

# Social Sector Commissioning | Establishing a baseline system view

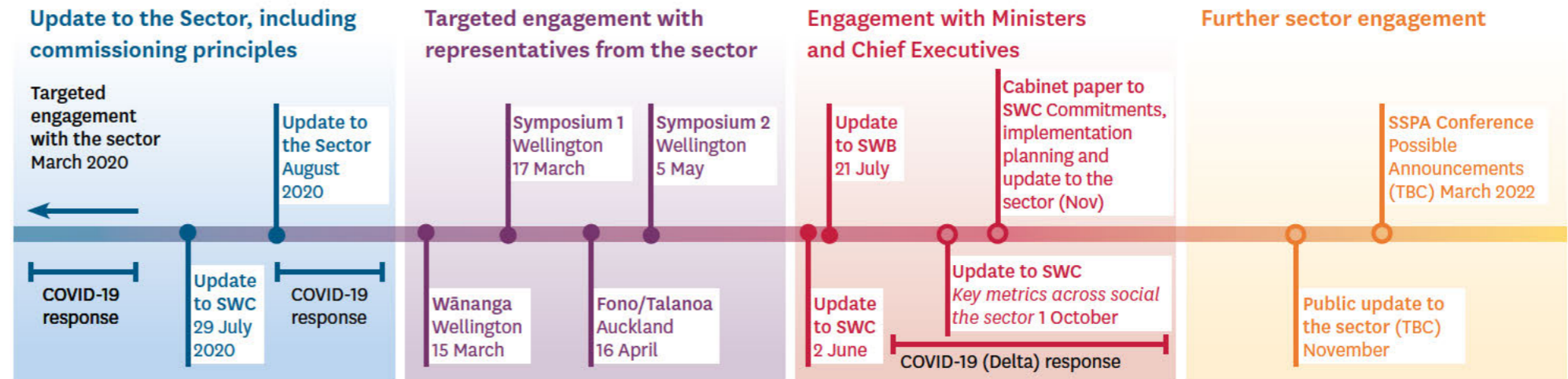
## Context

The Social Sector Commissioning work programme is focused on how government can improve the way it works with social sector NGOs to ensure that they are supported to be effective and responsive to need in our communities. This recognises that approaches to the commissioning process – including planning, funding and delivering – of social services, often do not meet the needs of whānau and communities.

This work applies to a number of agencies who fund and commission social services (those working with individuals and whānau in particular areas of welfare, housing, health, education, child wellbeing, justice and disability support services).

## Locating the work – Timeline of where we have been and where we are going

● Past milestones  
○ Future milestones



**This update provides a first attempt at a system view; it is a baseline from which to build our knowledge and understanding**

During our discussion in June 2021 on the “Future Direction of Social Sector Commissioning” [SWC-21-MIN-0077 refers], you asked what we know about change in commissioning across the sector, with a particular focus on the topics raised by the NGO sector for example: length of contracts, use of open/competitive tender, diversity of providers and frequency of reporting.

### What we did

Agencies reported information on current contracts and grants for social services for 2020/21 including: Information on the provider and contract or grant, Contract/grant value and key elements of contracts (including length of contracts, procurement approach, reporting, monitoring, and auditing).

**We included data from 13 agencies as a starting point**

The Ministries of Business Innovation & Employment, Education, Health (not including DHBs), Housing & Urban Development, Justice, Social Development, and Pacific Peoples, ACC, Ara Poutama Aotearoa Department of Corrections, Department of Internal Affairs, Oranga Tamariki Ministry for Children, New Zealand Police and Te Puni Kōkiri provided contract and grant level data for 2020/21 to establish a baseline.

**Getting a good handle on this information is challenging, because**

### We don't routinely create this system picture

This information is not routinely collated or analysed. At present there is no consistent approach to collecting this type of information from agencies (ie no data standard) which makes collation difficult to achieve quickly or accurately.

### There are a range of systems that hold this information...

Agencies often have a number of information systems that each hold a piece of the puzzle (ie contract management, finance/payment systems, and reporting platforms), with different teams managing each of these pieces. This made the exercise difficult for agencies to reliably extract and integrate information.

### ...meaning some data is missing

There are some areas where we know that due to time or systems challenges, we do not have the full scope of contracts or grants with NGOs. For example we are missing: Early Childhood Education (approx. \$2bn), HUD Accommodation contracts (approx. \$350m), legal aid (approx. \$200m), court and coroner related services (approx. \$110m) and some COVID-19 expenditure and grant funding from a range of agencies.

**But this shouldn't stop us from making system improvements**

There is good work going on across agencies to improve commissioning practice, including:

- Moving to longer term contracts where it is appropriate, e.g. changes in commissioning have seen the average length of contract increase to 3.5 years for Oranga Tamariki and 4.8 years for Ministry of Health national contracts.
- Taking an integrated approach e.g., For Pacific NGOs providing holistic services this can be achieved by taking an integrated contract approach across the Ministries of Health (excluding DHBs), Education, Pacific Peoples and Social Development.
- System wide changes such as the Data Protection and Use Policy (DPUP) and Data Exchange have been agreed, but we need to leverage them for wider system change.

**There are also some things we can do to build our system picture over time, for example:**

### Strengthening the requirement to report this information

Given both the challenge with generating this system picture, and the changes to social sector commissioning ahead, there is a need to consider what information is collected in future, and how that is mandated (e.g., through Estimates or other processes).

### Improve how we collect information

There are some measures that would benefit from a data standard so agencies collect and report information consistently. This may also see agencies take steps to streamline how data is held and extracted from systems e.g. adding new fields to their information systems. Those facing systems beyond end of life (e.g. the Ministry of Health and Ministry of Social Development) may need to accelerate their plans and investments to bring new systems online.

Both ACC and the Ministry of Health were only able to provide an aggregated view of their NGO contracts and spend. This limits some of the insights presented given their share of funding and total contracts. Ensuring that agencies provide information in a consistent format, would support the reliability and robustness of subsequent analysis and how confident we can be about the resulting system picture.

### Including other agencies and crown entities that commission social services

We could incorporate information from other commissioners for example, District Health Boards (soon to be Health New Zealand and the Māori Health Authority), Kainga Ora, and the Tertiary Education Commission.

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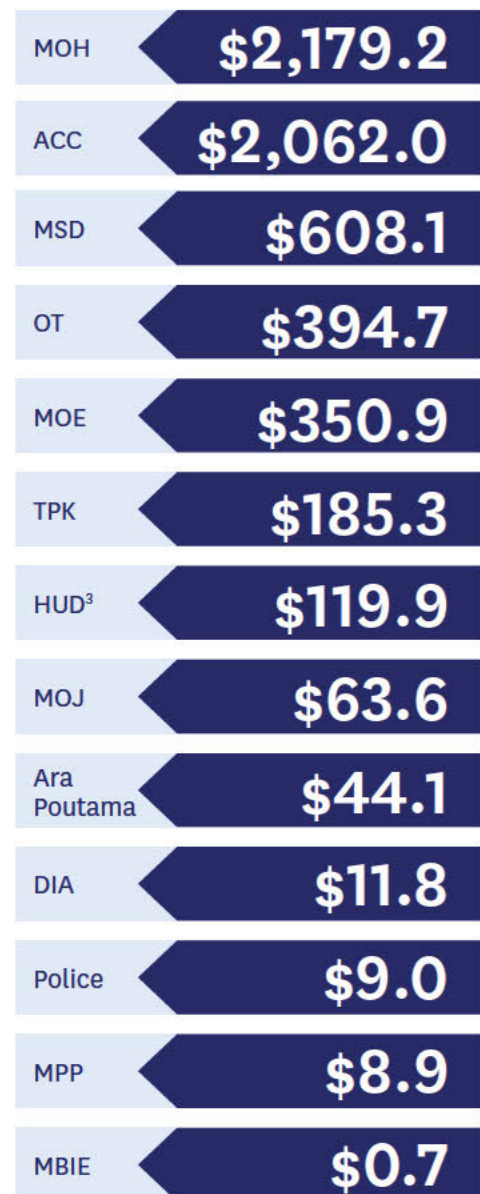
## Total funding

**\$6.0 billion**

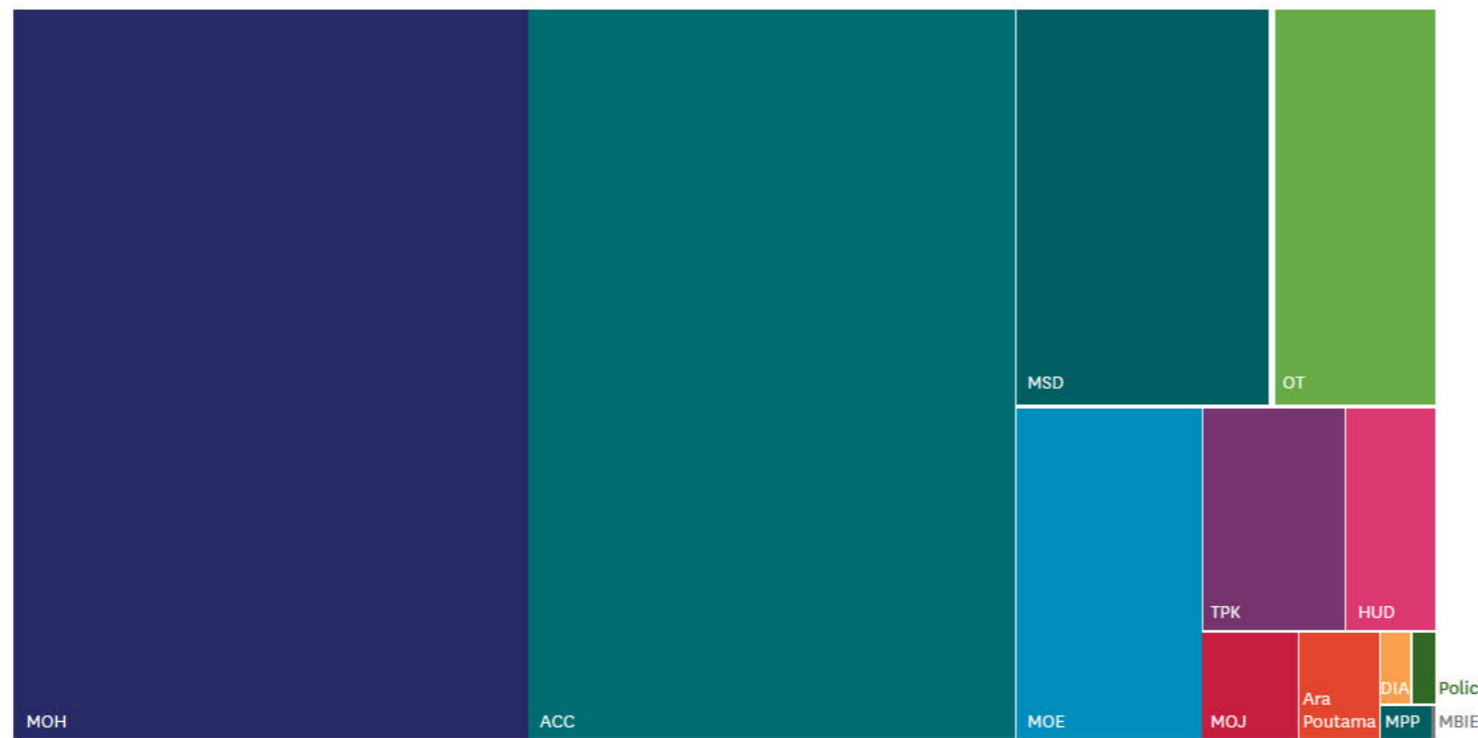
Annualised amount that went to NGOs for social services in 2020/21.

## Agency breakdown (\$m)

The amount provided to NGOs in 2020/21 for social services, by agency. This is an annualised amount.

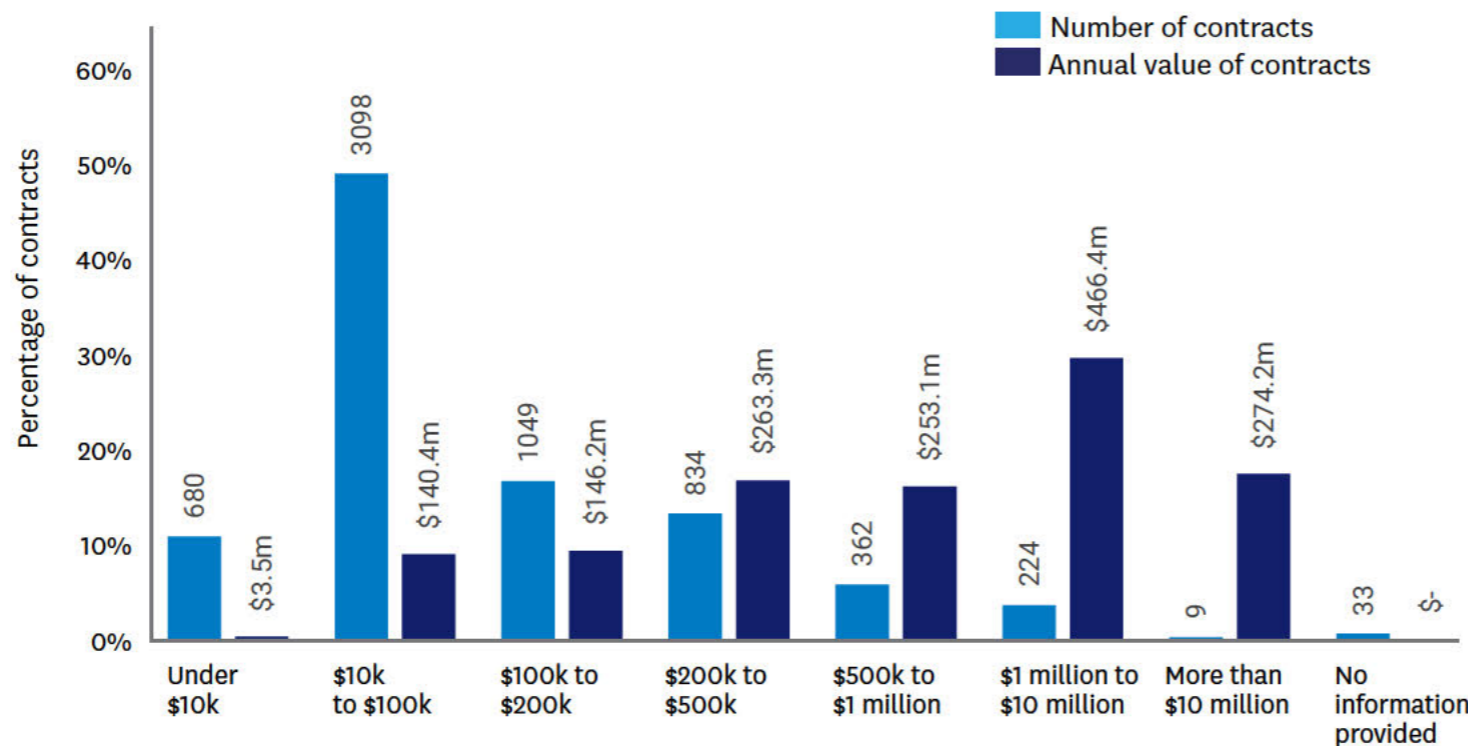


## Spend on social services 2020/21, annualised



## Distribution of contract spend

Distribution of contract values for 2020/21 by number and value<sup>2</sup>



## Key insights

- The Ministry of Health accounted for 36 percent, and ACC accounts for 34 percent of total funding captured in this exercise. This does not include DHB or other non-DHB Health Crown Entity spending.
- The Ministry of Social Development accounts for 10 percent; Oranga Tamariki, 7 percent; Ministry of Education, 6 percent; and all remaining agencies (Ara Poutama, Ministry of Housing and Urban Development, Ministry of Justice, Ministry for Pacific Peoples, NZ Police, and Te Puni Kōkiri) make up the remaining 7 percent of the spend identified in this exercise.
- Based on information supplied by 9 agencies, totalling \$1.78 billion<sup>2</sup>:
  - Grants account for 13 percent of the total reported value (\$240m), although the quantum of grants could be larger than what is reported.
  - The mean value of contracts across for 2020/21 is \$247,293.
  - 60 percent of the contracts for services are less than \$100,000 for the year (2020/21) which accounts for 9 percent of total spend.
  - 18 percent of the spend is due to 9 contracts (\$274.2m total).



## Opportunity

- Given that 60 percent of contracts are less than \$100,000 we have a question about the administrative costs to Government and NGOs associated with negotiating agreements, monitoring and reporting, particularly since they only account for 9 percent of the total value. Some of these smaller contracts are likely to be small NGOs or community organisations – as such we should be careful not to suggest that small contract value equates to low value of the service or support delivered.
- There is an opportunity to look more closely at these smaller value contracts, to rationalise reporting and monitoring, and streamline the contracting process – including via greater collaboration and integration within and across agencies. It may also be appropriate to consider whether these contracts would be better as grants, particularly for those contracts where the annual value is unlikely to cover the costs for a complete FTE.
- We know that the total funding figure does not include some key service areas (e.g. ECE, Accommodation), and that it does not include large funders including DHBs (soon to be Health NZ and Māori Health Authority) and other crown entities. There is an opportunity to improve this system picture of funding overtime, including by strengthening the requirement to report this information and supporting agencies to do so consistently.

<sup>1</sup> ACC, Ministry of Health and NZ Police excluded due to the way that information was provided. This means the analysis is limited to 30 percent of the total spend identified for 2020/21 through this exercise. DIA was excluded as they only provide community grants.

<sup>2</sup> ACC, Ministry of Health and NZ Police excluded due to the way that information was provided. This means the analysis is limited to 30 percent of the total spend identified for 2020/21 through this exercise. DIA was excluded as they only provide community grants.

<sup>3</sup> This excludes contracts which are for accommodation only.

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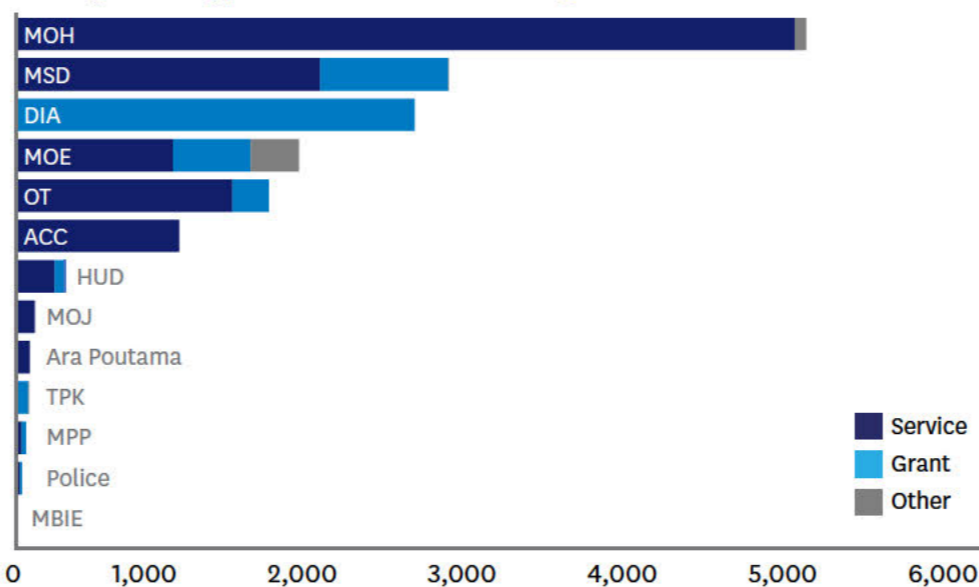
Data collected included over **18,800** arrangements with NGOs<sup>1</sup>

<sup>1</sup> The number of arrangements was calculated based on the individual contract or other unique identifiers that were provided

<sup>2</sup> This is all HUD

## Type of arrangements in 2020/21

Arrangement type – contract for service, grant or other



## Key insights

- For 2020/21 social sector agencies had 18,874 arrangements with NGOs.
- 70 percent of arrangements were contracts for services; 27 percent grants and 2 percent other. Some agencies only have grants (eg, DIA), while other agencies either do not have grants or did not provide grant related information.

## Number of providers in 2020/21

Number of providers per government funding agency in 2020/21

ACC	778	MOJ	139
Ara Poutama	55	MPP	78
DIA	1,835	MSD	1,845
HUD	165	OT	584
MBIE	7	Police	41
MOE	957	TPK	87
MOH	5,613		



## Opportunity

- The total number of providers (over 12,200) is difficult to determine from the information we collected, as we know that NGOs often have contracts with multiple agencies.
- There is an opportunity to better understand who the providers are that agencies have in common. Some work is being done on joined up agreements for Pacific services, but there could be other areas of service or population groups where this might make sense, such as Child and Youth Wellbeing.

## Diversity of the providers

Under the progressive procurement policy Government agencies must increase the diversity of suppliers by changing their practices to increase procurement opportunities for Māori businesses.

No information supplied by ACC or the Ministry of Health.

Type of provider for contracts awarded, as of 2020/2021

Provider Type	Proportion of reported provider types	Estimated proportion of contract value for 2020/21
Māori-led	20%	21%
Pacific-led	5%	5%
Refugee and migrant-led	0.2%	0.2%
Other	6%	5%
General	65%	62%
Unknown	5%	7% <sup>2</sup>



## Key insights

- 20 percent of contracts that were current in 2020/21 were awarded to Māori, and 5 percent to Pacific. With the addition of grants, this number drops to 15 percent for Māori. Note that this is unlikely to equate to the amount of service directed toward / provided to these groups.



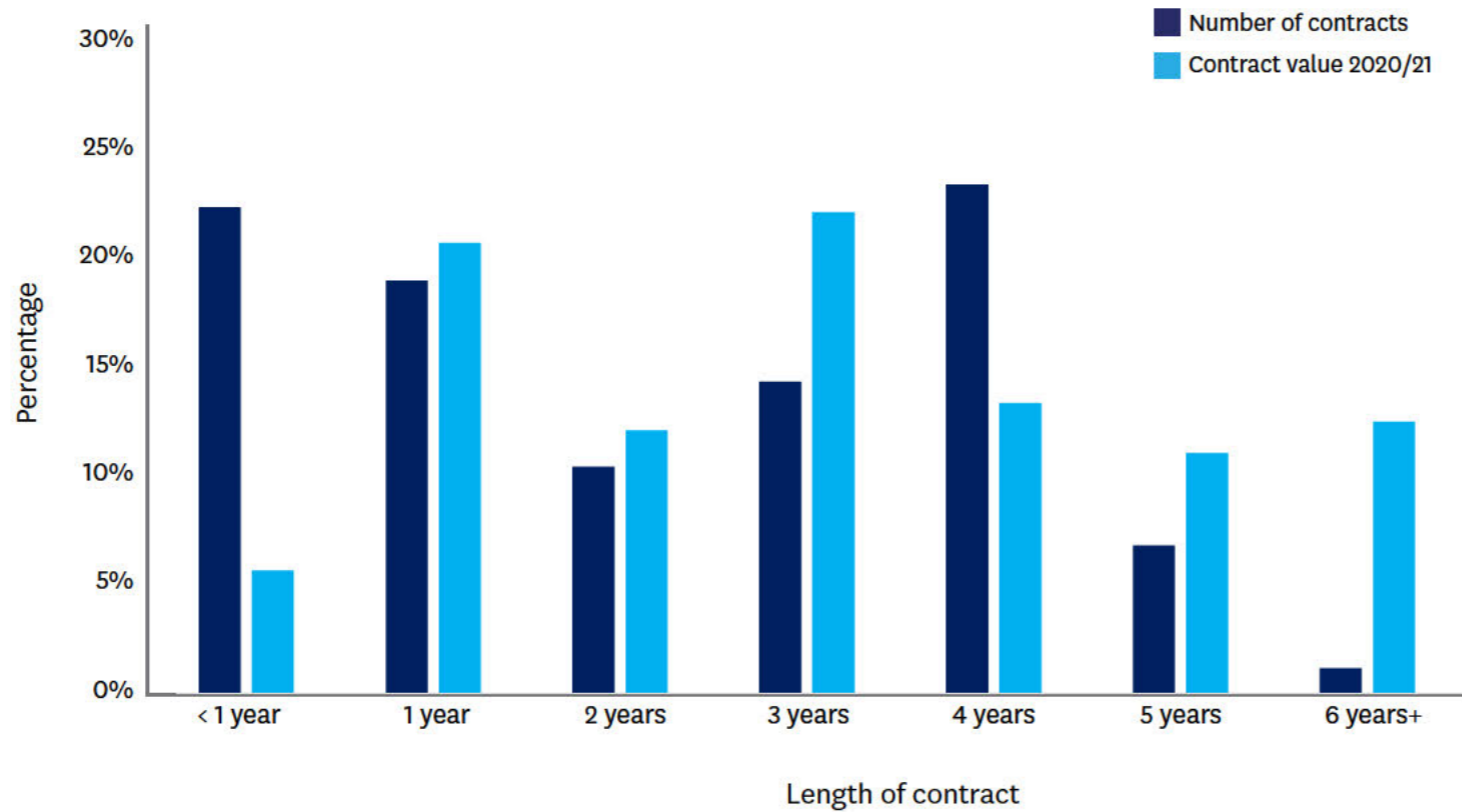
## Opportunity

- There is room for growth across both Māori and Pacific providers.
- Agencies self-reported the type of provider, which may mean that those providers reported as Māori may not fit the definition of Māori business under the policy. There is an opportunity to have a data standard for provider type, and the expectation for agencies to collect this information.
- While this information provides an indication about the diversity of providers, there may be future opportunities to consider who are the population groups being served.

## Length of contracts

There has been a desire to move to longer contracts to provide stability for NGOs.

Distribution of contract length – Number of contracts and annual contract value



## Key insights

- The average length of contract is 2.5 years<sup>1</sup>, while the weighted average based on contract value is 3.6 years.
- 23 percent of contracts are less than 1 year in length, although this accounts for just 6 percent of the total value of the contracts.
- Contracts of 3 years or more make up 61 percent of the contract value for 2020/21 (equal to \$936.2 million).

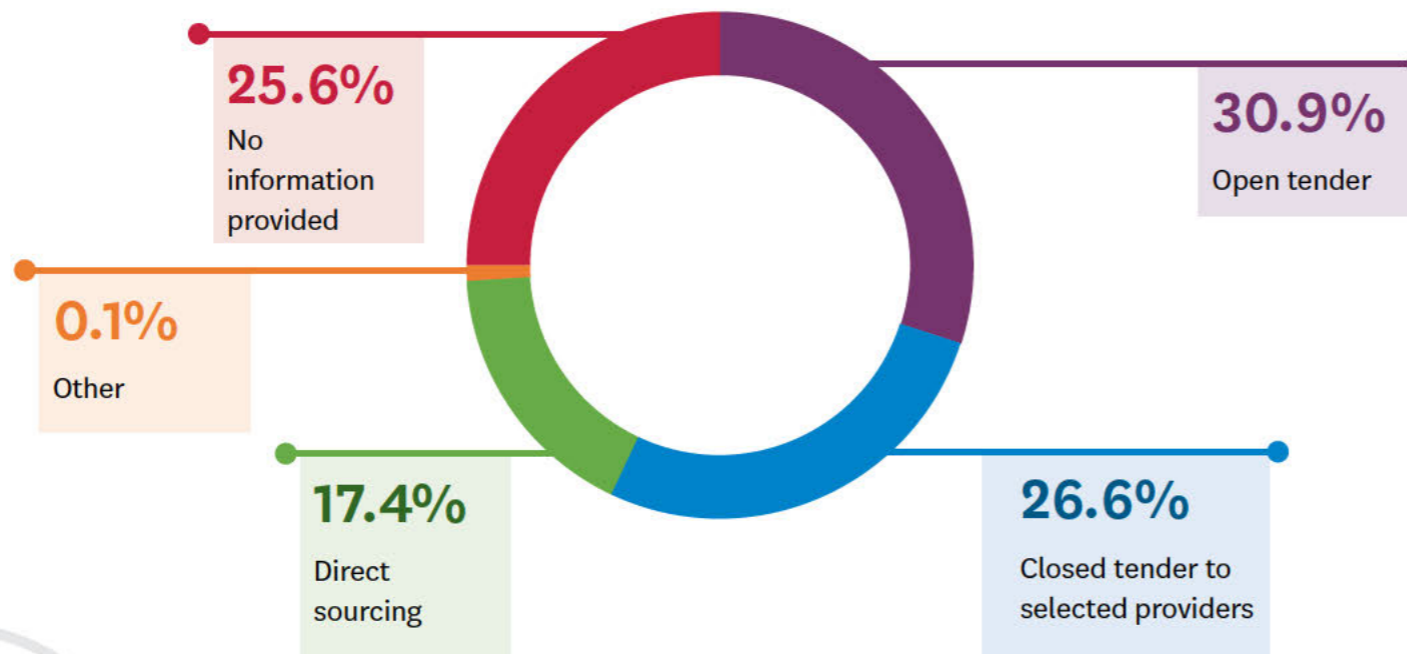
## Opportunity

- There does not appear to be any relationship between the annual value and the length of contract.
- There may be opportunities to further unpack the drivers of short- and longer-term contracts for agencies, noting that there will always be a need for shorter contracts. A good example of this is employment / training contracts which are guided by labour market conditions, or additional COVID-19 funding, or time limited funding.
- It is unclear from the data how contract variations are reflected with respect to length of contract. There may be opportunities to better understand this as the sector gives examples of contracts being rolled over a number of times.

## Procurement approach

There is a desire to move away from a perceived reliance on competitive sourcing approaches like open tender.

Procurement approach used for contracts as of 2020/21



## Key insights

- We often hear from the sector that agencies rely too much on competitive procurement processes using GETS (Government Electronic Tender Service), however the data suggests that 44 percent of contracts used a closed tender or direct sourcing approach.

<sup>1</sup> ACC and the Ministry of Health were excluded due to the way that information was provided. We note that ACC provided a range of 4 to 6 years for the average and the Ministry of Health provided an average length of contract 4.8 years. DIA excluded as they only provide community grants.

## Reporting and monitoring<sup>1</sup>

The data for reporting and monitoring was of variable quality, with many agencies reporting this in different ways. As such the totals for these may add to more than 100 percent, as agencies often provided more than one answer.

Grants were excluded from this analysis.

## Key terms

### Monitoring

Managing performance of the contract, assessing how well the service is meeting requirements, addressing issues or opportunities.

### Reporting [a subset of monitoring]

Collecting standardised information to measure progress against contract outcomes.

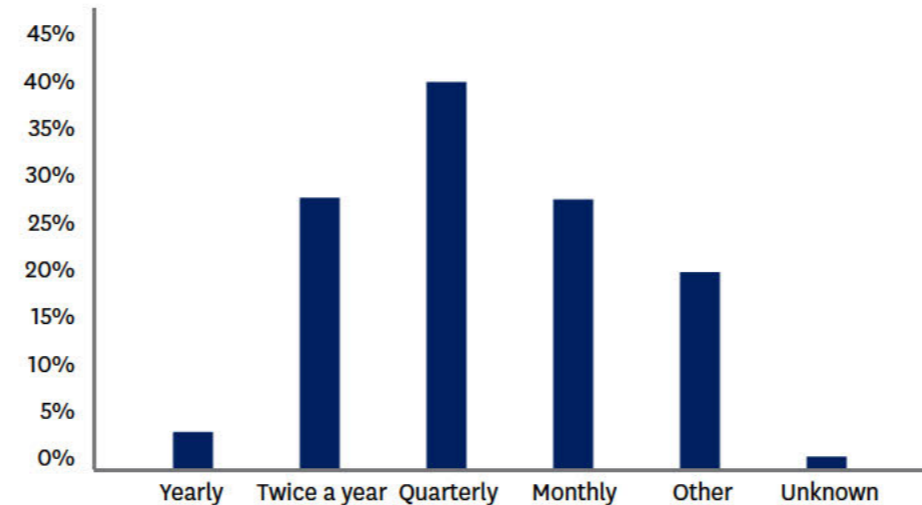
This is information that the NGO provides to agencies, and may include reporting on volumes, quality, outcomes, or other aspects. Note: that some agencies may have conflated this question with the reporting agencies provide to Senior Leaders and Ministers about programmes or services.

### Auditing

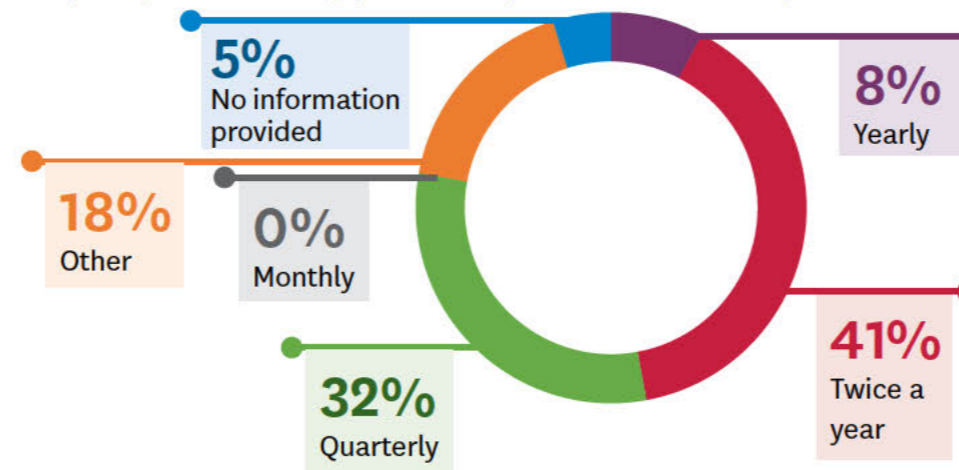
Assessing an organisation's basic fitness to deliver services.

<sup>1</sup> ACC and the Ministry of Health excluded due to the way that information was provided. The insights should be interpreted in this context.

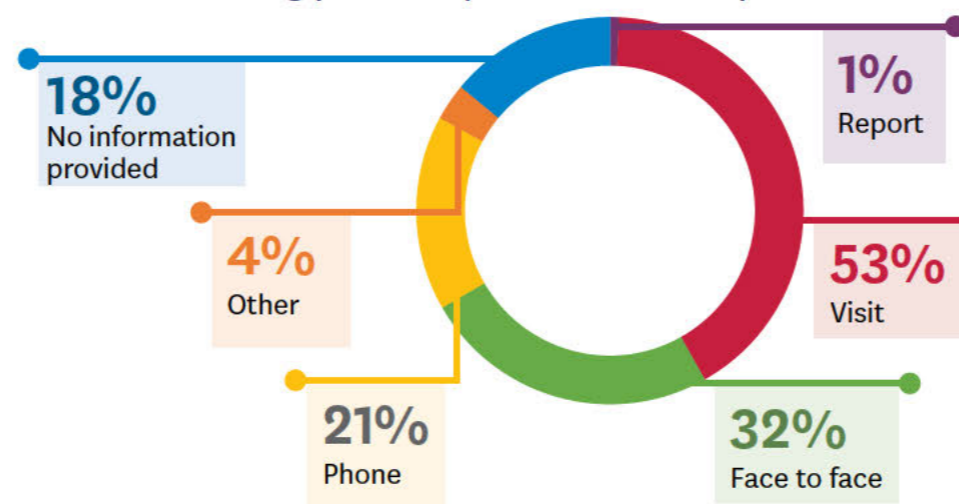
Frequency of reporting (NB: adds to more than 100%)



Frequency of monitoring (NB: Adds up to more than 100%)



Method of monitoring (NB: adds up to more than 100%)



## Key insights

- For the majority of contracts, we ask for reporting between 2 and 12 times a year, with 27 percent reporting monthly.
- The majority of monitoring happens between 2 and 4 times a year, and takes place via a visit to the NGO or face to face.
- We asked for information about auditing, however more than 39 percent of the data was missing.



## Opportunity

- Given that monitoring is predominantly face to face (visit to the NGO or face to face meeting), we have questions about:
  - How intentional these engagements are.
  - The opportunity for agencies to join up their monitoring engagement to minimise the time that NGOs are spending on this activity.
- Further work could be done to understand the nature of reporting, for example what type of reporting occurs monthly, versus annually. This could also be considered in context of the value of the contract, length of contract, and number of agencies that the NGO contracts with.
- There are no obvious trends associated with the reporting and monitoring data provided. There is an opportunity to understand what drives the variability and how it affects NGOs and government agencies. An understanding of reporting and monitoring practice across Ministry of Health and ACC contracts would be particularly useful in future given they account for 70 percent of total funding for NGOs for social services in 2020/21.