

**Funding for Outcomes – speaking notes for Ministry of Health NGO forum,
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Funding for Outcomes is a new approach to government contracting with the not-for-profit sector which focuses on **collaboration** and **results**.

It is a contracting approach that is particularly useful for providers that are delivering (or trying to deliver) an integrated service.

Funding for Outcomes is an approach to contracting that enables separate bi-lateral contracts to be brought together into one contract.

It is a particularly valuable approach because it takes people beyond talk to action.

In this presentation I'm going to share with you:

- what Funding for Outcomes was set up to do (why its needed and where it came from)
- what the Funding for Outcomes team has achieved to date
- what this new approach is achieving
- what's still to do

Firstly, what is Funding for Outcomes all about?

Providers that deliver a range of services to a particular client group – say families with a range of needs, or young people who have dropped out of school, or violent offenders - are generally financed to do this work by government agencies.

They will also usually have sponsorship, donations and philanthropic funding from the community – but my focus is on their government funding, or rather the tools and processes through which they obtain government (taxpayer) funding, and account for it.

Because of their multiple sources of government funds, providers delivering holistic or integrated or wraparound services end up with a number of separate bi-lateral contracts.

None of the bi-lateral contracts can articulate the full service which the provider is delivering.

Some of the contracts will be to deliver particular programmes – but the programmes may not meet the needs of all the clients, or clients may need other support outside the scope of the programme. Some will be more generic, but will still only fund part of the service.

Bi-lateral contracts can only ever capture a component of an integrated service.

Why do we have this fractionated funding of service delivery?

Each government funder has responsibility and accountability for services and activities in its own sphere of influence or portfolio.

So each govt department contracts with the community, iwi or Māori organisation it thinks can best deliver its programmes to deal with whatever social need (health, education, offending) that govt department is responsible for addressing.

And there you have it –

providers that are delivering a range of services to clients with multiple and complex needs, have separate contracts with several government agencies to fund their work and siloed funding irritates providers delivering an integrated service beyond measure.

These multiple contracts with multiple government agencies mean providers have a myriad of reporting requirements.

They are also working with multiple different IT systems, multiple and different legal requirements and multiple and different admin processes and systems.

Providers may also sometimes take on contracts for work that is not their main focus so that they could use some of the funding for interventions they see are needed.

This means that providers delivering an integrated service under bi-lateral contracts run into problems when it comes to reporting back to government on their use of the money for service delivery.

Their work often doesn't fit into the reporting template, particularly if a contract is highly specific in telling a provider what to do.

Providers will not get credit for much of their work.

They may not be funded for all the work they do because it is not picked up in any of their contracts.

They could be at risk of being censored for not doing what their contract specified – even if what's in their contract doesn't address their particular client groups' specific needs (and what they are doing does).

It is also a waste of time for providers to have to breakdown their work to fit multiple report templates that don't match what they do. For some providers this task is so complex they have hired a person just to write service reports.

Providers frequently find themselves spending considerable time providing the same information for reports and for audit purposes, but in a different format to different government agencies.

So it's frustrating for providers. It's also problematic for funders.

Under the bi-lateral contract arrangements each government agency is only focused in its own contract and the delivery of its own particular programme or service.

The government agency may be unaware of the other services that the provider is delivering - it may not appreciate that the provider is delivering a holistic service.

So there is much scope for misunderstanding about the effectiveness of service delivery and value for money.

At the same time government is not getting a clear picture of what does works for the client and what doesn't.

And nor does the government have a basis for understanding the effort needed to work with clients

There is no systematic documentation of effort and effect through the contract reporting process

Before the Funding for Outcomes project there were several attempts to address these issues

– most notably the interdepartmental work that began in 1997 on governmental funding and purchasing of social services from community organisations (*Best Practices in Funding*)

and then State Services Commission's *Review of the Centre* which focused on improving collaboration between govt agencies (*Mosaics*) and more recently the *Pathfinder* work which focuses on outcomes, particularly in policy development.

Ministers' desire to deal with the problem of fragmented service delivery led them to tell us (government officials) in late 2003, to:

Speed up progress in developing and implementing a more integrated approach to government contracting with community, iwi and Maori organisations

MSD was tasked to lead the development of integrated contracts and to reduce barriers to integrating contracts across New Zealand.

The Funding for Outcomes project got underway in 2004.

What has the FfO team achieved?

To date we've worked with around 45 government agencies (including DHBs and local government) which between them contract with hundreds of community, iwi and Māori organisations.

We have worked with over 70 providers.

Out of that

- 23 integrated contracts are operational and we are involved in supporting the management of their review meetings (I'll come back to that)
- we have a further 32 integrated contracts under development
- this means around 250 bi-lateral contracts are being pulled into 55 integrated ones
- 8 providers are currently being assessed for inclusion in the project (and there is a wait list)
- we've also worked with around 20 providers to resolve contracting issues or provide other capacity building and support, but whose work did not lend itself to an integrated contracted
- around half of the integrated contracts are with iwi or Māori providers

This year we are focusing on providers of family violence prevention services but we are also working with providers of youth services, disability services, youth offending prevention, family wellbeing or whanau ora services, early childhood services, services for ethnic minorities, services for people recovering from substance, and so on.

We work right across New Zealand and with every type and size of not-for-profit organisation.

We are also supporting the redevelopment of some of our earlier integrated contracts.

As people become more familiar with the approach and as the processes and tools have improved, there is the opportunity to improve the articulation of the integrated service in the contract and reframe the reporting to better reflect the service.

We are also reducing compliance costs for providers – because the FfO team has taken over a lot of the very time consuming work that providers would have previously done, such as doing the paper work to bring new funders into the integrated contract.

The team can do this work relatively quickly because we know the processes and the people that need to be involved – it's not just relationships with the funders' contract managers, but also the funders' legal teams.

To do this work (developing and managing integrated contracts), the team led by FfO National Advisor Adrienne Percy, has designed and refined a kitset of tools - with input from funders and especially government legal teams, some providers and two academics from the community and voluntary sector.

These tools include:

- the contract instruments – long and short versions of the standard terms and conditions (now increasingly being used by other govt agencies as the model standard terms and conditions for their own bi-lateral contracts) and the templates for the special terms and conditions
- a working together charter for funders
- the risk assessment form and monitoring templates
- reporting templates that are based on Mark Friedman's work on results and accountability.

Some of the tools we use here are the skills that the team bring to this work – this includes **listening** to all parties and guiding them through the process

These listening, thinking and facilitation skills are crucial in making sure that **the contract matches the service** that providers tell us is needed and also ensuring that programmes, policies and services that government envisages are needed actually do help address client needs.

And what is different about integrated contracting – what is it achieving?

The new approach enables the provider to deliver services that are tailored to the needs of the client.

The provider (theoretically) delivers a report that is designed to reflect the full service – and as well as capturing information about the amount of service delivered, reports look at effort and impact.

Integrated contracting provides a platform and processes which bring everyone around the table to discuss:

- the services being delivered
- the clients needs
- how the contract can be built so that it is better tailored to meet clients' needs
- how reports can be written so they reflect not just the number of interventions and the effort made by the provider, but also the result of the service – information which starts to answer the question “what difference did we make”?.

In other words - it's a collaborative model:

- it involves the provider in contract negotiation
- it involves multiple government agencies, including local authorities and district health boards working together.

Collaboration has many advantages for all participants:

- funders get to meet each other – often for the first time – and share information about their own areas of work and expertise – so they get a better understanding of their co-funders’ core work
- this means Ministry of Education start to learn that what’s only 1% of their problem is 100% of the Youth Court Judges’ problem
- the collaborative effort means an improved relationships between funders and providers - this means improved trust so that there can be greater creativity in finding ways to work with people
- by involving the provider in the contract discussions, everyone gets a better, more well rounded picture of what the provider is doing
- funders’ improve their knowledge of the whole service delivered by the provider
- service delivery can be made more cost effective when funding is transparent and the funding that is available can be used more efficiently (no more accusations of double-dipping)
- new contract managers can also become better at their work by observing and hearing the kinds of questions asked by their colleagues and we all learn from the dialogue with providers – this is especially apparent at review meetings

Integrated contracts focus on results

- funders and providers get a clearer understanding of the results sought from the services delivered
- clients have a better chance of getting the service they need
- because the contract focuses on the client and the outcomes that service aims to achieve in working with clients, reports can be more meaningful - and provide information of interest to researchers, and to those of us involved in policy and service development
- reports go beyond counting the number of interventions
- it provides opportunities for performance measurement – that is developing ways to measure how well a service is reaching the client group, and the extent to which clients are participating in the programme or service activities
- ultimately it builds opportunities to review trends and see whether the outcomes we are looking for, for clients, are being achieved
- In a collaborative situation where all the funders and the providers are collectively reviewing the reports and viewing trends there is a richness of information sharing and opportunities to build knowledge of what ‘s happening for particular groups of clients (such as clustering of dysfunctional families or the age at which young people are coming to the notice of service providers is dropping)
- there is also a better match between what providers do and what’s in their contract.

The integrated contract uses pre-approved standard terms and conditions

The contract instruments have been agreed for use by all the government agencies and their legal teams – and several government agencies have picked up these to use in their own contracts with social service providers

This is paving the way for one core set of terms and conditions for use with third party social service delivery across New Zealand (or strictly speaking two – a long form for contracts over \$200,000 and a short form for smaller contracts)

Using pre-agreed standard set of terms and conditions provides the opportunity to speed up contract negotiation and sign-off processes reducing transaction costs

Each funders' accountability is maintained

The funding from each government agency is kept separate (i.e. is separately invoiced) to give transparency to the money flow.

In other words, the integrated contract enables each government agency to retain its autonomy and accountability for its own portfolio responsibilities and funding while joining in funding collaborative action to address clients needs in quite complex ways.

Other benefits of the integrated contracts to achieve an integrated approach to service delivery:

It's results in a legal document - so it's not just a talkfest – people have to participate.

It's mandated – by Cabinet (Ministers, Senior Management) and supported by providers.

It has a clear structure and processes so that everyone involved knows their role and what is expected of them

It is flexible so that government systems can be accommodated when it would take too long to change them (e.g. payment systems that have been decreed through regulatory or legislative processes) – this is particularly important because Crown entities have been involved as funders and it can also accommodate non-government funders such as funders from the philanthropic sector

It's robust – it meets government quality assurance requirements

- It improves parity for the provider with funders
- It is getting parties involved to think differently about how they go about contracting with social service providers

Contract terms have been increased – to generally three years. This is of considerable benefit to providers' attracting and holding experienced professional staff.

It also enables the provider to do more strategic planning.

You may ask what have been the challenges in developing integrated contracts and changing the culture of contracting?

The biggest challenges have been:

- getting our government colleagues to meetings – including showing them that this new way of working has a valuable purpose and results
- getting some of our government colleagues to have a more open mind and to think first about the clients and what they need
- getting some of our colleagues to keep their senior officials informed so that the sign-off process is straight forward (not starting again from scratch because officials have made agreements which they didn't have the authority to make)
- getting our government colleagues to think differently about how they go about contracting with social service providers – and that processes are not set in concrete

- providing opportunities for providers to have a greater say in service and programme development.

The other challenges have been around aligning government administrative and legal processes. This has taken diplomacy, powerful persuasion, perseverance, and positive thinking.

What's next?

More work on bringing in the Mark Friedman approach to results

A training programme for government contract managers involved in integrated contracts starting in May.

Involvement of policy and service development staff in review meetings so that they can hear first hand what providers see as the issues for clients and what they are endeavouring to do to assist clients and their families to address these issues, or change behaviours or both.

Bringing the principles of integrated contracting into bi-lateral contracts such as:

- the outcomes focus
- three-year funding
- meeting the SOGI's commitment to enabling community organisations to be involved in decision-making by
 - involving providers in contract negotiation (particularly in developing the results-basis of the contracts and the reporting templates)
 - holding contract review meetings with the provider to discuss how the services are making incremental improvements in the lives of clients and involving policy and service development staff as well as contract managers in these meetings.