



# Cabinet Business Committee

## Minute of Decision

**Budget: Sensitive**

**CBC Min (08) 4/1**

Copy Number:

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### Supporting a Sustainable NGO Social Services Sector

On 11 February 2008, the Cabinet Business Committee, having been authorised by Cabinet with Power to Act [CAB Min (08) 4/3]:

#### Background

- 1 **noted** that on 29 January 2008, Cabinet considered a submission on *Supporting a Sustainable Social Service NGO Sector* [CAB Min (08) 2/4], and that Ministers subsequently requested advice from the Ministry of Social Development (MSD) on a range of options for achieving sustainable funding for non-government organisation (NGO) services to families, children and young people;

#### Problem definition

- 2 **noted** that New Zealand's high incidence of child abuse and neglect, family violence and criminal offending, and the need for expensive, remedial and statutory services, will not reduce unless there is a robust and well-funded NGO sector that can get quality services and early support to families, children and young people;
- 3 **noted** that NGO services are increasingly struggling to provide quality services to families and children because most are funded at levels significantly below the cost of delivering the service, and their funding has been insufficient to address volume and/or cost increases;
- 4 **noted** that New Zealand has a large number of small NGO social services providers exacerbated by a previous market-based funding model which atomised the sector and created problems of high provider overheads, lack of innovation, some duplication of services, and a programme rather than outcomes focus;

#### Proposed solution

- 5 **noted** that the paper under CAB (08) 37 proposes the rollout of a sustainable funding path for essential NGO services for families, children and young people, and a reform of the funding approach;
- 6 **noted** that the current scope is confined to essential NGO services for families, children and young people that do not currently have regular cost pressure adjustments or an annual review of costs and volume pressures;

- 7 **noted** that on 29 January 2008, Cabinet directed MSD, in consultation with other agencies as appropriate, to develop options for expanding the *Pathway to Partnership* approach, to assist in sustaining the broader social services NGO sector, and to report to the Cabinet Social Development Committee by 27 November 2008 [CAB Min (08) 2/4];
- 8 **noted** that the paper under CAB (08) 37 identifies three options for a sustainable funding path for essential NGO services for families, children and young people, and ongoing reform of the government's funding approach:
- 8.1 **Option 1** - \$38 million in year 1 and \$446 million over four years;
- 8.2 **Option 2** - \$25 million in year 1 and \$288 million over four years;
- 8.3 **Option 3** - \$16 million in year 1 and \$232 million over four years;
- 9 **agreed** to Option 1, which will:
- 9.1 fully fund essential contracted services to 100 percent of their service costs;
- 9.2 make automatic annual cost adjustment payments;
- 9.3 address forecast volume increases;
- 9.4 build workforce and capability;
- 9.5 support NGOs to work more closely together to reduce duplication and get more resources into services;
- 9.6 focus more on achieving outcomes and less on inputs/programmes;

## Financial implications

- 10 **approved** the following changes in appropriations to give effect to paragraph 9 above:

<i>Appropriation</i>	<i>\$m – increase/(decrease)</i>			
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 &amp; Outyears</i>
<b><i>Vote Social Development</i></b>				
Departmental Output Expenses: Family and Community Services (funded by Revenue Crown)	3.972	5.262	6.132	6.902
Non-Departmental Output Expenses: Strong Families	25.016	66.847	119.256	175.206
<b><i>Vote Youth Development</i></b>				
Non-Departmental Output Expenses: Services for Young People (funded by Revenue Crown)	1.044	1.911	2.790	3.726
<b><i>Vote Justice</i></b>				
Non Departmental Output Expenses: Support for Victims	2.265	1.747	1.751	1.756
<b><i>Vote Courts</i></b>				
Non Departmental Output Expenses: Domestic Violence Professional Services	5.222	5.222	5.222	5.222
<b>Total Operating</b>	<b>37.519</b>	<b>80.989</b>	<b>135.151</b>	<b>192.812</b>

- 11 11.1 **noted** that MSD has identified savings of \$35 million per annum;
- 11.2 **invited** the Minister for Social Development and Employment to report to Cabinet, if possible on 18 February 2008, with information on the net operating implications of the package, taking account of the application of the \$35 million per annum;
- 12 **directed** MSD to report to the Cabinet Social Development Committee by 25 June 2008 on mechanisms for ensuring that the increased NGO funding results in improved outcomes consistent with government priorities;

## Implementation

- 13 **noted** that MSD will continue, and possibly expand, the *Pathway to Partnership* NGO Steering Group to ensure joint government-NGO leadership and management of the rollout of the proposal discussed in the paper under CAB (08) 37 as well as engaging with service providers at local and regional levels;
- 14 **noted** that MSD will continue to move essential services towards sustainable funding and an outcomes-based focus over the next four years from the 2008/2009 financial year, and that there will be close consultation with the sector before this happens to ensure that NGOs are involved in the decisions that affect them.

Secretary

Reference: CAB Min (08) 4/3; CAB (08) 37

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### Present:

Rt Hon Helen Clark (Chair)  
Hon Dr Michael Cullen  
Hon Jim Anderton  
Hon Phil Goff  
Hon Annette King  
Hon Pete Hodgson  
Hon Parekura Horomia  
Hon Chris Carter  
Hon David Cunliffe  
Hon Trevor Mallard  
Hon Ruth Dyson  
Hon David Parker  
Hon Clayton Cosgrove  
Hon Rick Barker  
Hon Steve Chadwick  
Hon Maryan Street  
Hon Shane Jones

### Officials present from:

Office of the Prime Minister  
Department of the Prime Minister and Cabinet  
Ministry of Social Development