
Report to the Ministry of Social Development

Decentralising Welfare - Te Mana Motuhake O Tuhoe

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Executive summary

This report has been commissioned by the Ministry of Social Development (MSD) to explore high level options for decentralising welfare in general and specifically to Ngai Tūhoe that incentivises positive outcomes while protecting the Government's exposure to risk. Possible options need to be consistent with both the Investment Approach, as developed by Work and Income, and the historical Treaty of Waitangi claims of Ngai Tūhoe.

We have reviewed Tūhoe's readily available economic and social indicators and note that MSD are in the process of deriving the actuarial liability for Tūhoe. The indicators we viewed appear to present significant opportunity for improvement: Tūhoe is a relatively young population with high levels of unemployment, welfare dependency and low incomes. Clearly further analysis of available data, the actuarial valuation and data from other social service agencies (e.g. education, justice and health), will be able to highlight where services could be better targeted. Even from readily available data there are some obvious areas (e.g. youth unemployment, relatively high smoking rates) that would benefit from targeted intervention that Tūhoe could be best placed to provide.

In 2011 the Crown entered into a relationship agreement with Tūhoe in which it acknowledged the mana motuhake of Tūhoe and its aspirations to self-govern. Tūhoe have stated their aspirations to become independent of the Government, generate its own revenue and become self-sustaining. MSD has asked whether or not it is feasible to transfer a portion of the Crown's liability to Tūhoe.

We have reviewed some of the literature on decentralisation of welfare and in particular with respect to indigenous communities. There is a spectrum of differing degrees of decentralisation from deconcentration of administrative functions at the very limited end through to full fiscal and political devolution. There can also be movement up and down this spectrum depending on a range of variables such as the capability of communities to increasingly absorb functions and the transfer of risk.

Further, we have summarised some pre-requisites for successful decentralisation initiatives gleaned from international literature on indigenous self-determinism. In essence, any initiative will need to be at the least co-designed and co-governed by Tūhoe with significant investment in capability development, a willingness to share data and a tolerance for incremental development.

We describe the potential to design an initiative whereby the Government and Tūhoe enter into a co-governance arrangement for a suite of integrated discretionary services (either across Vote Social Development or a cross-Vote appropriation), where the savings are shared and the Government retains the risk of failure. We have then set out what an option at the extreme end of welfare decentralisation could look like for Tūhoe, and what steps would be required in order to achieve this.

We conclude by recommending some immediate practical steps within the bounds of what can be done now, while discussions between Tūhoe and the Crown regarding the ultimate 'destination' and pathway to more substantive decentralisation are on-going.

1. Introduction

1.1 Purpose and method

As part of the Crown's commitment under the Tūhoe settlement, the Ministry of Social Development (MSD) are seeking to develop a welfare¹ decentralisation pilot with Tūhoe.

The core question we were asked to respond to was:

If you take a portion of core Government service and devolve to any group how might you do that in a way that incentivises the agent to achieve positive outcomes, while protecting Government exposure to risk?

Our brief was to provide a short report that provides high level pilot options for devolved welfare that:

- Respond to the Government's Investment Approach, as developed by Work and Income.
- Are consistent with the settlement of the historical Treaty of Waitangi claims of Ngai Tūhoe, in both word and spirit.

Our method has primarily been desk-based, drawing on readily accessible documents and literature from New Zealand and overseas. We have:

- Drawn on our experience with various Government strategic initiatives including the Work and Income Investment Approach.
- Reviewed and incorporated material on the Crown's settlement with Tūhoe and related relevant material including the existing strategic service management plan.
- Reviewed literature on decentralisation initiatives with first nation communities internationally and important learnings thereof.²
- Grounded our research into a framework for assessing decentralisation options that meet the dual objectives of the Crown and Tūhoe.
- Drawn on our experience working with developing countries.
- Attended a Hui with Tūhoe.

We were also asked to consider the steps required for the Crown to 'sell the liability'³ to Tūhoe. Within the scope of this brief we were able to provide a high level response setting out definitions of risk transfer; our assumptions for what is intended by this concept within the context of welfare support to Tūhoe; some practical implications and technical requirements for both parties.

¹ In this context welfare is broader than simply benefit payments.

² Our brief did not extend to a critical analysis of the literature on models for decentralisation of welfare and indigenous self-determinism – which is both vast and controversial.

³ Throughout this report we have used the term 'risk transfer'

Further clarification from both the Crown and Tūhoe would be required to explore this concept further where both parties would need to define and quantify the risk to be transferred⁴. Amongst other things, providing advice on ‘selling the liability’ would require further engagement with Tūhoe to determine their appetite for holding risk; it would require consultation with other government departments; and it would require in-depth actuarial, constitutional and legal analysis. This further exploratory work is beyond the scope of this report.

This report sets out the following:

- The Government’s policy direction, and in particular the Investment Approach developed by Work and Income.
- The Crown’s settlement with Tūhoe and the concept of mana motuhake.
- Key concepts for thinking about the types and scope of decentralisation.
- Important lessons from international decentralisation initiatives.
- A spectrum of possible options, including one of substantive decentralisation, and what would be required to achieve it.
- Some high level next steps.

⁴ We requested costings and note that MSD are in the process of deriving the forward liability for the Tūhoe rohe.

2. Momentum for change

A confluence of major factors has created momentum for significant change in approaches to reducing long term welfare dependency and supporting Ngai Tūhoe towards their aspiration of mana motuhake. We have focussed on two of these factors for the purposes of this report:

- The Government's priority of Better Public Services within Tight Financial Constraints and the Investment Approach to targeting welfare support services.
- The recent Ngai Tūhoe settlement and their aspirations for mana motuhake.

2.1 Government priorities: an investment approach to reducing long-term welfare dependency

In 2010 the Government appointed a Welfare Working Group to examine ways to reduce welfare dependency for working age people⁵. Reducing Welfare Dependency is one of the 10 result areas within the Government's priority of **'Delivering Better Public Services within Tight Financial Constraints'**. Delivering BPS requires government agencies to move out of their silos and work together in a more integrated and collaborative ways and we refer further in this document to specific examples of such collaboration.

The Working Group's recommendations resulted in significant welfare reform, at the heart of which is the Investment Approach. The Investment Approach, inspired by the Accident Compensation Corporation approach to managing risk, uses a regularly estimated actuarial valuation of the forward liability of the welfare system (total current and future fiscal costs of welfare, appropriately discounted) as a tool for targeting services to recipients of welfare. The Investment Approach also acts as the primary performance mechanism for Work and Income.

Rather than classifying recipients by benefit category, the Investment Approach uses actuarial tools to segment client groups into cohorts and target those that are at risk of long-term welfare dependency and are amenable to intervention. Existing valuations have already gleamed extensive information about which clients should be targeted for extensive support. A significant proportion of the liability can be assigned to youth who, while making up a small proportion of overall benefit recipients, are at a higher risk of long term welfare dependency.

The actuarial valuation found the current lifetime cost of those on welfare to be \$78.1 billion and the group with the highest lifetime costs on welfare are those who go on benefits before age 18.

⁵Welfare Working Group, *Reducing Long-Term benefit Dependency, Recommendations* (February 2011)

This underlines why the Government's first stage of welfare reforms were rightly focused on ensuring young people don't become welfare-dependent.

The valuation shows that just 4,000 16 and 17 year olds on benefits account for \$1 billion of the lifetime costs.⁶

Tūhoe consider youth parenting and unemployment as an area where they could improve social outcomes for both current and future generations – a concept entirely consistent with mana motuhake.

The Investment Approach shines a torch on those who are at highest risk of remaining on a benefit for whom tailored case management and other services could support them into paid employment. From readily available data we note that Tūhoe have both a relatively young population compared with the total Maori population, relatively high unemployment and with higher population increases than most other large iwi. Actuarial valuation would provide a valuable tool for assisting the Government and Tūhoe to identify and manage their mutual objectives of reducing long-term benefit dependency and increasing the social and economic outcomes for the iwi. MSD is currently deriving actuarial liability data for Tūhoe.

Tūhoe – some key statistics

The Tūhoe population is relatively young

- In 2013, 38 per cent of Tūhoe were under the age of 15, compared with 34 per cent of the population of Māori descent, and 20 per cent of the total New Zealand population.

Tūhoe have relatively high rates of unemployment and benefit receipt

- At the time of the 2013 Census, the unemployment rate for Tūhoe was 21 per cent, an increase from 15 per cent in 2006.
- 29 per cent of Tūhoe received a benefit payment (unemployment, sickness, invalid, or domestic purposes) as a source of income at some time in the 12 months prior to the 2013 Census, compared to 24 per cent of the Maori population, and 10 per cent of the total population.

Tūhoe population increases are relatively high compared to other iwi

- Tūhoe population increased 6.8 per cent between Census 2006 and 2013.
- Of the ten largest iwi, only two other iwi (Waikato and Ngāi Tahu) had a higher percentage increase.

Source: Statistics New Zealand. (n.d.) *NZ.Stat*. Retrieved from <http://nzdotstat.stats.govt.nz/wbos/Index.aspx>

⁶ <http://www.msd.govt.nz/about-msd-and-our-work/newsroom/media-releases/2012/valuation-report.html>.

2.2 Nā kōrero Ranatira ā Tūhoe me Te Karauna: a long term Service Management Plan for Tūhoe

On 2 July 2011 the Crown and Ngāi Tūhoe signed a high level relationship statement Nā kōrero Ranatira ā Tūhoe me Ta Karauna. This relationship statement was significant in that it included an acknowledgement by the Crown of the mana motuhake of Tūhoe, and acknowledgement by Tūhoe of the mana of the Crown.

It enabled the Crown to commence redress for past grievances and develop with Tūhoe a 40 year (two generation), strategic Service Management Plan (SMP) to action Crown and Tūhoe social and economic priorities. This plan was developed and agreed within the context of a proposed Treaty settlement.

The SMP positions the Crown and Tūhoe's relationship as:

shared crown – acknowledging the goal of Tūhoe to manage their own affairs to the maximum autonomy possible in the circumstances.⁷

Crown parties to the SMP include Ministry of Business and Innovation, Ministry of Education and Ministry of Social Development.

The SMP is overseen by a Social Service Taskforce and parties have agreed to periodically review, amend and update the plan. In its current state it is structured as a five year action plan for employment, health, education, social development.

The SMP was developed to support the following stated **Tūhoe aspirations**:

Securing Tūhoe people's freedom to determine how they will live; raise their whānau; keep traditions alive; celebrate who they are; and preserve and maintain their language and cultural values".

Building Tūhoe capability and capacity to invigorate Tūhoe unity, prosperity and interdependence. This will support the creation of communal responsibility, employment, wealth opportunities and a desirable lifestyle for all Tūhoe people. Designing with their own hands infrastructural development, resulting in improved governance and management; modernised systems, procedures and processes; Tribal centres for strategic operations; effective service provision and delivery; inter-robe coordination and shared policy programming.⁸

The SMP was signed in November 2012. The Taskforce has continued to meet to oversee progress, with the last meeting held in November 2013. The SMP differs to the concepts for decentralisation being explored in this report in that:

⁷ Ngai Tūhoe Services Management Plan.

⁸ Ibid, p.5.

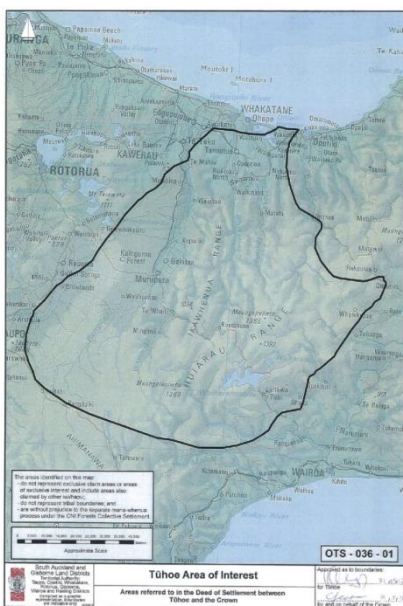
- There is not a co-governance body overseeing progress – Tūhoe holds the view that the SMP is a Crown document and a Crown responsibility and while they would attend the Taskforce meetings they were not part of the Taskforce.
- The SMP is structured as a series of bi-lateral agreements between the participating agencies and Tūhoe as opposed to cross agency commitments.

We understand that MSD National Office and the Ministry of Justice Post Treaty Settlement Unit are developing an approach to regularly assess SMP progress and prompt action where necessary.

The concept of decentralisation set out in this report is looking at cross-agency outcomes with significantly greater autonomy for Tūhoe. Progressing this work may be an opportunity to review and strengthen SMP alignment with the goal of mana motuhake.

2.3 The settlement

The Tūhoe Area of Interest is located in a largely inland area between just outside Opotiki, to just outside Taupo, to just beyond Lake Waikaremoana.⁹



In negotiating the settlement with the Crown, Tūhoe had three key priorities:

1. “Te Urewera - the return of Tūhoe homelands, the restoration of cultural pride, the sustenance to deliver economic potential, and the removal of competing authorities within which to practice and promote Tūhoetanga.
2. Mana Motuhake - the clarification of a generationally relevant Tūhoe Crown political relationship in which governmental relationships are renewed, refreshed and targeted.
3. Financial Redress - financial resources support and enable Tūhoe projects, initiatives and proposals which lead to the sustainable rebuilding of a strong and vibrant Tūhoe future.”

Negotiations were completed in 2013, and the Te Urewera-Tūhoe Bill completed its third reading in July 2014. Tūhoe’s key priorities were addressed in the following ways:

- Te Urewera – resulted in an agreement for co-governance, whereby both the Crown and Tūhoe have veto power over decisions.
- Mana Motuhake – resulted in the development of a political compact relationship agreement Ngā kōrero Rangatira a Tūhoe me te Karauna between Tūhoe and the Crown, whereby the Crown acknowledged te mana motuhake O Tūhoe:
 - In the political compact: “Wherefore, the Crown acknowledges the mana motuhake of Tūhoe and Tūhoe acknowledges the mana of the Crown, as a new step along the path of our future relationship and dealings, with one another.”

⁹ <http://www.ngaiTuhoe.iwi.nz/LinkClick.aspx?fileticket=JUEEBhsZnJI%3d&tabid=98>.

- Similar wording is included in the Te Urewera-Tūhoe Bill: “The Crown acknowledges you and te mana motuhake o Tūhoe.”
- Financial redress – resulted in a \$170 million settlement deal.

2.4 Te Mana Motuhake O Tūhoe

There is no direct English translation for the concept of mana motuhake. Furthermore there are differing, though not inconsistent, interpretations of the concept within Maoridom. We have taken a few selections from easily accessible written statements from Tūhoe and the Crown’s responding commitment to Tūhoe. We have not attempted to derive an authoritative definition for the purposes of this report.

Tūhoe’s Blue Print for New Generation Authority sets out mana motuhake as:

...a political stance that supports the retention and restoration of power and control by Tūhoe over all matters pertaining to Tūhoe. This confirms the validity of hapū political systems and rights to exercise leadership authority pertinent to decision-making that is based on Tūhoetanga. The freedom to determine how Tūhoe will live, how they will raise their children and mokopuna, how they will keep traditions alive, how they will celebrate who they are, how they will preserve and maintain their language and cultural values and ultimately how they will prosper and continue.¹⁰

In her 2010 Master of Laws thesis on the concept of Te Mana Motuhake O Tūhoe, Te Rangimārie Williams provided the following explanation:

Motuhake, as part of mana motuhake, stresses the importance of the separateness of the power. There is no need for the power to depend on anything else to validate itself; one is in control of one’s own affairs and one’s own destiny.¹¹

In an interview with Williams Tamati Kruger described mana motuhake as:

...basically saying we take responsibility and we do not want you to pay for it, we want to pay for it ourselves...Mana motuhake exists to do one thing and that is to avert poverty, ignorance and powerlessness and secondly it is there to encourage prosperity.

At the second reading of the Te Urewera-Tūhoe Bill, Minister of Maori Affairs, Hon Dr Pita Sharples made the following statement:

*Through a social agreement to build the capacity of Ngāi Tūhoe members, Ngāi Tūhoe are positioning themselves to manage their own affairs and improve the delivery of Government and iwi services to Tūhoe communities. The settlement is the enabler of a stronger Tūhoe economy. It is a lifeline that will help reinstate and redevelop Tūhoe independence and cultural permanency. **These acts restore the honour of the Crown and rightly return to Tūhoe responsibility for their own health, education, housing,***

¹⁰ Tūhoe Authority *The Blue Print: New Generation*.

¹¹ T. R. Williams, T R. (2010) *Te mana motuhake o Tūhoe* (A thesis submitted to the Victoria University of Wellington in fulfilment of the requirements for the degree of Master of Laws). Retrieved from <http://researcharchive.vuw.ac.nz/xmlui/bitstream/handle/10063/1806/thesis.pdf?sequence=1>

*planning, justice, and other infrastructural needs. The key principles underpinning negotiations between the Crown and Tūhoe centred on the premise that **self-government is the basic principle of democracy and that Tūhoe has a democratic right to self-government.** Ko tō mana motuhake, ko tō Tūhoetanga. Ko tō Tūhoetanga, tō mana motuhake. Ka kore tēnei ebara noa tātou¹². (Translation: Your autonomy is your Tūhoeness; your Tūhoeness is your autonomy. Without this we will be nothing.)*

¹² C. Finlayson (2014). Te Urewera-Tūhoe-bill (no. 2). *New Zealand Parliamentary Debates*, 698, 17,641.

3. A path to mana motuhake

In this section, we consider some options for a path to mana motuhake. In particular, there are approaches to decentralisation with some clear floors and ceilings. Pragmatically, government institutions will work within the opportunities and constraints of their empowering legislation and the discretion and accountabilities that these authorise. In addition there are the opportunities and constraints provided by over-arching laws including the Human Rights Act and the Constitution Act. Whilst legislation can always be changed, we would expect the Government to safeguard individual citizenship rights. But the manner in which these rights are honoured can also evolve, and within the administration of existing policies and budgets, there is a flexibility and scope for innovation through various models of decentralisation.

3.1 Decentralisation: a means to an end

We have investigated potential pathways to achieving Tūhoe's aspirations for mana motuhake that meet the Crown's obligations under the settlement in a way that aligns with the Investment Approach to welfare services. The twin objectives of Tūhoe and the Crown are not inconsistent: enabling tailored and innovative approaches to the design and delivery of social services is intended to achieve better outcomes in a more efficient way, and sustainable results in these dimensions will reduce the long-term welfare liability.

Transitioning to mana motuhake will involve an evolutionary process of progressively decentralising some functions and/or powers of central government to Tūhoe. Definitions of decentralisation abound, but two that are useful to this discussion are from the United Nations Development Program (UNDP):

Decentralization, or decentralizing governance, refers to the restructuring or reorganization of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiarity, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capacities at sub-national levels. Decentralization could also be expected to contribute to key elements of good governance, such as increasing people's opportunities for participation in economic, social and political decisions; assisting in developing people's capacities; and enhancing government responsiveness, transparency, and accountability.¹³

While decentralization or decentralizing governance should not be seen as an end in itself, it can be a means for creating more open, responsive, and effective local governance and for enhancing representational systems of community-level decision making. By allowing local communities and regional entities to manage their own affairs, and through facilitating closer contact between central and local authorities, effective systems of local governance enable responses to people's needs and priorities to be heard, thereby ensuring that government interventions meet a variety of social needs. The implementation of SHD

¹³ UNDP (1997) *Decentralized Governance Programme: Strengthening capacity for people-centered development*. Management Development and Governance Division, Bureau for Development Policy, p.4.

[sustainable human development] strategies is therefore increasing to require decentralized, local, participatory processes to identify and address priority objectives for poverty reduction, employment creation, gender equity, and environmental regeneration.¹⁴

The UNDP provides a set of definitions of different aspects and degrees of decentralisation, which are set out in the following table.

Table 1 Definitions of decentralisation

Type of unit to which authority is transferred	Aspect of governance transferred or shared			Generic name
	Political (policy or decision making)	Economic or financial resource management	Administration and service delivery	
Autonomous lower-level units	Devolution	Devolution	Devolution	Devolution
Semi-autonomous lower-level units	Delegation	Delegation	Delegation	Delegation
Sub-ordinate lower-level units or sub-units	Directing	Allocating	Tasking	Deconcentration
External (non-governmental) units at any level	Deregulation	Privatization	Contracting	Divestment

Source: UNDP (1997), p.33.

The UNDP explains these categories in the following way:

- *Deconcentration* involves a very limited transfer of authority of specific decision-making, financial and management functions by administrative means, to subordinate units under the same jurisdictional authority as central government. Such units usually have delegated authority in policy, financial and administrative matters without significant independent local inputs.
- *Delegation* involves the transfer of some aspects of government decision-making and administrative authority for carefully spelled out tasks to institutions and organisations that are either under government indirect control or semi-independent. It does this through legislation or under contract. Examples are semi-autonomous units such as urban or regional development corporations.

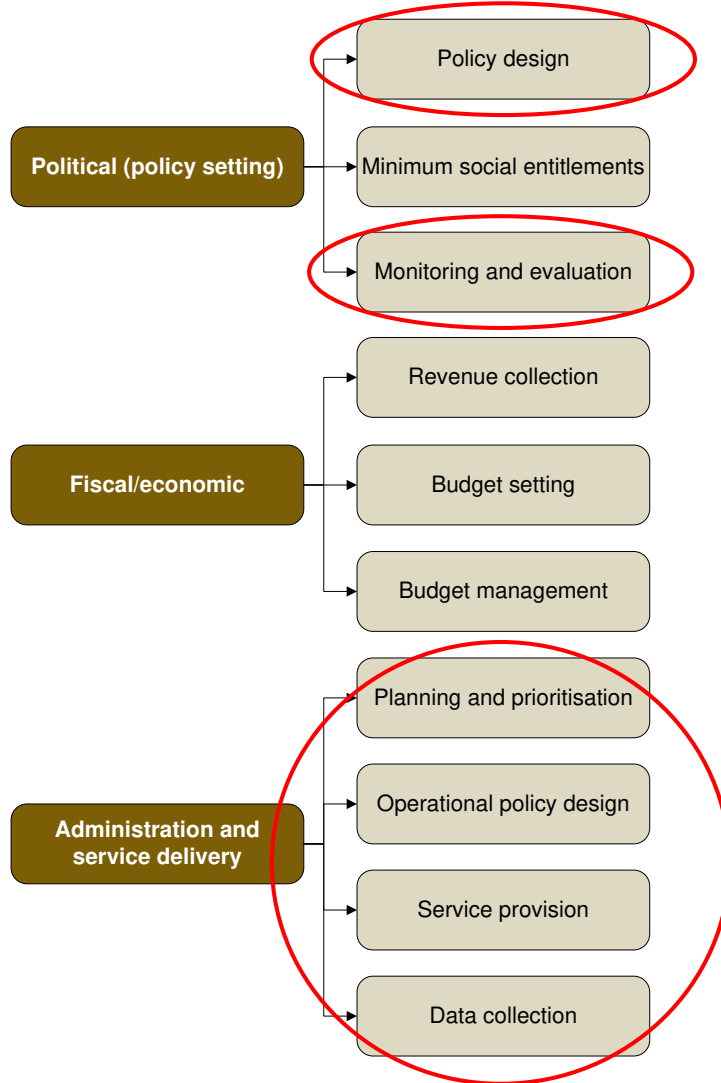
¹⁴ UNDP (1998) *Decentralized Governance Monograph: A global sampling of experiences*. Management Development and Governance Division, Bureau for Development Policy, p.6.

- *Devolution* is defined as that transfer of authority to autonomous units such as provincial, district and local authorities that are legally constituted as separate governance bodies. Through devolution, central government relinquishes certain functions or creates new units of government that are outside of its direct control. Federal states are an example of devolution.
- *Divestment* occurs when planning and administrative responsibility or other functions are transferred from government to external organisations such as NGOs, corporations and companies. Privatisation of the production/supply of particular goods or services is a form of divestment.

3.2 Scope of decentralisation

Looking at the aspects of governance that could be decentralised, the most obvious areas of opportunity for progressive decentralisation to Tūhoe appear to begin in administration and service delivery. In order to maximise the potential for innovative design (and hence potential benefits in terms of improved outcomes for Tūhoe and thereby reduced welfare liability), we would see a role for decentralisation also in setting policy (e.g. establishing charter schools under consolidated governance structure that embrace Tūhoe culture and language). In the medium to long-term, decentralising budgets could also be considered, although this would generate some complex implications, including possible legislative change, to be worked through.

Figure 1 Opportunities for decentralisation to Tūhoe

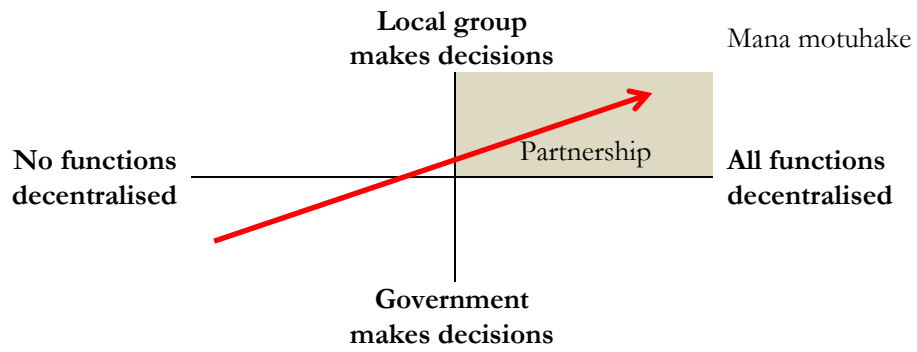


Source: Sapere Research Group

Looking at the left-hand column of Table 1 (type of unit to which authority is decentralised), we see a range of potential governance arrangements from full central government authority and decision-making, to full divestment to Tūhoe, interposed with a spectrum of co-governance arrangements. We expect that the governance arrangements would progressively evolve towards mana motuhake, as Tūhoe governance capacity grows, risks are effectively managed and results begin to be achieved. It is likely that the two parties will continue to work together, with each taking the lead in the areas where this is most appropriate.

For instance, the Government will likely continue to provide services where this makes sense in terms of a scale or technical advantage. On the other hand Tūhoe will likely provide services or management where there is an advantage from local knowledge. In all of this, Tūhoe is likely to have an advantage as an ‘integrator’ of various government services by taking a view from the whanau back to those services.

Figure 2 A spectrum of governance models



Source: Sapere Research Group

4. Lessons from self-governance

We review the lessons from indigenous self-governance. Broadly, the findings are a mixed bag. The situations reviewed are very diverse, as are the responses to those situations. Some have not worked well despite long and determined effort. But in general the findings are clear and the prospects of potential gain are real. The literature is vast and we recommend a further more thorough literature review and analysis be undertaken.

4.1 Lessons learned

International experience with indigenous self-governance offers key insights for the design and implementation of decentralisation models in New Zealand. Extensive evidence from The Harvard Project on American Indian Economic Development and the Native Nations Institute (NNI), as well as case studies from Canada and South America shows that self-governance (by which we mean indigenous sovereignty or self-rule) can be successful.

Self-governance, implemented well, has been shown to deliver reduced unemployment, lower welfare expenditure, improved social outcomes, improved and more productive use of natural resources, more efficient administration of social services such as education and health, the emergence of viable, productive enterprises, and contributions to regional non-native economies.¹⁵ Key to success is the accountability delivered by this concept, whereby **decision-making is brought closer to those most directly affected by the outcomes.**

Based on extensive meta-analysis, experts from the Harvard Project in the US go so far as to say:

There is broad and robust evidence from diverse Native settings in the United States and elsewhere that self-governing power, backed up by capable, effective and culturally appropriate governing institutions, provides the most efficacious foundation of Native economic and community development. Over the last century in the United States, indigenous self-determination is the only federal policy that has had any broad, positive, sustained impact on Native poverty.¹⁶

[S]overeignty holds the prospect of being a win-win strategy for all contending parties. Obviously, tribes are winners by their own standards... [b]ut states and the federal government stand to gain as well, as tribes make economic and social progress, contribute to their local and regional economies, and take pressure off of state and federal budgets.¹⁷

¹⁵ Various references are included in Cornell and Kalt (2003) and extensive case study evidence is available from the Harvard Project.

¹⁶ Stephen Cornell and Joseph P. Kalt (2003) *Alaska native self-government and service delivery: what works?* Joint Occasional Papers on Native Affairs No.2003-01, p.ii (The Harvard Project on American Indian Economic Development and the Native Nations Institute).

¹⁷ Joseph P. Kalt and Joseph William Singer (2004) *Myths and realities of tribal sovereignty: the law and economics of Indian self-rule.* Harvard University KSG Faculty Research Working Paper RWP04-016, p.44.

There are numerous examples of where moves to self-governance have not been successful. Analysis of critical success factors shows that a key lesson is that **a one-size-fits-all template approach will not work**. Successful decentralisation requires a diversity of models. And most importantly, experience shows that **the vision, goals and model must be developed by the indigenous community** – solutions that are developed and imposed top down consistently fail. Governments can play a supporting role and assist with capacity development. Taylor-Henley and Hudson (1992) refer to the government-tribal relationship as a ‘partnership between equals’.¹⁸

A community is unlikely to have the necessary governance capacity at the outset. A key focus therefore needs to be **on incremental capacity development** – through building the skills of the local community, insourcing expertise, and attracting outside talent (both tribal and non-tribal members).

Communities will need upfront adequate investment in the planning and establishment phases including infrastructure development. Communities will require technical **support to manage, interpret and analyse data** for service planning and administration. They will also need the **technological tools** – for instance computer systems that are compatible with relevant government agency systems to enable data sharing between government and the community and software programmes such as business support, financial and case management programmes.¹⁹

Designing and implementing models of self-governance is therefore a **very long-term project**, and decentralisation of service provision should be done gradually over many years. ‘Creative institutional capacity-building’ may assist in bridging the gap between the necessary governance skills and the limited human and financial resources of the community.²⁰

In addition to capacity constraints, many indigenous communities are small and geographically remote, which limits their economic development opportunities and poses **challenges of diseconomies of scale** in the delivery of social services. This raises issues for the financing of self-government. Drawing on the experience of Yukon First Nations in Canada, Dacks (2004) identifies the fiscal issues as being at the core of self-governance agreements. He observes that the administrative and financial difficulties created by very small populations may limit the number of areas in which the communities may want to legislate and deliver programmes. In addition to curtailing the ambitions of some communities, Dacks also notes that lack of scale raises the importance of economic development to the viability of First Nations.²¹

With respect to economic development efforts, a goal of job creation as an end in itself is unlikely to succeed. Cornell (2006) cites the results of an American Indian commercial enterprise, finding that ‘making job creation the primary goal of the enterprise turned out to

¹⁸ Sharon Taylor-Helney and Peter Hudson (1992) ‘Aboriginal self-government and social services: First nations – Provincial relationships’, *Canadian Public Policy – Analyse de Politiques* XVIII:1 (13-26), p.21.

¹⁹ D.E.Smith (2002) *Jurisdictional devolution: Towards and effective model for Indigenous community self-determination*, Discussion Paper No.233, Centre for Aboriginal Economic Policy Research.

²⁰ Cornell and Kalt (2003), p.iii.

²¹ Gurston Dacks (2004) ‘Implementing First Nations self-government in Yukon: lessons for Canada’, *Canadian Journal of Political Science* 37:3, September 2004 (671-694), p.675.

be catastrophically self-defeating, leading eventually to the loss of the business itself and all the jobs attached to it'.²²

Experience shows that a **goal of profitable business ventures** is the most effective way to increase employment opportunities in the long-run. Profitable businesses can attract outside investment capital, and attract and retain talent and skills from both within and outside the community. Profits can be reinvested to grow the business, produce additional jobs, or returned to the community by way of additional business ventures or to fund programmes and services. Cornell recommends keeping tribal politics out of day-to-day management, with employees recruited on the basis of merit and disputes resolved through a system that is perceived to be independent.

The literature on self-governance and decentralisation is vast with a range of learnings/critical success factors. From our brief review we have identified an initial core (and non-exhaustive), set of key factors that we believe would be critical to success. However, through the stage of developing an initiative with Tūhoe, a process for both the Government and Tūhoe to define what each believes are critical to success would need to occur.

Ian Cowie, an expert on tribal governance and with considerable experience in Canada, highlights the following points:

- *There is no one size fits all approach or outcomes. To the extent possible approaches should be kept simple and focussed.*
- *First requirement for a successful outcome - is the parties reaching an agreement that frames the political context, objectives and vision that they will pursue and try to achieve. This will also include agreement on process.*
- *Experience shows that the approach to this front end agreement is often better driven by the Aboriginal vision of their objectives and the agenda that they wish to pursue. At a minimum the settling of these starting points has to be collaborative. This does not mean that the government party will not need to be very clear on its positions and the outcomes that it contemplates.*
- *This initial discussion and agreement would desirably reflect the shared context and "departure points" that will guide and focus the more specific discussions to follow. Language is critical.*

With regard to the Canadian experience, to varying degrees negotiations usually proceed in three sequential steps - irrespective of the scope of the discussions or the specific sector(s) that might be agreed to:

1. **A Framework Agreement** containing the agreed upon agenda and process
2. **An Agreement in principle** to get the essentials of the agreement and related financial arrangements as clear as possible - followed by
3. **A Final Agreement** - settling all details for formal approval by the parties.

*There is a priority need to invest in the Aboriginal party having the required **front end** capacity to elaborate their vision, review options, develop positions, and on a continuing*

²² Stephen Cornell (2006) *What makes First Nations enterprises successful? Lessons from the Harvard Project*. Joint Occasional Papers on Native Affairs No.2006-01, p.8 (The Harvard Project on American Indian Economic Development and the Native Nations Institute).

basis undertake required internal consultation to assure legitimacy of outcomes.²³

Successful endeavours depend on the following:

- A clear vision/end-state that has been developed by the community and drives the focus of all decision-making.
- A focus on economic development opportunities (rather than job creation), provided by the land base/natural resources, human capital and infrastructure.
- Strong, effective and capable institutions – a stable governing body with relevant expertise and supported by an independent mechanism for dispute/conflict resolution.
- Cultural match – the governance structure must reflect the indigenous culture in order to have legitimacy and be effective.
- Incremental capacity development and implementation that is subject to periodic evaluation and reporting requirements.
- Adequate investment in capacity development, planning, establishment, infrastructure, administration, technical support and programme evaluation.
- The development of local level data collection, management and reporting systems.
- The willingness of mainstream society to tolerate difference and to invest in indigenous capacity and opportunities. There is value in citizen engagement and education throughout the reform process.
- A national legislative and policy framework to support the decentralisation process
- A statutory basis for programme coordination and fund pooling across several programme areas.

Source: D.E. Smith (2002) *Jurisdictional devolution: Towards an effective model for Indigenous community self-determination* Discussion Paper No. 233, Centre for Aboriginal Economic Policy Research

4.2 Examples from New Zealand are a mixed bag

As outlined above, the Government's BPS priority has required government agencies to work more collaboratively with each other and communities to provide more person/whanau centric services. There is a long history of initiatives that seek to improve the performance of social services. A number of current initiatives are underway that seek to improve the wellbeing of individuals, whanau, iwi and communities through reducing silos, pooling resources and coordinated services. Appendix 1 summarises a series of these initiatives.

²³ Ian Cowie, pers.comm. (email dated 31 July 2014).

4.3 There are fertile grounds for discussion

The population statistics for Tūhoe speak to the possibility of numerous topics for self-governance. In both health and welfare terms, the life years lost combined with the actuarial cost of welfare provide a substantial zone of possible improvement.

Tūhoe – social, economic and cultural characteristics

The Tūhoe population is relatively young

- In 2013, 38 percent of Tūhoe were under the age of 15, compared with 34 percent of the population of Māori descent, and 20 percent of the total New Zealand population

Tūhoe have relatively high rates of unemployment and benefit receipt

- At the time of the 2013 Census, the unemployment rate for Tūhoe was 21 percent, an increase from 15 percent in 2006
- 29 percent of Tūhoe received a benefit payment (unemployment, sickness, invalid, or domestic purposes) as a source of income at some time in the 12 months prior to the 2013 Census, compared to 24 percent of the Maori population, and 10 percent of the total population

Tūhoe population increases are relatively high compared to other iwi

- Tūhoe population increased 6.8 percent between Census 2006 and 2013
- Of the ten largest iwi, only two other iwi (Waikato and Ngāi Tahu) had a higher percentage increase

The majority of Tūhoe live in rental accommodation

- In 2006, 56 percent of Tūhoe were living in rental accommodation
- Of those living in rental accommodation, 27 percent lived in Housing New Zealand Corporation accommodation, equating to just under 5,300 people

The highest qualification held by majority of Tūhoe is a secondary school qualification or less

- In 2013, 29 percent of Tūhoe had no formal qualification, compared to 30 percent of the Maori population, and 19 percent of the total New Zealand population

A minority of Tūhoe lived in households with internet access

- At the time of the 2006 Census, 39 percent of Tūhoe lived in a household with Internet access, an increase of 19 percent from 2001^[1]

Tūhoe have high smoking rates

- In 2013, 36 percent of Tūhoe aged 15 years and over said they smoked cigarettes regularly, a decrease from 45 percent in 2006

Tūhoe are more likely to be able to speak Te Reo than other iwi

- In 2013, 37 percent of Tūhoe could speak Te Reo, compared with 21 percent of Maori, and 3 percent of the total New Zealand population

Source: Statistics New Zealand. (n.d.) *NZ.Stat*. Retrieved from <http://nzdotstat.stats.govt.nz/wbos/Index.aspx>

5. A range of possible options

5.1 A brief note on incentives

We have seen a range of incentive structures in New Zealand. In the past, in the health sector, we have transferred risk, have structured contracts with performance incentives and have organised voluntary (now compulsory), alliance structures. In this, New Zealand's health sector has had a range of experience, although not all of it has been positive. This breadth and depth of experience is due to the complex mix of public and private service provision and the third party payer nature of much of the health system.

People respond to a range of incentives, both financial and non-financial. In health, over the past decade in particular there have been several attempts internationally to implement pay for performance regimes, relying on financial incentives to drive improvement in quality or other performance measures. However, there are some potential issues with relying on financial incentives: for some groups and individuals the intrinsic motivation to perform (however or for whomever that is defined) is the more powerful incentive. Broadly speaking, relying on financial incentives can backfire and actually de-motivate the very behaviours that the incentive was intended to encourage. Some key points on incentives:

- When applying financial incentives there is a need to ensure those activities that aren't financially incentivised are not crowded out. If some activities are subject to strong incentives, activities not covered by a financial incentive may be neglected. There is evidence to suggest for example that this has occurred in the UK's National Health Service's quality improvement programme.²⁴
- An overly inflexible approach to applying incentives can risk reducing intrinsic and professional motivation. This can occur where the incentive payments are attached to activities for which there is little professional/personal interest or ownership.
- Incentives can result in distortionary behaviour if they are not well aligned with overall goals, and may risk gaming.
- In health, clinician job satisfaction is related to clinical and professional autonomy and the ability to obtain the right services in a timely manner for their patients. Threats to clinical autonomy have a demotivating impact and lead to job dissatisfaction.
- Related to the importance of professional autonomy, in our experience we have found that professionals simply want the perceived unnecessary constraints (in most cases administrative), lifted so they can get on and do the job they were trained to do.

Extrapolating from the experience in the health sector suggests that, while financial incentives can form an important mix of tools to help drive performance towards shared outcomes, there are also important non-financial motivators. We recommend further

²⁴ T. Doran, E. Kontopantelis, J. M. Valderas et al (2011) 'Effect of financial incentive on incentivised and non-incentivised clinical activities: longitudinal analysis of data from the UK Quality and Outcomes Framework', *British Medical Journal* 342:d3590.

dialogue with Tūhoe to better understand what would incentivise better outcomes for their iwi.

5.2 Risks are probably less than the cost of lost opportunity

The literature on commercial joint ventures is very clear about the risks which these arrangements can bring. Many of the strengths and weaknesses of commercial joint ventures also apply in public sector joint arrangements. Generally, estimates of failure in a commercial context range between 50% and 70%; failure being defined as ventures that have been wound up or terminated.

There are a range of reasons for this high level of failure, generally related to management failure, failure of culture, failure to plan or fund/ resource and failure of opportunity. The most significant failures are failures of control, oversight and of risk management. In particular, foreign joint ventures have been expensive grave yards for many companies which are operating outside of familiar legal jurisdictions, with new partners with a different culture and set of allegiances, in an environment where monitoring may be difficult and consequent liabilities may be very high.

Most of this literature is based around analysis of commercial joint ventures and alliances where there is a great deal of freedom and a range of competing commercial opportunities.

The Government and Tūhoe have little option but to be successful in some manner. Unlike commercial entities, for this alliance, there is no chance of separation. Both will have to work together over a very long time. However, this longer time-frame is a double edged sword. On the one hand it will enable incremental capacity development and implementation. On the other hand, the longer time frame may mean less incentive to get on and take the opportunities when they present. There is less time imperative and so the risk could be seen not so much as a risk of failure than of taking the opportunity this relationship presents.

Operational risks in alliances are, classically, under-funding of the venture, or issues of culture and management. They remain highly attractive, however, since a joint venture is for many firms the fastest way into a market with the necessary skills, technology, capital or market access.

Most risks can be managed and clearly a comprehensive risk analysis and mitigation strategy will need to be developed for any prospective initiative. Many of these risks could be avoided by adhering to the critical success factors from lessons learned in New Zealand and overseas.

5.3 Possible options

The government is currently trialling a range of models for procuring social outputs and outcomes such as integrated contracting, contracting for outcomes, social bonds, whanau ora and alliancing arrangements. We set out a range of possible options below.

5.3.1 Bilateral agreement between MSD and Tūhoe

This scenario envisions a bilateral agreement between MSD and Tūhoe for a range of services targeted towards agreed outputs or outcomes based off the calculated forward liability and other relevant material put forward by either party. The population would likely be defined as those living within the rohe who are Tūhoe and who opt to enrol with the initiative. The agreement would be co-governed with either party able to opt out under agreed circumstances. We would recommend at least a 3 year agreement term.

An annualised budget would be assigned to the plan, calculated to be the amount that would otherwise be paid out on the range of relevant discretionary services (for instance work brokerage services, childcare or transport assistance or programmes aimed at developing work-based skills). MSD and Tūhoe would jointly agree the service outputs (including timing) to be purchased and payment would be based on performance against these. Clearly these would need strong alignment with Government priorities and Tūhoe's aspirations for mana motuhake. MSD would likely fund upfront capacity development.

Alternatively, MSD could enter into a 'high trust' agreement with Tūhoe with limited prescription on the service outputs required instead opting to purchase service outcomes. Both parties would need to be relatively comfortable with Tūhoe's ability to deliver on outcomes with the terms of the agreement.

Contracting for outcomes can foster innovation where there is less prescription from the centre. However, this method of contracting is also often fraught with issues of defining and measuring outcomes, information asymmetry, controlling for externalities and avoiding adverse incentives. A more achievable solution could be to contract for impacts (intermediate outcomes) within an outcomes framework developed with and for Tūhoe.

Under this contract arrangement MSD retains the right to determine whether to continue with the agreement and thereby limits the short term risks of poor contract performance to the Government.

5.3.2 Integrating across multiple agencies

Integration is a mechanism, and when done well can lead to more streamlined, customer-focussed service, reduced duplication, allow staff to be more easily deployed across programs via the pooling of multiple funding sources, and reduces the number of funding sources for which expenditure needs to be accounted. However, the real potential for benefit starts when there is integration and pooling of resources across multiple government agencies. Pooling together resources from multiple discretionary funding pools within MSD is an improvement on service line contracts, although solutions to long term welfare issues sit across multiple votes such as economic development, health, housing and education. Furthermore, providers are still left trying to align multiple agency agreements to the needs of a community, with all of the reporting and accountability burdens associated.

The terms of reference for the existing multi-agency Task Force for the SMP could be amended and membership extended to include Tūhoe representation.

5.3.3 Alliance

An ‘alliance’ model, similar to those that have been developed in recent years at the District Health Board (DHB) level is another option.

Alliances have been operationalised slightly differently in different DHBs, but there are two defining features. Firstly, decisions about both which outcomes to target, and which combination of outputs will most effectively achieve them are made at the local level, by a group of people drawn from different parts of the local health provider community. Secondly, while the DHB is part of the Alliance, and contributes to discussions, it essentially has a veto on Alliance decisions in cases where consensus cannot be achieved. It is likely that this would be exercised only in extreme circumstances, reflecting breakdown of essential relationships.

In the context of Tūhoe and Work and Income, this model could operate whereby:

- Tūhoe establishes a local group (an alliance) including a range of local people with interest and expertise in improving the welfare of Tūhoe (a suitable group or other structure may already exist, in which case it could simply take on this function). Representatives from Work and Income or MSD would also sit on the group, and contribute alongside other members.
- Work and Income or MSD would establish a flexible funding pool for the alliance to administer. This could either be drawn solely from Vote Social Development, or across multiple Votes.

By consensus, the alliance would decide:

- Which outcomes they wanted to focus on; and
- What methods would be most appropriate to use to achieve those outcomes.

Work and Income or MSD would have the ability to veto any decisions about either outcome or output selection, but this would be used in extreme circumstances only.

Essentially, this model provides for ‘bottom-up’ specification of outcomes and outputs – similar to the social bond model. It differs from the social bond model in that funding is not reliant on achievement of specified impacts or outcomes. In both models, the government retains a veto option on the selection of outcomes or outputs by the local group if agreement cannot be reached: under the social bond model it is a de facto veto via the ability to decide whether or not to fund a social bond project; under the alliance model is a return to status quo decision making if there is no consensus. In both models, government representatives operate on a largely ‘hands-off’ approach, based on the theory that local people will know best what the community needs, and how to best achieve it.

5.3.4 Social bonds

The social bonds model involves private and not-for-profit organisations partnering together to fund and deliver services to improve social outcomes. Up front funding is raised by Intermediaries, who work between the government and Investors to deliver social programmes to meet agreed outcomes. If they achieve agreed result, the government pays the investors back their investment plus a return. Achievement of outcomes is verified by Independent Assessors, against results metrics which are agreed in advance and specified in

the contract. Investor returns depend on the level of results, up to an agreed maximum. Financial risk lies with the Investors, as if outcomes are not achieved, they may lose some or all of their investment funds.

The social bonds model could be modified for the Tūhoe context, with Tūhoe potentially taking the roles of Investor, Intermediary and/or service provider. The potential social benefits would come from innovations in outcomes specification, service design and delivery developed by Tūhoe that lead to improved outcomes. To the extent that these improved outcomes result in a reduction in the forward welfare liability, the Crown (and ultimately taxpayers) benefits from lower expenditures. Tūhoe would also benefit from the financial returns on their investment, which they could reinvest or use to fund other activities or services. They would also bear the downside financial risk if their programmes are unsuccessful.

The social bonds model relates to the delivery of services; our understanding of the published material is that it does not envisage contracting out of the provision of statutory minimum entitlements. While it is conceivable that the Crown could transfer responsibility for the payment of minimum entitlements (though it is not clear what the benefit of this would be), we assume that the Crown would continue to underwrite the provision of these entitlements, at least in the medium term. As discussed in the following section, consideration of fundamental changes to the liability for the statutory entitlements would require significant further consideration.

The Ministry of Health's market briefing material on social bonds notes that organisations typically playing the Intermediary role are financially or business focused, with a banking or consultant background, and that the role requires financial acumen and project management skills.²⁵ This suggests that a medium-term programme of capacity building is likely to be required in order for Tūhoe to be able to take on this role.

5.3.5 Sharing the savings

Under this arrangement, MSD would enter an agreement with Tūhoe that would see both parties share the financial savings of reduced welfare payments against the forecast of welfare benefits (the counterfactual), using the actuarial calculations for a specified period (e.g. at least a three year term).

Risk sharing would likely be asymmetric. MSD would share the savings where the outcome is better than the counterfactual, but would likely carry the risk of the outcome being worse than the counterfactual. Savings attributed to Tūhoe would be Tūhoe discretionary spend in areas relevant to vote MSD and would not be available for distribution to other activities.

In addition to Tūhoe's intrinsic incentives to improve the social and economic outcomes for the iwi, this approach would provide a tangible, financial incentive to reduce the Government's forward liability.

²⁵ Ministry of Health *Market briefings – questions and answers*. <http://www.health.govt.nz/our-work/preventative-health-wellness/social-bonds-new-zealand-pilot/social-bonds-progress-date/market-briefings-questions-and-answers> Accessed 11.6.14.

It should be noted that the health sector experience of shared savings has included significant and long term litigation after the fact, reflecting disputes about the basis and proper use of calculated savings.

5.4 Risk transfer

5.4.1 Defining the concept

We have been asked specifically by MSD as to how we would ‘sell the liability’ and, more specifically, if you wanted to ‘sell’ some of the liability to Tūhoe, how would you do it? As discussed earlier in this document, the concept of risk transfer within the context of welfare support requires further clarification with the Crown and Tūhoe, quantification, actuarial, legal and constitutional analysis than we were able to provide within the scope of this report. Therefore, for the purposes of this report, we have explored a spectrum of alternative definitions. We have sought to define what ‘sell some of the liability’ could mean, and, subject to a series of assumptions, set out the steps that would be needed to achieve that sale.

Defining the risk

We first explore the fundamental nature of what is being transferred or ‘sold’.

Fundamentally, this is the right of the beneficiary for state support and its mirror image, the obligation on the state to provide that support. The right is held by the beneficiary, who has an entitlement described in legislation. From time to time that legislation and the regulations under that legislation, or the administration of that legislation and its regulations may change. But under present legislation, a beneficiary’s entitlement is personal and not something that could be transferred by that person or anyone else (although they may voluntarily assign the income flow from it).

Although this metaphor has some obvious problems, the beneficiary is, in effect, the policy holder of a plan which covers them for short-term and long-term unemployment, for sickness and disability and for domestic support. So the ‘risk’ for MSD is, in a narrow sense, the sum of the likely payments to some group of potential beneficiaries over time. In broader terms, the risk for MSD is a failure to achieve the social objectives behind the programmes, which are the protection of vulnerable people and support for people to have a good life.

But not only MSD is involved, because the potential beneficiaries it is there to serve also present similar risks (both financial and human), for which responses are provided under other state programmes to address family violence, crime, sexual abuse, etc that are borne through other Votes.

There is a wide range of reasons why a potential risk becomes an actual claim for assistance – ill health, misfortune in job markets or personal issues or family and social situations. And the population of people who have high potential to become beneficiaries will likely have a range of characteristics, which will also affect the probable length of time for which they will be supported by the state.

- At one extreme, the person may be in a short-term situation, between jobs, and needs assistance in placement with an employer.

- At another extreme, the beneficiary may be a long-term recipient of a benefit.

The 'risk' to MSD occurs at a number of points. First, there is an external risk to the scheme, for instance by slowing of the economy and a weakening of the job market. Secondly, the Tūhoe population is rural and geographically remote (i.e. not near a city with its multiplicity of job opportunities) and has a high deprivation index. In short, the risk we are likely to be talking about is a relatively high, long-term and intractable risk.

The costs, risks and mitigating interventions differ for each of these situations but we would assume that MSD can measure:

- The current size and structure of the pool of beneficiaries including stratification by benefit type, geographic area and personal characteristics such as health state, vocational capacity, past work record.
- The likely ability of MSD to modify the existing liability by active and passive management.
- The administrative cost of each cohort of beneficiaries (a cost to manage).
- The future flows into the pool including, if the rohe is the catchment, internal migration flows, effects of external impacts (such as wider economic conditions).

We have been unable to access any of this data and recommend that a critical first step is quantifying the size of the current and future liability under consideration. This information will be essential for all parties in any future negotiations on this matter.

Measuring the malleability of the risk

The value of the risk will be the estimated cost of current benefits, multiplied by beneficiaries, multiplied by the duration they will receive a benefit. The pool will increase with inflows (such as disabilities, loss of employment, rates of discharge from the justice sector) and will decrease with graduation to work, retirement, or death, inter alia. These flows can be forecast over the life of a benefit scheme and discounted back using a discounted cash flow to today's values. The DCF is undertaken under accounting standards at the risk free rate. This value will change; the largest change will come from changes in the interest rate profile, the next largest feature is the external economy, and the other next set of issues are profile of beneficiaries. Some of these profiles will be difficult to shift – some can be shifted more easily.

Managing interest rate risk is best achieved with financial instruments. Tūhoe is most likely able to modify both claiming behaviour by appraising personal situations and also by managing processes around individuals and families. In this, modifying the profile across sectors is likely to have an effect which is greater than the sum of the parts.

A spectrum of alternatives

- **Transferring/selling the risk of future requirements for financial support** MSD could restructure itself as a market regulator and, effectively, sell the risk of these future cash streams to social insurance providers which would then profile future liabilities and manage these risks, for a return paid from taxes on the broader public. Various incentive arrangements could be devised to make this as effective as possible. This option would, of course, require substantial legislative change. Our understanding is MSD seeks to modify its future forward liability by incentivising another party to

manage the risk but not to change the underlying nature of the right of qualifying beneficiaries for state support. But this is a working assumption that clearly requires clarification. To be specific in our use of language, selling the risk or a portion of that risk means, to us, transacting with a counterparty who will take responsibility for the capitalised value of the benefit scheme and the associated administrative cost for a price which might be higher or lower than the assessed value of future benefit costs. In this instance, the counterparty has been specified as Tūhoe.

- **Sharing the risk.** There are other possible definitions of selling the risk and these other possible definitions are probably more valuable. At some level, MSD could ‘share the risk’ or ‘contract out management of the risk’. Sharing the risk means a much easier pathway as measurement need not be so precise. Contracting out management is much akin to the third party administration scheme which ACC uses in partnership with employer accreditation. The important part of this scheme is the partnership between the administrator and the employer; the two work together to create back to work opportunities and limit weekly compensation whilst monitoring moral hazard very closely.
- **Partial fiscal decentralisation.** Under this option, the individual rights of the beneficiaries would be changed – or provision for an opt-out made – so that a calculated sum of money would be allocated to the Tūhoe to meet agreed social and economic objectives but with a degree of freedom to be negotiated for the Tūhoe to spend these funds more effectively than under the present centrally-managed system. Reasons for doing this would be to honour the relevant aspect of the settlement agreement, but also because it would be believed that the Tūhoe could get better results from the money because of the knowledge, proximity and influence with the potential beneficiaries. While experiments on doing this could be run with discretionary funds, under current legislation anything more substantial would require changes to the social security laws. This option lends itself to pooling funds from multiple Votes e.g. justice and support for industry to get greater effectiveness by enabling state support to be applied in an holistic way to a well-articulated plan for economic and social development.
- **Full fiscal devolution.** At the extreme end of the spectrum is full fiscal devolution, whereby responsibility for administering specified benefits is accompanied by responsibility for raising the necessary revenue. The theoretical advantage of this approach is the incentive effects, which include improved democratic accountability, increased responsiveness to local needs and preferences (thereby improved resource allocation), and better incentives for growth-oriented policies (as the local government can reap the financial benefits).²⁶ Consideration of this possibility would require deep discussion and analysis between the parties, to be very clear about what it would be appropriate to apply this concept to, how revenue would be raised and who from and what state subsidies would be available.

With respect to the concept, the most relevant statement we are aware of was made by Tamati Kruger:

²⁶ Guy Lodge and Alan Trench (2014) *Devo more and welfare: devolving benefits and policy for a stronger union* (UK Institute for Public Policy Research), p.15.

We want to work with the Ministry of Social Development in utilising the \$9 million of benefits, to use some of that for job creation, and also changing a mindset in Tūhoe around being beneficiaries of the state.²⁷

This statement seems to imply some version of partial fiscal decentralisation.

Our working interpretation of this statement has been that Tūhoe may have the capacity to be more effective and efficient at managing the risk than the Crown. By delivering services in a more holistic and co-ordinated way, and drawing on local knowledge and relationships, Tūhoe may be able to achieve better outcomes, in more innovative ways, than MSD and other agencies acting separately, within their own prescribed mandates and with their own available tools. Indeed as outlined earlier, this principle of subsidiarity is well documented throughout the literature on decentralisation that we have reviewed.

However, what this aspiration may imply for the scope and nature of any contractual approach is far from clear at this stage. In our view, the most fundamental next step is therefore for the Crown to commence a dialogue with Tūhoe, to agree *what* Tūhoe would like to discuss, and when (over what timeframe) and how they would like this negotiation to take place. The Crown should place emphasis on building a relationship with Tūhoe that is based on mutual trust and honesty. This negotiation, and Tūhoe's capacity to participate in the discussion, should be adequately resourced. This is likely to require both direct funding, and the provision of capacity building support for Tūhoe, such as specialist expertise (e.g. legal, actuarial advice), research and analysis.

5.4.2 Our assumptions

We make a series of important assumptions as follows:

- The first and most fundamental assumption is that beneficiaries would still receive their statutory entitlements; this is a right they are unlikely to negotiate away.
- MSD can identify cohorts of beneficiaries by characteristics that determine benefit proclivity and not just benefit class (e.g. state of health, employment record etc).
- This classification is evidence-based and well established, and is an independent indicator of estimation of cost.
- There are standard measures of duration.
- Beneficiaries are willing to be assigned, with their MSD records, to another manager.
- MSD has an evidenced 'cost to manage'.

5.4.3 Practical implications of 'selling the liability'

We have been asked to set out the practical steps that would be involved in 'selling some of the liability to Tūhoe'. This section should be read in conjunction with our advice on overall process in the following chapter. We stress that this is not a detailed legal or constitutional analysis, as we have not been commissioned do so. We have not been able to consult with key relevant agencies such as Treasury or the Ministry of Justice, or agencies with potential

²⁷ Tamati Kruger, quoted in an article by Simon Day 'Healing our dark heart', *Sunday Star Times*, 13 April 2014.

horizontal policy ‘crossover’ such as the Ministry for Business, Innovation and Employment, and the Ministry of Health. And as noted above, we have not had access to key data.

Quantify the risk

MSD’s risk could be set out as a cohort of current or future beneficiaries. If MSD has this information, then the first step is for it to put together an ‘information memorandum’. In that memorandum, it would set out, in full, the nature of the risk that it is offering.

Identify a willing buyer

On the other side of the coin there needs to be a willing transferee/buyer of that risk.

Typically the buyer would be an insurance company and that insurance company would ally itself with a set of providers who could manage the duration of membership of that fund. An insurance company would likely only take on the risk if it felt it could manage it; ability to manage would mean having the capacity and capability as well as administrative processes, physical infrastructure and finances to carry the risk and earn a return. The return would come from either shortening duration, administrative efficiency or, if the contract were for future risk, changing the nature of inflows to the pool of beneficiaries.

The counterparty would review the information memorandum, offer a conditional ‘price’ possibly with risk sharing and then would receive an appropriately selected cohort to manage. The difference between price and cost would determine the effort the counterparty would put into assessing the risk and this relationship would be inverse (the lower the difference between price and cost then the greater the appraisal).

We would see this step as coming well down the track, following foundational negotiations regarding Tūhoe’s aspirations and the nature and scope of any potential decentralisation. If, at some point in the future, there is mutual agreement to explore risk transfer in some form, then Tūhoe would need to consider their willingness and ability to accept and manage an element of risk.

Potential private investors will want to know the likely returns that could be generated on their investment, and we would expect them to be seeking returns higher than those on (low risk) Crown instruments. (A corollary of this is there will be a recorded loss of value as the transfer of the risk will be a higher rate of return than the risk free rate MSD funds at. MSD doesn’t account for the forward cost of benefits in the Government accounts and therefore this issue would not be transparent)

There is likely to be information asymmetry issues, and this scenario (as with other options) would require a significant investment in developing and maintaining a relationship of trust. For instance, Tūhoe would likely be interested in the actuarial calculations and recalculations (data quality, methodology etc), and MSD would need to be confident that any arrangement avoids perverse incentives and adverse selection. It would be highly likely Tūhoe would want to go through the cohort it was being sold, or at least their records, one by one, MSD would need to run a process alerting beneficiaries of the sharing of their records and, also, the likely change in benefit administration. Further, for each beneficiary, particularly if they are Tūhoe, there will be a set of issues about whether they want their personal records and benefit administration to transfer to members of their hapu.

The Crown would need to be confident that it could transfer a risk that Tūhoe had the means to manage. For instance, Tūhoe would need the ability to manage the risk of external factors beyond its control (e.g. environmental factors that might impact on an export or industry). The Crown would also want to consider the residual political risk, in the event of service failure. Even where risk has been transferred under a transactional contract, government often carries a de facto responsibility to bail out organisations in the event of failure.

Technical requirements

There is a plethora of substantive technical matters that would need to be worked through. We have not assessed these comprehensively or in detail, but they could be expected to include:

- Creation of a financial instrument, for transferring the risk to Tūhoe.
- Changing the way that MSD is appropriated, in that the appropriation against the policy would need to remain fixed at a point in time, or it can't be measured. (i.e. insurance policies change from time to time but the policy you hold is the one you paid for – but welfare systems are subject to change).
- MSD would need to establish formal processes for measuring and managing risk and benchmarking performance.
- MSD would also need to formally describe its risk appetite.
- Legislative changes would be required (such as to the Public Finance Act, Social Security Act, Human Rights Act, Constitution Act), as well as supporting regulations.
- Underpinning any devolution of welfare payments would require consideration of the necessary:
 - Payments systems (i.e. from Tūhoe to recipients/clients), including back-up systems.
 - Infrastructure, including physical infrastructure such as service centres, and call centres, websites etc.
 - IT systems and support.
 - Staff and training.
 - Data collection and sharing (with other government agencies).
 - Monitoring, review and evaluation.
 - Policies and procedures.

Further practical considerations

Decentralising welfare payments

Lodge and Trench (2014) consider federalised and decentralised systems of welfare provision from around the world, finding that 'even in highly decentralised countries, social security is typically the responsibility of central government' (p.19). Their analysis leads them to conclude that decentralisation of distributive social services (such as housing and health), and of selected benefits that meet particular criteria (discussed above), has potential to deliver significant gains, but that fiscal redistribution (welfare payments and taxation) and associated

risk pooling, and in particular the guarantee of social minima, most appropriately rests with central government. This echoes analysis by the OECD, which found that social protection remains ‘strongly centralised’, across OECD countries.²⁸

Analysis of options for welfare decentralisation by the UK Institute for Public Policy Research²⁹ recommends the following criteria for deciding which particular benefits are suitable for decentralisation, as summarised in the following table. The authors conclude that, for the UK, welfare programmes and benefits suitable for devolution are: the Housing benefit, the Work Programme, the childcare element of the working tax credit, and some small benefits that have a direct interface with devolved social services, particularly the attendance allowance.

²⁸ H. Blöchliger and O. Petzold (2009) *Taxes or grants: what revenue source for sub-central government?* OECD Economics Department Working Papers, No. 706, p.9.

²⁹ There is a significant body of work in the UK around political reform and devolution. The IPPR is an independent think tank that contributes to local and national policy debates; their work programmes includes the ‘devo more’ work on devolution.

Table 2 Criteria for administrative decentralisation of specific benefits

Criterion	Rationale	Comment
Whether the benefit is cyclical in nature or not	Benefits that are cyclical are less suitable for devolution, given the financial strains this can place on devolved resources. In particular, benefits which function as countercyclical stabilisers are unsuitable for devolution. From a risk-pooling perspective, it is important that such benefits (e.g. Jobseekers' allowance) remain nationwide.	On this basis, Jobseeker Support unsuitable for devolution, though non-cyclical components such as the (former) DPB could be suitable.
Whether the benefit relates to, or overlaps with, devolved functions	Benefits which have a connection with devolved functions are more suitable for devolution, as enables devolved governments to deal with their responsibilities better.	This is about performance incentives. Not really relevant to status quo, where Tūhoe have no formally devolved roles (unlike, e.g. local government).
Whether devolving benefits and/or related welfare programmes will help boost growth and economic performance	In line with the social investment approach	This aligns with the NZ social investment approach, and the objectives of this research.
Whether the factors that affect the benefit are place-related or not	Those which show strong connections to particular locations such as housing markets are more suitable for devolution than those which are not ³⁰	Application of this criterion depends on how we are defining the population. The UK literature on devolution is premised on the basis that the decentralised state is defined geographically.
Whether devolving the benefit would undermine the social union ³¹	Consistent social minima ("minimum life chances") are provided regardless of where in the UK a citizen chooses to live. Major benefits which are redistributive in nature or contributory in character are core to the social union and not suitable for devolution.	Rules out decentralisation of pensions/superannuation as fundamental to ensuring personal mobility across the country (can work in one place and retire somewhere else)
Whether devolving the benefit would materially undermine the UK's single market ³²		

³⁰ This is because the levels of these benefits are related to local conditions, and may also interact with devolved policy (e.g. social housing), providing grounds to also devolve decision-making about the benefit to the local level.

³¹ A fundamental principle of social citizenship in the UK is that redistribution is between individuals (so core welfare benefits and pensions are the same irrespective of where one lives) and is underpinned by a UK-wide tax system. This results in risk pooling across different parts of the country (Lodge and Trench, p.3).

³² In addition to a single UK-wide tax base and the macroeconomic stabilisation role of a UK-wide social welfare system, citizens can also move freely across the single labour market and across different parts of the UK when they retire.

Source: Guy Lodge and Alan Trench (2014) *Devo more and welfare: devolving benefits and policy for a stronger union* (UK Institute for Public Policy Research).

Devolving revenue raising

In the context of ‘selling the liability’, it is not clear that any devolution of revenue raising is required or being considered. However, for analytical completeness, we include some discussion of the implications of fiscal devolution.

Considerations in this space would include:

- Breadth and stability of the revenue base.
- Which taxes would be devolved, and how (e.g. hypothecated? On what basis?).
- Responsibility for revenue administration (collection, compliance, data and so on) and the requisite capability, systems and infrastructure, including IT systems.
- How to account for the cross-subsidisation – e.g. top-up grant funding?
- Impact on risk pooling, given the level of cross-subsidisation and the pay-as-you-go nature of most taxes (except for e.g. ACC, Kiwisaver).
- How to maintain individual citizen mobility.
- Borrowing capacity (ability to borrow and credit rating) – a key requirement for managing risk.³³

Trench (2013) explores fiscal options for devolution including principles for fiscal devolution (‘fiscal federalism’), and the design of a devolved revenue raising system.³⁴ Having reviewed the literature on fiscal federalism, he presents a set of criteria for determining which taxes are most suitable for devolution, as espoused by Sandford (2000)³⁵:

1. Devolved taxes, particularly local rather than regional ones, should have a tax base that is evenly distributed across the country.
2. Taxes should be economical to operate and collect on a small scale, and be difficult to evade.
3. The tax base should be localised, and not relate to something easily transferable across jurisdictional boundaries.
4. The tax should generate a high and reliable yield.
5. The tax should not exaggerate local disparities of wealth.
6. It is desirable that the tax base be exclusively reserved for local use, not shared with central government.

³³ Trench (2013) states that ‘[d]evolved tax-setting powers without borrowing powers expose devolved governments to serious risk without giving them one of the tools necessary to manage risk’ (p.24).

³⁴ Alan Trench (2013) *Funding devo more: fiscal options for strengthening the union* (UK Institute for Public Policy Research).

³⁵ C. Sandford (2000) *Why tax systems matter: a comparative study of the political economy of taxation* (Bath: UK; Fiscal Publications) (pp.22-24).

7. The tax should be perceptibly and identifiably a local one, used for local purposes.
8. The tax should promote local accountability and so improve decision-making.

Underpinning these criteria are those relating to generic taxation design:

- Neutrality (treats similar activities in similar ways, thereby minimising distortions).
- Simplicity (to increase transparency and minimise compliance costs).
- Stability (consistent and predictable).

The OECD advises that taxes with cyclical revenue bases (such as corporate and personal income tax) should remain the provenance of central government, consistent with its role in macroeconomic stabilisation. They also believe that an element of ‘fiscal equalisation’ is necessary to support fiscal federalism, whereby ‘grant’ payments are made to areas with low capacity to generate revenue or where the costs of providing services are higher (though these grant payments can themselves lead to undesirable side effects such as accentuating rather than smoothing local revenue fluctuations (Blöchliger and Petzold, 2009).

Lodge and Trench (2014) conclude that ‘outright welfare devolution is neither possible nor desirable’ as it would require substantial fiscal devolution, which would in turn eliminate cross-regional subsidies, exposing poorer areas to the effect (a ‘vicious spiral’) of having weak tax bases and removing the risk sharing from the state.

The Commission on Devolution in Wales (known as the Silk Commission) reached a similar conclusion, having considered options for fiscal devolution to Wales:

We do not think that models towards full fiscal autonomy are appropriate for Wales given... [that] tax revenues generated in Wales are currently well below the total level of public spending in Wales reflecting Wales’ relatively low level of GVA [gross value added] per head. Fiscal autonomy or versions of it would therefore potentially involve large cuts in spending or increases in taxation.³⁶

Welfare payments in New Zealand are funded from general taxation, so if revenue raising for these payments was to also be devolved, the implication is that this would be a power of general taxation of the local population. From the publicly available statistics available to us (discussed earlier in this report), it seems apparent that there would be a considerable shortfall in the revenue that would be able to be raised from the rohe, compared to the welfare costs to be funded, as cross-regional subsidisation and risk pooling would be lost. Depending on the nature of any contract entered into (i.e. who is liable for the guaranteed payment of statutory entitlements), this could necessitate substantial equalisation payments from central government.

³⁶ Commission on Devolution in Wales (2012) *Empowerment and responsibility: financial powers to strengthen Wales*, p. 45.

6. How to make it happen

We have been asked to provide some clear next steps towards developing a new approach to improve social outcomes, incentivise success and manage the Government's risk.

6.1 Co-design a process for developing the agenda

After our brief meeting with Tūhoe, and summarising some of the key insights from international experience in indigenous self-governance initiatives, we strongly recommend that Tūhoe be jointly involved in designing the ongoing process for any further discussions on decentralising welfare and possibly other government services for their rohe.³⁷ The process must have integrity for both parties.

An initial conversation with Ian Cowie, an expert in the Canadian experience, has emphasised the importance of developing a *mutually agreed wording* of the desired agenda for negotiation between the parties, the vision and objectives, and the timeframes and process for discussions, as a fundamental first step. International experience consistently shows that the timeframes required for such processes are long, possibly extending to many years, but will backslide without ensuring this solid mutually agreed foundation.

We therefore recommend that a next step involve a series of hui, to be planned with Tūhoe within their rohe, for co-designing a process for developing the agenda. Underpinning this process should be an on-going focus on building a trusting and honest relationship between the Crown and Tūhoe.

In entering negotiations in good faith, it is important that the Crown does not seek to determine the nature of this agenda in advance. However, it will need to consider the boundaries of more fundamental changes that it is prepared to discuss. More fundamental decentralisation could imply changes to individual statutory entitlements (such as benefit levels), or to what is possible under the Public Finance Act and other legislation. The government will have some bottom lines that it considers 'no go' zones such as its international commitments (e.g. to international treaties) and the Human Rights Act. Other aspects, such as fiscal decentralisation, would require significant consideration.

6.2 Support Tūhoe in developing a plan

Our collective experience across over 50 countries at a range of development stages suggests to us that a strategic development plan, developed in partnership but driven by Tūhoe priorities, would be a helpful framework document. In addition to providing agreed scope

³⁷ We assume Ministerial mandate will be required before MSD enters into any joint process with Tūhoe on decentralising welfare or government services.

and objectives, it would also allow the range of relevant counterparties to be identified and included in the governance structure.

With the return of Te Urewera together with Tūhoe current land interest brings land value in excess of 300,000 acres. Tūhoe have identified they are capable of developing a range of industries that will create employment opportunities and thereby reduce welfare dependencies. The industries they have identified as possible within their rohe include the following:

- Pharmaceuticals
- Science and research
- Eco-tourism
- Food and technology
- Horticulture
- Agriculture
- Biodiversity
- Culture & Heritage.

Tūhoe have also identified a number of social sector initiatives such as:

- Development of charter schools that embrace tribal tikanga, set up in the rohe with consolidated governance arrangements.
- Health centres in each of the four Tūhoe settlements that meet the needs of the rohe's population including mental health and addiction.

Underpinning any decentralisation will require a structured and deliberate programme of capacity development support that aligns the nature of support with the agreed programme, and phases it according to the agreed priorities. In order to develop a capacity development programme, a capacity assessment should be undertaken. This assessment needs to identify the gaps and areas for development between current capacity, and the institutional, human resource and systems capacity that will be required by Tūhoe to, in the first instance, engage in preliminary negotiations, and then later to take on the governance roles envisioned.

6.3 Form a governance structure

An undertaking of this nature requires a dedicated governance body. Based on the lessons from other jurisdictions and models, we recommend a co-governance structure that includes representatives from both the Crown and Tūhoe. We are aware of the cross-agency governance body established under the SMP, but understand that progress against this plan has been slow. The new governance structure will need to ensure that government representatives are sufficiently mandated to make decisions.

6.4 Assist with building an evidence base

One of the skills MSD can bring to the table is data gathering and analysis, to help stocktake what is known about the population, and 'diagnose' the issues facing particular groups. This information could assist Tūhoe identify focus areas for action and formulate responses.

MSD is currently deriving actuarial liability data for Tūhoe. This could be combined with further localised data from Justice and Police, Education and Health. In conjunction, data matching between these datasets where possible would likely be extremely useful.

These data can be used in a variety of ways and, most importantly, to start to speculate on the possible alternative population scenarios over the coming years. From the collection of this data, both MSD and Tūhoe will be able to identify patterns of deprivation, patterns of service use and, also, geographic location of that deprivation.

6.5 Start with what's possible now

Without anticipating what the scope and content of the agreed vision and plan may be, we suggest that practical initiatives start with what is possible within existing institutional frameworks, and with MSD's discretionary funding. This could be expanded to inter-agency trials, as are already underway and consider available and possible new mechanisms for multi-year, multi-Vote funding. Pilot programmes would enable Tūhoe to start gaining experience in both governing and implementing initiatives, incrementally build their capacity, and progressively 'learn by doing'. It would also allow progress to begin to be made while more substantive self-governing actions are negotiated and developed.

6.6 A word on monitoring and evaluation

Periodic reporting to the governance group will need to be established. The group will need the information and mandate to disestablish unsuccessful activities, and to build on the successes of those that work by extending or expanding programmes. There should also be scope for continuous action learning to monitor progress and respond to and address design and implementation issues as they arise.

Indicators will need to be developed, to monitor and assess success. These indicators need to include measures at the impact level for which programme-level attribution can be reasonably determined (i.e. drop below high-level 'outcomes' measures). Responsibilities for data gathering and analysis will need to be determined; central government may need to provide on-going support for monitoring and evaluation, through the provision of expertise and/or capacity support.

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Appendix 1 Case studies where local groups work alongside government to achieve community, social and economic objectives

Introduction

On the basis of initial discussions, we understand that progress on implementing the Service Management Plan has stalled. At this stage, it remains unclear whether this is due to:

- **Structure of the framework** – including governance, funding, and accountability arrangements; or
- **Process** – the nature and/or process by which the proposed actions were developed and prioritised; or
- **Implementation** – how the plan was implemented; or
- **A combination of the dimensions above.**

However, in the time period since the Service Management Plan was developed, a series of government programmes have been developed that seek to achieve similar objectives to the SMP – in that they involve local community groups either funded directly, or working alongside government agencies to progress local social and/or economic development.

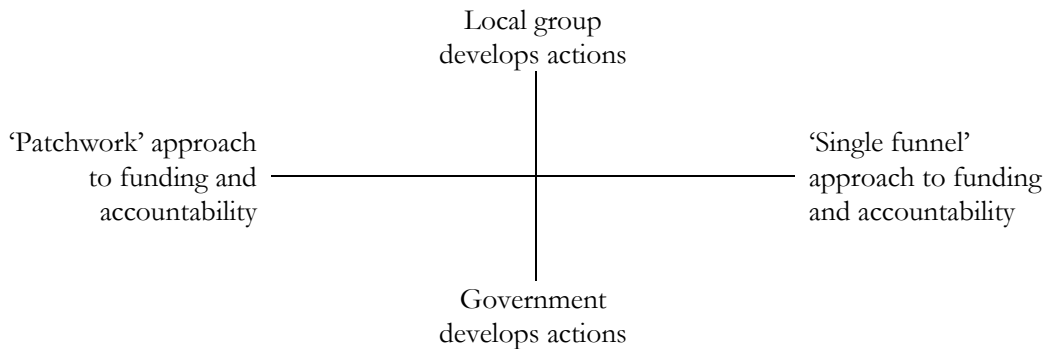
This section summarises these recent developments as a series of case studies. Each case study is briefly summarised, and then assessed against a model to compare and contrast specific aspects of the structures and processes involved in each programme. **This information has been developed solely on the basis of publicly-available material.**

A model for comparing and contrasting the case studies

The model involves two dimensions:

- The extent to which the initiative is developed using a **‘single funnel’ approach for funding and accountability, or adopts a more ‘patchwork’ approach relying on multiple organisations contributing in different ways** (this is sub-set of the structural dimension outlined above)
- The extent to which the actions were **developed by local groups, by local groups with government veto, co-development, or largely developed by central government** (this is a sub-set of the process dimension outlined above)

We have plotted each case study along these two dimensions, using the following model:

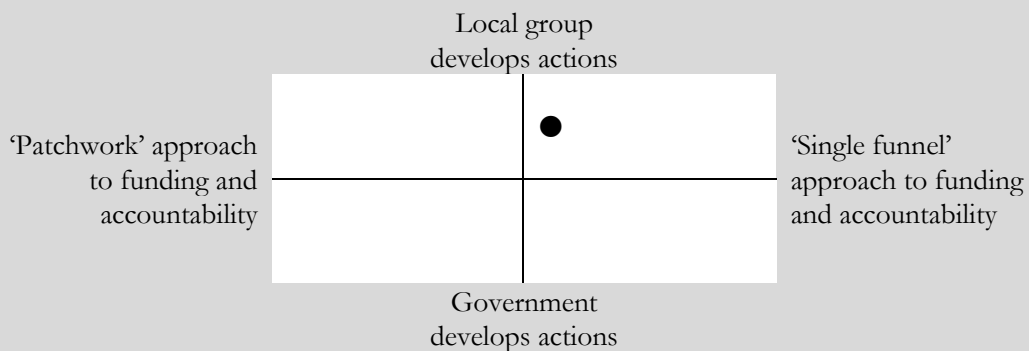


Case studies

Social Bonds pilots

At a high level, the model involves:

- Private and not-for-profit organisations partner to fund and deliver services to improve social outcomes.
- The possible target outcomes are not specified by the government in any way – they are to be developed by providers. Decisions about which providers are funded and which are not are presumably partly shaped by the degree to which the results or outcomes selected by the providers align with government interests and priorities.
- If providers achieve agreed results, the government pays the investors back their investment plus a return.
- Investor returns depend on the level of results, up to an agreed maximum.³⁸

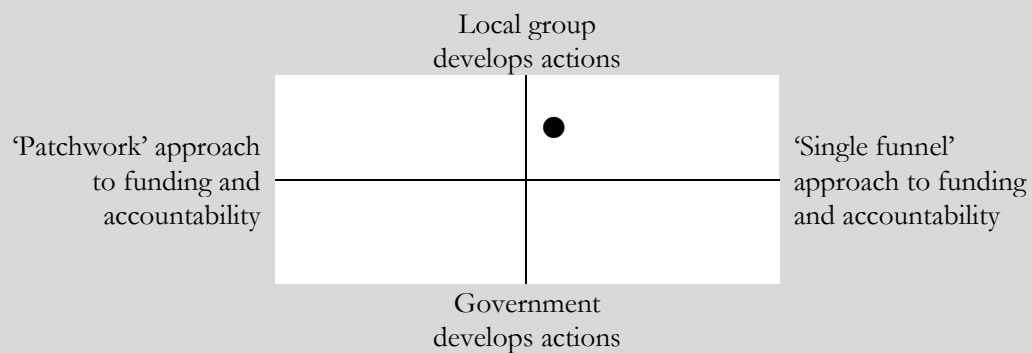


³⁸ Ministry of Health. (2014). *Social Bonds - New Zealand Pilot*. Retrieved from <http://www.health.govt.nz/our-work/preventative-health-wellness/social-bonds-new-zealand-pilot>

Alliance Leadership Teams (ALT) in health sector

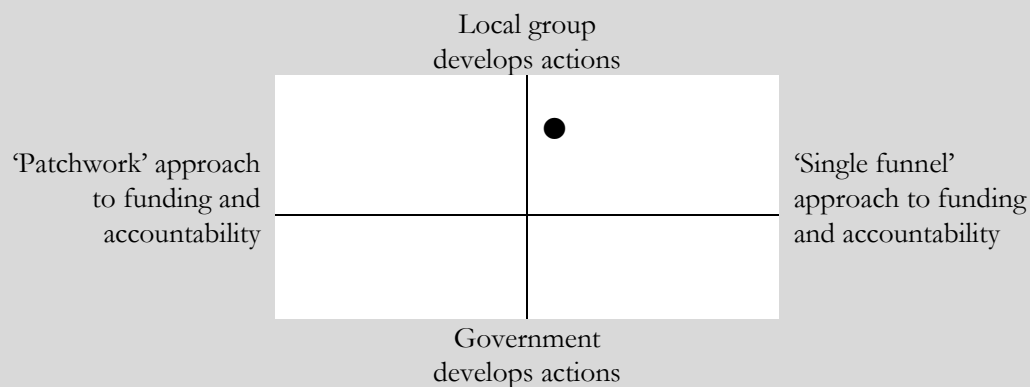
While the model has been operationalised differently in different districts, the basic model is that:

- The DHB defines a set of current services and associated funding that are able to be devolved.
- The Alliance Leadership Team (ALT), which is composed of a range of people representing local organisations and interests – such as GP practices, Primary Health Organisations (PHOs), NGOs, iwi representatives, and hospital-based clinicians, work together to develop a view of how the available funding could be most efficiently and effectively spent.
- The DHB has the right of veto in relation to the any decisions made by the ALT, although it is likely that this would only be exercised in extreme circumstances.
- The DHB contracts for services as described and defined the ALT, in the same way it usually would.



Whānau Ora

- Whānau Ora is an “inclusive interagency approach to providing health and social services to build the capacity of all New Zealand families in need”³⁹
- Key features of the programme include:⁴⁰
 - It aims to empower whānau as a whole rather than focusing separately on individual family members and their problems.
 - There is a great deal of flexibility in what ‘the service’ is – some actions will involve the whānau working to improve their own lives with hapū, iwi or a non-government organisation (NGO), other whānau may seek assistance from specialist Whānau Ora navigators who will work with them to develop a plan to address those needs and broker their access to a range of health and social services.
- The Minister for Whānau Ora (Hon Tariana Turia) is responsible for appropriations covering:
 - activities associated with implementing, developing, administering and evaluating the Whānau Ora service delivery and commissioning approach (\$7 million)
 - purchasing the achievement of Whānau Ora outcomes from non-government commissioning agencies (\$30 million)
 - purchase of the Whānau Ora service delivery capability (\$13 million)
 - one-off establishment costs of the Whānau Ora commissioning agencies (\$2 million)⁴¹
- Under a change to the programme announced in mid-2013, funding shifted from being distributed by Te Puni Kokiri, to being distributed by three geographically-based NGOs.⁴²



Note: Under this programme whānau develop the actions, which is conceptually a step beyond the continuum shown, whereby the end point is ‘local group develops actions’.

³⁹ Te Puni Kokiri. (n.d.). *Whānau Ora*. Retrieved from <http://www.tpk.govt.nz/en/in-focus/whanau-ora/>

⁴⁰ Ibid.

⁴¹ The Treasury. (2014). Vote Māori Affairs 2014/15.

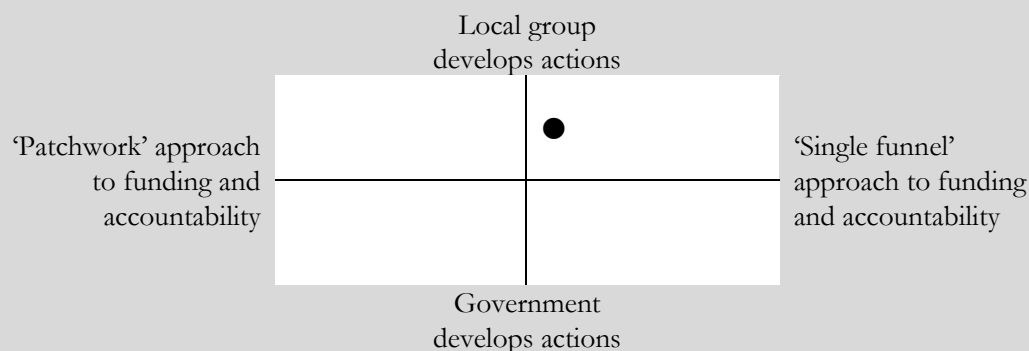
⁴² Rutherford, H. (2013, July 17). NGOs to distribute Whanau Ora funds. *The Dominion Post*. Retrieved from <http://www.stuff.co.nz/national/politics/8928428/NGOs-to-distribute-Whanau-Ora-funds>

Social Sector Trials

Social Sector Trials involve a collaboration between the Ministries of Education, Health, Justice and Social Development, the New Zealand Police and individuals or NGOs working in local communities working together to change the way that social services are delivered.

The model involves:⁴³

- Either a contracted NGO or an employed individual located in the target community leads a programme of work using cross agency resources.
- NGOs/individuals plan social service delivery for young people, manage relevant contracts and associated funding that are within the scope of the programme, oversee resources-in-kind, develop networks, engage with the community and influence social services outside of their direct control (such as statutory services).
- Social Sector Trial local advisory groups are established in each location (representatives include iwi, council, government agencies, community representatives and social service providers), which oversee the direction and priority setting, engage community ownership and involvement.
- A Social Sector Trials Plan (or Action Plan) is developed and implemented for each location.
- The Trials are funded through cross-agency contributions, which include both non-departmental and departmental funding, are transferred into a separate appropriation in Vote Social Development, while the Minister of Health is the appropriating Minister.⁴⁴
- Funding for the Trials in 2014/15 is set at \$2.9 million.⁴⁵



⁴³ Ministry of Social Development. (n.d.). *Social Sector Trials*.

⁴⁴ Centre for Social Research and Evaluation. (2013). *Final Evaluation Report: Social Sector Trials – Trialling New Approaches to Social Sector Change*. Centre for Social Research and Evaluation, Ministry of Social Development, Wellington.

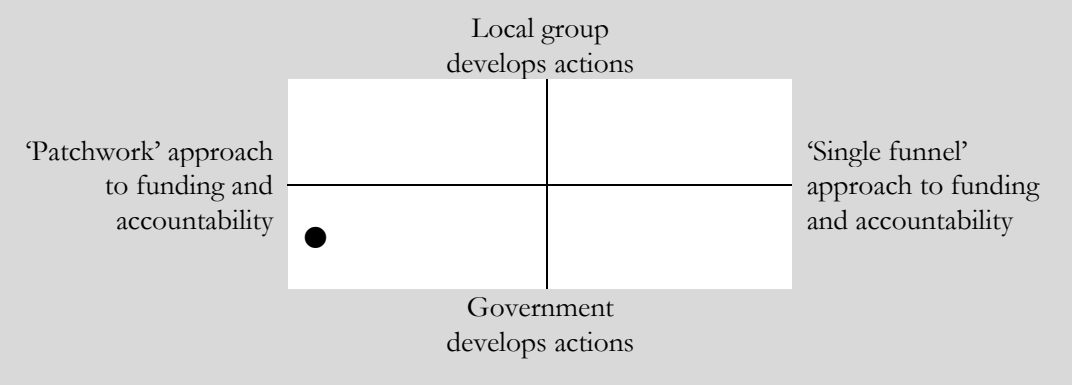
⁴⁵ The Treasury. (2014). *Vote Social Development 2014/15*.

Comparison to the Tūhoe Service Management Plan

By comparison, the Service Management Plan approach involves a ‘patchwork’ approach in relation to funding and accountability, and the specific actions appear to have been largely developed by central government.

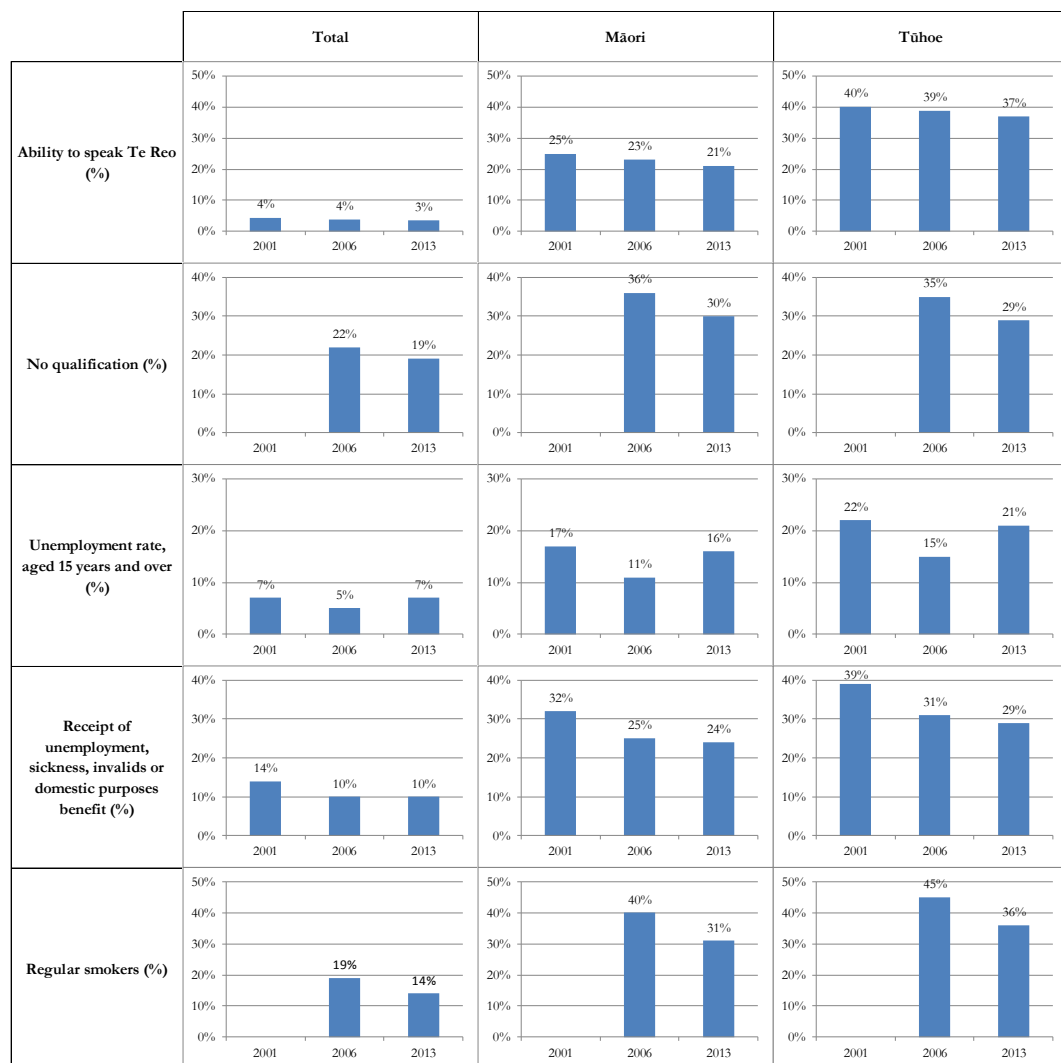
Tūhoe Service Management Plan (SMP)

- In mid-2011, Cabinet agreed that a high level Social Service Taskforce be developed, as a direct result of the Crown-Ngāi Tūhoe relationship statement.
- The taskforce was led by the Ministry of Social Development, with support from the Office of Treaty Settlements, and included senior representatives from Building and Housing NZ, Health, Education, Te Puni Kokiri, the Ministry of Social Development, and the Office of Treaty Settlements. The Department of Prime Minister and Cabinet had an oversight role. The taskforce worked with Ngāi Tūhoe to develop the Service Management Plan.
- The Plan was structured into chapters by government agency. Each chapter begins by outlining (1) government agency priorities, (2) Tūhoe priorities, and (3) shared government agency and Tūhoe priorities. The actions appear to be developed based on shared priority areas. Capability and resourcing attached to actions are frequently either generic (eg. “[government agency] to provide support to Tūhoe”) and/or vague (eg. “discuss with Tūhoe what service capacity we could leverage off”).



Appendix 2 Background statistics on socioeconomic characteristics of Tūhoe, and people living in or near the Tūhoe rohe

Figure 3: Comparison of New Zealand, Maori, and Tūhoe members against selected cultural, social and economic indicators



Source: Statistics New Zealand. (n.d.) NZ.Stat. Retrieved from <http://nzdotstat.stats.govt.nz/wbos/Index.aspx>

Figure 4: Percentage of the population in each Territorial Authority receiving a benefit, by ethnicity

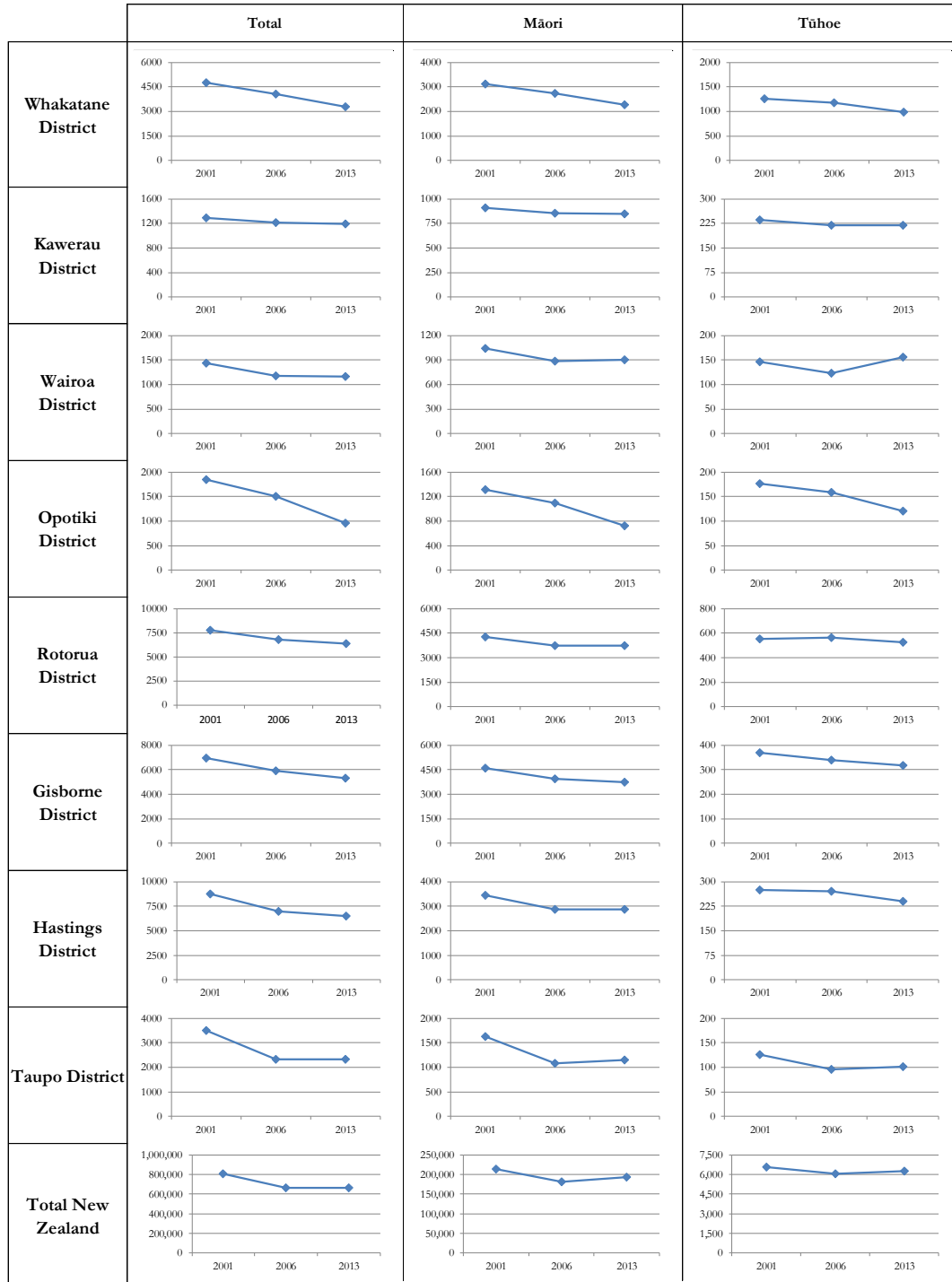
	Total population	Maori	Pacific	Other
Kawerau District	25%	37%	30%	13%
Wairoa District	20%	28%	19%	9%
Gisborne District	16%	28%	21%	7%
Far North District	16%	31%	27%	7%
South Waikato District	16%	28%	23%	10%
Horowhenua District	15%	30%	21%	12%
Wanganui District	15%	30%	22%	12%
Opoiki District	15%	24%	26%	6%
Ruapehu District	14%	26%	23%	8%
Hauraki District	13%	27%	21%	11%
Whakatane District	13%	26%	24%	6%
Masterton District	13%	26%	24%	10%
Whangarei District	13%	30%	22%	8%
Rotorua District	13%	25%	20%	7%
Hamilton City	13%	29%	20%	9%
Kaipara District	13%	28%	21%	9%
Taranua District	12%	27%	22%	9%
Invercargill City	12%	24%	22%	10%
Porirua City	12%	24%	20%	6%
Napier City	12%	27%	17%	9%
Hastings District	12%	28%	18%	7%
Lower Hutt City	11%	26%	17%	8%
Buller District	11%	20%	17%	10%
Palmerston North City	11%	22%	15%	9%
Nelson City	11%	24%	13%	10%
Tauranga City	10%	25%	23%	8%
Rangitikei District	10%	20%	13%	8%
Waikato District	10%	26%	17%	6%
Central Hawke's Bay District	10%	22%	18%	7%
Waitemoa District	10%	20%	12%	5%
South Taranaki District	10%	21%	20%	7%
Dunedin City	10%	19%	15%	9%
Thames-Coromandel District	10%	23%	19%	8%
Kapiti Coast District	10%	23%	18%	8%
Grey District	10%	18%	3%	9%
Manawatu District	10%	21%	18%	8%
Timaru District	9%	21%	12%	9%
Upper Hutt City	9%	20%	16%	8%
Auckland	9%	24%	19%	6%
Stratford District	9%	23%	14%	8%
New Plymouth District	9%	22%	13%	7%
Christchurch City	9%	21%	14%	8%
Otorohanga District	9%	20%	13%	6%
Taupo District	9%	20%	14%	5%
Carterton District	9%	21%	11%	7%
Western Bay of Plenty District	9%	23%	15%	6%
Waimate District	9%	21%	11%	8%
South Wairarapa District	9%	20%	18%	7%
Matamata-Piako District	9%	24%	15%	6%
Waiakei District	9%	19%	15%	8%
Gore District	8%	22%	11%	7%
Clutha District	8%	20%	11%	7%
Westland District	8%	17%	6%	7%
Tasman District	8%	16%	14%	7%
Waipa District	8%	21%	13%	6%
Marlborough District	7%	19%	13%	6%
Wellington City	7%	15%	12%	6%
Kaikoura District	6%	17%	17%	5%
Hurunui District	6%	15%	5%	6%
Ashburton District	6%	15%	10%	5%
Waimakariri District	6%	13%	9%	5%
Chatham Islands Territory	6%	6%	NA	5%
Southland District	5%	15%	8%	5%
Central Otago District	5%	11%	4%	4%
Mackenzie District	4%	8%	0%	4%
Selwyn District	3%	8%	8%	3%
Queenstown-Lakes District	2%	4%	8%	2%
Total, Territorial Authority areas	10%	24%	18%	7%

Source: Statistics New Zealand. (n.d.) NZ.Stat. Retrieved from <http://nzdoistat.stats.govt.nz/wbos/Index.aspx>

Notes:

- Territorial Authorities that include or are located in close proximity to the Tūhoe rohe (Kawerau, Gisborne, Wairoa, Whakatane, Rotorua, Opoiki, Taupo, Hastings) are highlighted in yellow.
- The list has been sorted by the percentage of the total population receiving a benefit.
- Source: NZ.Stat. Census 2013 usually resident population count aged 15 years and over: sources of personal income. Numerator: Count of population receiving: unemployment benefit, sickness benefit, domestic purposes benefit, or invalid benefit. Denominator: Count of total population in each TA aged 15 years and over reporting sources of personal income.

Figure 5: Population receiving benefits, Territorial Authorities in or near Tūhoe rohe and NZ total – trend over time



Source: Statistics New Zealand. (n.d.) NZ.Stat. Retrieved from <http://nzdotstat.stats.govt.nz/wbos/Index.aspx>

Notes:

- Source: NZ.Stat. Census 2013 usually resident population count aged 15 years and over: sources of personal income. Count of population receiving: unemployment benefit, sickness benefit, domestic purposes benefit, or invalid benefit.