up difficulties with the Charities Commission. It requires financing and expertise in other areas. It is an economic truth that most small businesses do not show any form of profit for at least 5 years, so how do social enterprises get through that time? Do small business owners really want social enterprise from NFP to go into competition with them?
  - Social Bonds: High risk for everyone and have a history of failure overseas.

## RESULTS BASED ACCOUNTABILITY

CNA would be interested to view any evaluation that government may have undertaken on this method of accountability prior to running this system out to multiple government departments.

Does this method of accountability actually let government ministers know the information that they require to answer questions about their department spends?

Although RBA is a system that can work in some situations, it is not the only method of accountability and in many cases is very difficult to use.

- RBA has an issue as far as community results being attributed to any particular sector organisation. Results in communities can be due to many external factors which can even include changes to government legislation.
- RBA is a complex and high time consuming method for small resource-poor organisations.
- Many contracts are labelled as RBA but are in fact still output based.
- There are other systems and CNA believes that accountability systems should be tailored to be appropriate to different organisations contracts.

## ONE-SIZE FITS ALL

A message from CNA's membership is very strong. We wish to say unequivocally that the push to treat all contracted organisations as one will not work. One size does NOT fit all. We do not want to be part of a single organisation, we do not want to be considered as duplicates, when each organisation fits a specific and necessary niche in the community. Just because we have similar names does not mean we do the same thing. CNA believes in the diversity of voices and the diversity of the sector. Although in a few cases there may be examples where there is duplication we think those examples are rare.

Most people in the Community and Voluntary Sector are very happy for dishonest, or fraudulent or ineffective services to be identified and defunded.

## COMPETITION

We have all heard the messages about collaboration. Most people in this sector do collaborate in projects and we talk to each other frequently. There is mistrust that when government talks about collaboration that in fact the underlying discussion is about merging. However Minister Bennett was quite clear that merges were not the ultimate goal. The sector has to believe that.

The biggest problem these days is that it is extremely difficult to collaborate in a competitive funding environment. When many organisations are simply trying to survive, the idea of making your organisation open to high risk through collaboration is unthinkable.

Rather than encouraging collaboration, the current contracting system has had an opposite effect.

## POPULATION BASED FUNDING

Although this seems like a good answer to ensuring the most resources reach those most in need, what it means in reality is that many regions do not have services for their most vulnerable.

A child at risk is at risk no matter where they live. Due to population based funding, that child is more likely to get to a service provider in large population areas than elsewhere.

Ironically often government departments refer clients to NFP service providers who are unable to see the client due to long waiting lists and lack of resources. Some services in the South Island are so

sparse that a client has to travel some distance to reach an appropriate service, and this is an expense many cannot afford.

Population Based funding is not working for NZ's regions.

### FUNDING INCREASES

CNA is aware that this enquiry does not cover reviewing funds to social services however it does need to be stated that most Community and Voluntary organisations who contract with Government have not received funding increases (even CPI) for up to 10 years. This means that most social service organisations are actually delivering services on much less money than 10 years ago, with an increase in clientele and having gone through the global economic crisis.

### SHORT TERM CONTRACTS

CNA acknowledges that some government departments that contract with social services are actively changing the terms of most contracts to a minimum of three years. We congratulate these departments on recognising the futility of shorter term contracts. We have some points to make about short term contracts.

- Short term contracts mean that organisations have no security or surety following the end of the contract.
- No organisation can in good faith employ workers for any longer than the term of the contract. This means that often organisations lose good staff.
- Organisations will have difficulty with renting premises.
- Results over short times in this sector, are often hard to achieve. Many clients need long term care and results can be intergenerational.

### FOR PROFIT PROVIDERS

CNA notices the number of for-profit providers who are being awarded contracts. We question the motive of some of these providers who unquestionably wish to make profit from this sector. When the community and voluntary sector is already struggling on low funding, diverting funds to a for-profit creates anger and agony in the community sector.

CNA asks if a for-profit can undercut the community sector in a contract and 'clip the ticket' as well, what kind of loss of service is going to be experienced by the community?

CNA asks who are these services for? To provide profit for businesses or to provide results for vulnerable children and families in our communities?

### GOVERNMENT ELECTRONIC TENDERING SYSTEM (GETS)

The system of tendering on-line for social services is deeply flawed. Although a representative of CNA was assured by MBIE staff that 'blind' committees (where the history and identifying features of the RFP writer are kept secret) are against best practice, it is widely known in the Sector that these committees exist.

The unintended consequences of GETS can be the following.

- It is not a level playing field. Local NFP cannot compete with large organisations who have resources to employ contract lawyers.
- Many NFP have multiple contracts with multiple government departments. Especially in rural regions where one organisation provides all the community services. When through this process they lose their main contract and they end up closing, the community loses all the other services that organisation provided.
- GETS does not provide for the 'add-on' free services that most NFP do to help their local communities.

- Successful contractors from outside the district do not necessarily know the community, have presumably undercut the NGO so will do a minimum of work to reach their outcomes, and may often leave the district at the contract end.
- Communities are left with less, or worst case NO services.
- Another NFP is closed down as a consequence of GETS. This means a loss of historical knowledge, community knowledge, a lack of acknowledgement in many cases of years of work from local volunteers, and often the organisation has been exemplary in its work, has provided outcomes over and above required, and has been set up as a part of 'Community providing and stepping up for itself'.
- This is another example of commodifying community services that results in deconstruction and closure of a perfectly good and broad based organisation that has always delivered.

#### **4. Other Issues**

##### COMMUNITY DEVELOPMENT

CNA asks where is Community Development in your issues paper?

##### INFORMATION AND COMMUNICATIONS TECHNOLOGY

CNA is fully aware of the importance of information and communications technology in this modern environment, however the move to put government totally on-line is detrimental in some instances.

- There are areas in New Zealand who do not yet get broadband. Communities and Social service agencies in these areas will be disadvantaged in many ways if they are unable to access government information.
- Many small organisations and Incorporated Societies have as their executives older New Zealanders who are representing their communities. IT literacy in some cases is not within their skill sets.
- Cost of IT hardware and understanding of IT software can be a stumbling block to organisations who wish to become better supplied with IT.
- Cost of training in IT may be outside the ability for some organisations to include in their very tight budgets.

##### INNOVATION

Government has been extremely innovative with a raft of new pilots (old ideas) new ideas, let's change everything again for the 4<sup>th</sup> time innovations.

This has caused uncertainty, constant change which is costly both for personnel and for resources, and exhaustion. In small rural areas for example there can be a social sector trial; whanau ora; children's action team; working for families; and the same people may be asked to go into every single initiative.

We also need to remember that many of these are without any extra resource being made available.

The Community and Voluntary Sector on the other hand, is hard pressed to innovate. This is for the following reasons

- Competitive funding means innovation which may not work, which in turn creates an impression of an organisation that is failing. Thereby putting future funding at risk.
- Innovative ideas in a competitive funding world, can lead to others 'stealing' that innovation.
- Resources are so low, and funding so small, many organisations do not have the ability financially to be innovative.

- The stress the sector is currently under means many people working in social services do not have the ability to focus on anything except their core work. There is not the ‘intellectual’ space due to exhaustion and struggle for survival for anything else.
- Many organisations due to lack of funding increases, are now operating on their surpluses. There is no ‘fat’ in their financial systems for innovation.
- There is a perception for some, which due to the run-down of social services innovation is being actively stifled.

## POLITICS

- Many 3-year contracts are tied to an electoral cycle. This means that after every election, new ideology can change everything that an organisation has been requested to do.
- Social Services get continuous negative messaging. Frequently we have all heard the refrains, of

“You are using taxpayer’s money”  
 “don’t bite the hand that feeds you”  
 “don’t cause risk for the minister”

And other such messages that insinuate we are ‘loose cannons’ without any awareness of politic necessity.

These refrains leave many working in Social Services, where generally our focus is working for our vulnerable in our communities, and where politics are a distance from us, feeling under-appreciated, misunderstood and in a position of powerlessness.

CNA questions even with this Issues paper, what the real result will be and what our member’s responses may be used for? There is not confidence that the responses to this paper will be used fairly or in a trustful way by the politicians.

- CNA is concerned about ideology vs common sense. This is an issue that permeates every government of every persuasion.
- Legislation can be a negative regarding the ability for Social Services to be effective. An example of how legislation can affect our organisations is the Welfare Bill which puts all beneficiaries on a ‘work ready’ status. This cuts into the number of people who may be interested in volunteering.  
 The latest health and safety legislation is already creating fear in communities about volunteering for Boards due to the personal liabilities that Board members will carry.

## EDUCATION

CNA calls to task the Universities who could have such influence in providing more effective Social Services.

Where is the University in providing research or even teaching?

Social and public policy does not cover teaching about the implementation side of policy. New graduates who go from University to government often have not heard of the Community and voluntary Sector who implement much of the policy. This is confirmed by the EO of CNA who has spoken to University graduates, and lectured on invitation to the class of graduates who were working towards their masters in Social and Public Policy.



## RESPECT AND UNDERSTANDING

This sector has long understood that some representatives of government have preconceived notions of how we operate, who we are and what our ability is to effectively provide efficient social services.

CNA acknowledges that there are occasional ineffective organisations, and the occasional bad apple, the same as is experienced in many other sectors. Most Social Services however, bend over backwards to provide the best services we can in the most effective way they can but are disheartened by lack of the same rigour in government, and the continual attacks on their ability to remain viable and do the work they are so dedicated to.

## 5. WHO SUFFERS? WHAT DO WE KNOW? WHAT ARE SOME ANSWERS

CNA has not provided a lot of accompanying material as we are aware by reading our member's submissions that the Productivity Commission will have received already much associated material.

We would like to remind the Commission that we have forwarded to you already

- Community Counts 2
- NZFVWO's VAVA (Value Added) report that puts a return onto every \$1 that government spends in our sector.
- Fears Constraints and Contracts Grey and Sedgwick 26 March 2013

## WHAT DO WE AGREE WITH?

Social services require a variety of approaches, sometimes over an extended period.

Some services are built on deep trust between the service provider and the client.

The system for delivering social services is complicated.

Providers are motivated by more than just funding. (CNA has yet to meet anyone from a service that was set up solely to access government funding.)

There are vast differences in how providers are staffed.

## WHO SUFFERS?

We have been told more than once by Minister English that the government is not here to prop up the not-for-profit sector. We realise that this may be his impression. Statistics NZ in their satellite report in 2006 showed that of the 97,000 not for profit agencies, only 20% were funded by government.

CNA contends that this shows that the government is NOT propping up the sector, and that in fact, 80% of the sector is the community stepping up to provide solutions without government funding.

Those that are funded, are the essential and collaborative and consultative organisations who are dedicated to providing the safety net for those who are vulnerable in communities.

With the loss of those funded organisations, or the government mismanagement of their contracts, it is the communities and the people who are served by these organisations who suffer.

The market approach will create loss in the Community and voluntary sector.

### ANSWERS – HOW CAN WE HELP?

- We commend the Productivity Commission for the questions they have asked. We stress the old saying borrowed from the disability sector, “Do nothing about us, without us”. Our social services are experts on many of the issues that government struggles with. Keep us in the conversation, ask us what we think, and run ideas past us. We are sure to have helpful advice.
- Try to keep ideology and ingrained attitudes out of decisions, and find out the facts in cases. Look for logical, sensible solutions without assumptions about the organisations.
- Take time to actually ‘know’ this sector before judging it, or imposing on it changes and legislation which actually won’t work.

We commend MSD and Minister Bennett for establishing the NGO Advisory group to help with the ISO stream of work.

### WHAT ARE WE REALLY THINKING?

- Problem with achieving effective Social Services is with government systems and attitudes, not with the organisations who step up willingly to try and meet accountabilities and provide results that will work.
- We are not investment markets, or profit making models. We cannot be lumped into these paradigms.
- Vulnerable people are not commodities.
- We would like to see rather than a market model a SOCIAL PROTECTION AND DEVELOPMENT MODEL.

### CONCLUSION

CNA is aware that this comes across as rather critical submission, however the opportunity to reflect our membership’s concerns and problems with the current system we hope will be of value in your further considerations.

CNA is happy that there are some areas we agree with the Issues paper, and we hope by casting light on some of the endemic issues our membership is grappling with that we can find some answers that will ease the stresses, while improving outcomes.

CNA recognises that this Issues Paper is more focused on exploring the economic options for the on-going funding of Social Services. We believe that all the commentary in this submission essentially leads to the ability for organisations to effectively be funded and effectively show results.

We would be happy to speak to this.

### QUOTES

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