

The Treasury

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Chair
Cabinet

COMMUNITY RESPONSE FUND: EXTENSION

Proposal

- 1 I seek Cabinet's agreement to:
 - 1.1 a one year extension of the Community Response Fund (CRF) established to support non-government organisations (NGOs) delivering critical community-based social services and facing serious recession-related funding or demand pressures[CAB Min (09) 13/8 (56) refers]
 - 1.2 fiscally neutral adjustments totalling \$25.000 million in Vote Social Development to fund this extension.

Background

Community Response Fund

- 2 On 20 April 2009, the Cabinet Business Committee (CBC) considered the future use of unallocated funds from the Pathway to Partnership initiative for community-based social services. It agreed to move \$104.033 million of unallocated funding into a Community Response Contingency to respond to urgent demand issues in the non-government organisation (NGO) sector [CAB Min (09) 13/8 (56) refers].
- 3 In May 2009, Cabinet agreed to establish a Community Response Fund (CRF) that would draw on this Contingency to support non-government organisations (NGOs) delivering critical community-based social services and facing serious recession-related funding or demand pressures.
- 4 The Fund was to run for two years from July 2009 until June 2011. There were six funding rounds over these two years. It was expected that by mid 2011, the pressures that the recession was placing on community-based social services would have reduced and that philanthropic funding for the sector would be returning to pre-financial crisis levels.
- 5 Applications are assessed by regional panels or at a national level and panels' recommendations are moderated at a national level to ensure consistency between panels and that the criteria had been applied appropriately. The CRF has three funding categories: demand; financial crisis; and innovative responses to demand. There is a \$50,000 maximum on regional applications, with up to \$100,000 available in exceptional circumstances.¹ These limits do not apply to national applications.
- 6 Over the five funding rounds of the CRF to date, \$41.758 million has been provided to community-based social service providers. Decisions on Round six of the CRF are currently being made. As of 11 March, the Ministry of Social Development had received more than 550

¹ Exceptional circumstances are likely to vary between applicants and are assessed on a case-by-case basis. Panels consider factors such as the extent to which the circumstances presented by the applicant differ significantly from other applicants and whether the impact of the recession is disproportionate compared with other providers or communities.

applications for this round, totalling more than \$28.500 million. On 23 March 2011, Cabinet Social Policy Committee agreed to [2] make payments to successful applicants in round six. Social Policy Committee delegated the Minister for Social Development and Employment and the Minister for Finance to confirm the final amount to be paid to round six applicants [CAB Min (11) 13/5 refers].

Canterbury Earthquake Community Response Fund and Trauma Counselling

7 On 8 September 2010, the Cabinet Social Policy Committee, approved the draw-down of \$10.000 million from the Community Response Fund Contingency into Vote Social Development in 2010/11 only. This provided for trauma counselling for victims of the Canterbury earthquake of 4 September 2010 (\$2.500 million) and created a Canterbury Earthquake Community Response Fund (\$7.500 million), to support community-based social services to respond to issues arising from the earthquake [SOC Min (10) 21/6 refers].

8 [2]

Community Response Model

9 In May 2010, the Community Response Model (CRM) was established. The CRM builds on the CRF and provides the model for moving the sector forward in the medium term as we emerge from the economic downturn. It established regional Community Response Forums to review existing MSD Family and Community Services funding and engage with local stakeholders and families to make recommendations on how funding may be better directed to improve services and make a real difference to local families. The first plans from the forums were received in March 2011.

10 The CRM is supported by a Quality Services and Innovation Fund (QSI). This Fund (\$90.5 million over the four years from 201/11 – 2013/14) was agreed in Budget 2010. Funding for the QSI was drawn from uncommitted Pathway to Partnership funding. The QSI assists Forums with service improvement and integration. It will also support Forums to fill priority gaps in community services, the delivery of additional high quality services, or new services.

Comment

Continuing Funding and Demand Pressures on Community Based Social Services

11 As noted above, when the CRF was established in 2009, it was expected that by mid 2011, the demand and funding pressures on providers that the CRF was intended to address would have been beginning to recede. This is clearly not the case, demand and funding pressures remain as high as in the last two years.

12 Growth during 2011 is likely to be weak and reductions in demand for community-based social services generally lag behind improvements in the economy. Families and communities are likely to feel the effects of the recession through 2011, and demands for critical social services to help manage the effects are likely to continue in the next financial year. Reports from providers and CRF applications also indicate on-going and increasingly complex demand for services. For example, the amount of funding sought under round six of the CRF was the highest of any of the six rounds. While some of this may reflect the fact that this was the last opportunity to obtain funding, there is certainly no sign of a decrease in funding or demand pressure on providers.

13 Since 2008, MSD funded providers of child, family and community services have had their funding adjusted for the impact of inflation. This policy ends this financial year and no

adjustments for costs will, therefore, be made next year. This will place additional pressure on providers.

- 14 In addition, while investment returns have improved for some philanthropic funders, the degree to which community-based social services organisations will benefit is not yet known. Furthermore, the Canterbury and Christchurch earthquakes have significantly changed the pattern of giving and the pressures on the philanthropic dollar. While the earthquakes have seen incredible generosity amongst New Zealanders, the downstream effect of this may be that there is a decrease in giving to other organisations, including those in the social services sector.

Extension of the Community Response Fund for One Year

- 15 To respond to the continuing pressure on community-based social services, I seek Cabinet’s agreement to a one year extension of the CRF. If this is agreed the CRF would continue until June 2012. There would be three rounds during the year and a total of \$25.000 million would be available over those three rounds (approximately \$8 million each round). The current criteria agreed by Cabinet for the CRF should be adjusted to remove ‘innovation’ as one of the three funding categories, as these sorts of proposals are now better considered through the Community Response Model forums.
- 16 I proposed to fund this extension through fiscally neutral adjustments over four years in the funding currently appropriated for the Community Response Model’s Quality Services and Innovation Fund as follows.

\$ million	2010/11	2011/12	2012/13	2013/14
Transferred from QSI Fund	4.429	1.300	6.524	7.724
Community Response Fund Extension	-	25.000	-	-
Amount Remaining in the QSI Fund	-	10.970	17.540	24.660

- 17 Funding of \$5.023 million in 2011/12 only would be reprioritised within the Non-departmental output expense Strong Families to provide the remainder of the \$25.000 million.
- 18 This extension would allow the immediate pressures on providers to be met while continuing with the implementation the CRM process to put in place the longer term approach to the funding community-based social services.

Consultation

- 19 The Treasury and the Department of Prime Minister and Cabinet have been informed.

Financial implications

- 20 In total, \$78.174 million was provided for the Community Response Model Quality Services and Innovation Fund over the four years from 2010/11. In 2010/11 \$3.000 million of the \$7.429 million available that year has been reprioritised as part of the Vote Social Development Budget 2011 package.

- 21 If Cabinet agrees to the transfers sought to extend the CRF, \$53.170 million will remain in the QSI Fund for the next three years. The outyears funding of \$32.385 will not change.

Human rights implications

- 22 The CRF process and recommendations are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

- 23 This paper has no legislative implications.

Regulatory impact and compliance cost statement

- 24 Not required.

Gender implications

- 25 Social service NGOs deliver a range of support services benefiting any gender. Some of the services funded are specifically for women and, therefore, women will benefit from the proposed funding.

Disability perspective

- 26 Social service NGOs deliver a range of support services for families, children, young people, and older people that can be accessed by disabled people and their families. Disabled people will benefit along with others.

Publicity

- 27 MSD will prepare a communications strategy to publicise the extension of the CRF.

Recommendations

- 28 It is recommended that the Committee:
- 1 **note** that, in May 2009, Cabinet agreed to establish a Community Response Fund (the Fund) that would to support non-government organisations (NGOs) delivering critical community-based social services and facing serious recession-related funding or demand pressures;
 - 2 **note** that the Fund was time limited to the two years from July 2009 until June 2011 as it was expected that by mid 2011 the pressures that the recession was placing on community-based social services would have reduced and that philanthropic funding for the sector would be returning to pre-financial crisis levels;
 - 3 **note** that the demand and funding pressures on providers remain as high as in the last two years;
 - 4 **agree** to extend the Community Response Fund for one year from 1 July 2011 until 30 June 2012 to provide \$25.000 million to support organisations delivering critical

community-based social services and facing serious recession-related funding or demand pressures;

- 5 **note** that the current criteria for the Fund include supporting applicants to take an innovative approach to meeting service demand [CAB Min (09) 17/5A refers]
- 6 **note** that the Community Response Model Quality Services and Innovation Fund (QSI) introduced in 2010 also support community based social services that wish to take innovative approaches to service improvement and delivery and that innovation is more appropriately supported through the QSI Fund than the Community Response Fund
- 7 **agree** to remove supporting applicants to take an innovative approach to meeting service demand from the criteria for the Community Response Fund
- 8 **agree** that this extension is funded through fiscally neutral adjustments of \$19.977 million currently appropriated to support the Community Response Model's Quality Services and Innovation Fund (QSI);
- 9 **agree** that remaining funding of \$5.023 million for the extension of the Community Response Fund in 2011/12 is reprioritised from within the Non-departmental Output Expense appropriation Strong Families;
- 10 **approve** the following change to appropriations to fund an extension of the Community Response Fund until 30 June 2012;

Vote Social Development Minister for Social Development and Employment	\$m - increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 & outyears
Departmental Output Expense Family and Community Services (funded by revenue Crown)	(2.800)	(1.300)	(1.500)	(2.700)	-
Non-Departmental Output Expense: Strong Families	(1.629)	19.977	(5.024)	(5.024)	-
Total Operating	(4.429)	18.677	(6.524)	(7.724)	-

- 11 **agree** that the proposed changes to appropriations for 2010/11 be included in the 2010/11 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

Hon Paula Bennett
Minister for Social Development and Employment

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