



REVIEW OF THE PARTNERSHIP FUND BOARD

Date: 11 March 2021 **Report no.** REP/21/3/239

Security level: IN CONFIDENCE **Priority:** Medium

Action Sought

Hon Priyanca Radhakrishnan

Minister for Youth

Note

11 March 2021

Contact for telephone discussion

<i>Name</i>	<i>Position</i>	<i>Telephone</i>	<i>1st Contact</i>
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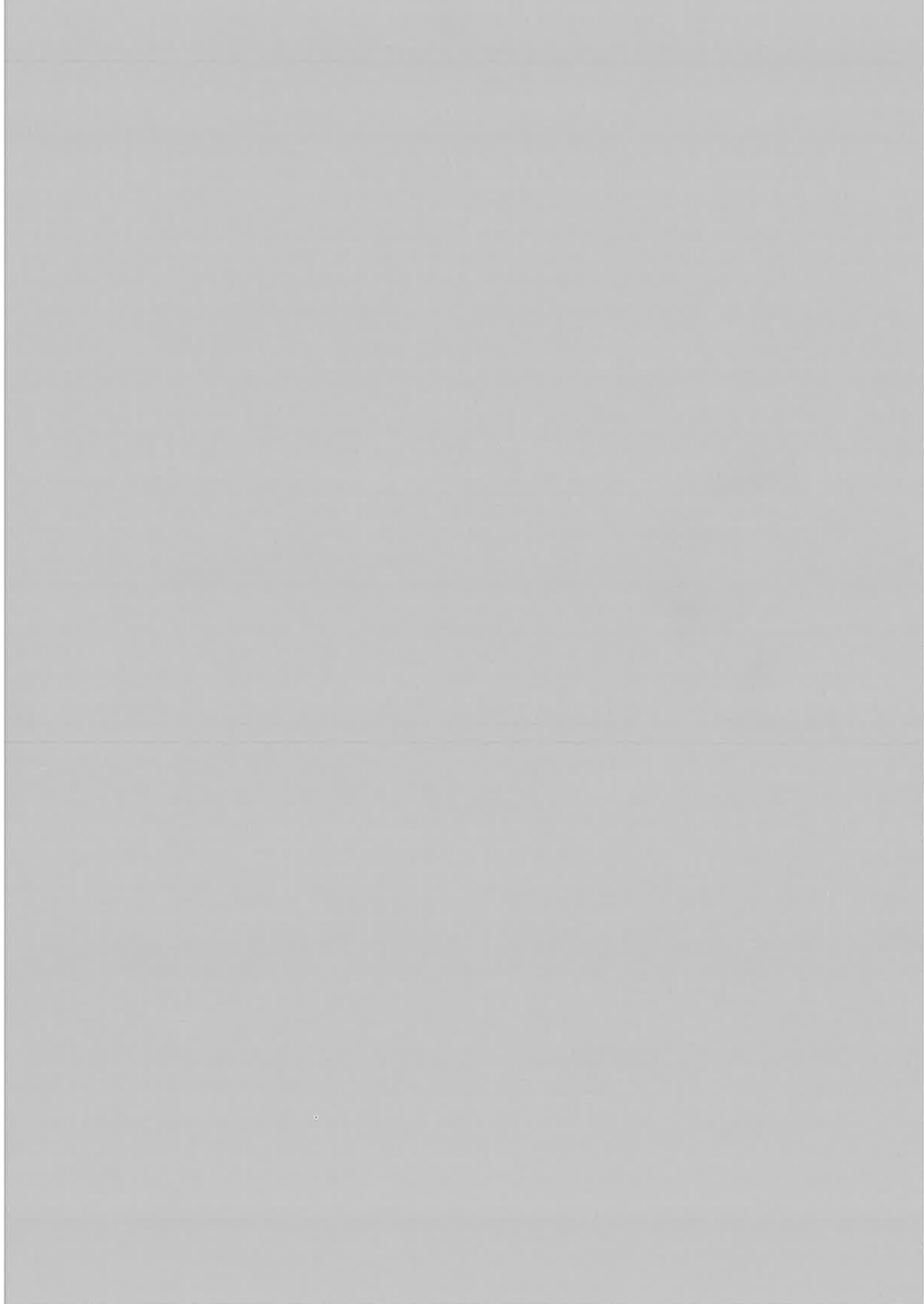
Minister's office comments

- Noted
- Seen
- Approved
- Needs change
- Withdrawn
- Not seen by Minister
- Overtaken by events
- Referred to (specify)

Comments

Date received from MSD

Date returned to MSD





Report

Date: 11 March 2021

Security Level: IN CONFIDENCE

To: Hon Priyanca Radhakrishnan, Minister for Youth

Review of the Partnership Fund Board

Purpose of the report

- 1 This report discusses high level approaches for ensuring the Partnership Fund Board (the Board) is still 'fit for purpose' and aligns with your strategic intentions.

Executive summary

- 2 The Board administers the \$1 million Fund, through partnering with businesses, iwi, philanthropic organisations and other funders to create youth development opportunities for young people. The Board was established in 2016 to free up capacity for the Ministry of Youth Development (MYD) – Te Manatū Whakahiato Taiohi to perform its core functions. The Board was to include representatives from the business and philanthropic sectors, with the intention that these people would be well placed to provide first-hand advice on how to engage with their respective sectors. This funding was intended to be matched by businesses and philanthropic investment to increase the overall funding available over time.
- 3 A review of the Fund in 2017, carried out by the Centre for Social Impact, found that there were a number of challenges with the way the Fund was set up. The capability of the Board to partner strategically and effectively is mixed and may account for some of the reason why MYD has needed to play a larger role in sourcing community partners. The mix of capabilities and expertise on the Board has shifted away from its original composition meaning that the Board does not have the connections to business and philanthropic organisations as was intended when it was stood up in 2016. Due to its composition, the Board is unable to fully realise its vision as intended by previous Ministers of Youth.
- 4 Reorienting the Board may help to better realise your strategic intentions. We have done further analysis, identified areas that could be impacting the efficacy of the Board and developed potential approaches for addressing these. These are:
 1. retain and reorient the Board towards its original policy intent, set new expectations and a clear purpose
 2. the Board is re-established as a Youth Advisory Board ensuring a youth voice in decision making, and MYD takes over the investment functions
 3. the Board is set up as a statutory body to strengthen its independence.

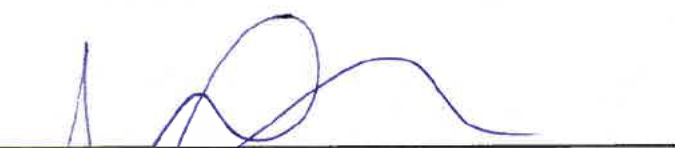
Recommended actions

It is recommended that you:

- 1 **note** that the Partnership Fund Board was established in 2016, to administer the Partnership Fund by partnering with businesses, iwi, philanthropic organisations and other funders to create youth development opportunities for young people
- 2 **note** the policy intent of the Board does not align with the current operational implementation
- 3 **note** that we have done further analysis, identified areas that could be impacting the efficacy of the Board and developed potential approaches for addressing these
- 4 **note** that officials have identified three broad approaches:
 - 4.1 Approach 1: retain and reorient the Board towards its original policy intent, set new expectations and clear purpose

or
 - 4.2 Approach 2: the Board is re-established as a Youth Advisory Board ensuring a youth voice in decision making, and MYD takes over the investment functions

or
 - 4.3 Approach 3: the Board is set up as a statutory body to strengthen its independence.
- 5 **note** that officials are available to discuss the approaches in this report with you as required
- 6 **note** that subject to your direction, further advice on the potential approaches can be provided



Melissa Cathro
Policy Manager, Child and Youth Policy

11 / 3 / 21

Date

Hon Priyanca Radhakrishnan
Minister for Youth

Date

Background

- 7 The Partnership Fund Board was established in 2016 [SOC-15-SUB-0034 refers] to enable more effective partnerships with the business and philanthropic sectors to increase youth development opportunities. Previously, MYD administered the Youth Development Partnership Fund, a contestable fund totalling \$889,000 targeted at Local Councils to support young people's active contribution to local decision-making.
- 8 MYD was then to become more tightly and effectively focused on delivering a smaller number of youth related functions. While a partnership fund could have been delivered from within MYD, there was concern that businesses and philanthropic sectors may not consider a government department the most successful model to engage with them. Providing some level of perceived independence from MYD was envisaged to be critical for the fund to be able to engage with the sectors.
- 9 Establishing a ministerially appointed Board, reporting directly to the Minister for Youth, to oversee the Partnership Fund was the preferred option as it was cost-effective and relatively quick to establish. Alternate governance arrangements, such as setting up an independent statutory body similar to a Crown Agent, would take some time and would require legislation to establish. Further, establishing a statutory body would require an establishment unit in MSD be put in place to facilitate Board appointments and provide practical support that is required to establish a new entity. Currently MYD has been managing and facilitating all Board appointments to date to support the Board. This includes induction and wrap-around support for new Board members.
- 10 The Board was intended to play an active role in attracting funding from businesses and philanthropic sectors as well as having the power to make recommendations on the administration of the funds. Given the time constraints for establishing the Board, it was agreed that the financial delegations and approval and monitoring/reporting of contracts would sit with MYD. The Board was initially allocated seed funding of approximately \$1,000,000 per annum to administer the partnership fund. This funding was intended to be matched by businesses and philanthropic investment to increase the overall funding available over time.
- 11 Hon Nikki Kaye, the then Minister for Youth under the previous government requested that Board members include representatives from the business and philanthropic sectors, with the intention that these people would be well placed to provide first-hand advice on how to engage with their respective sectors. The inaugural Board was appointed in September 2016. Board members were recruited through an open Expression of Interest process run by MYD staff. The composition of the Board included a balance of members from relevant groups and sectors with a mix of interests and expertise, including: young people with experience in supporting others to achieve, philanthropic and corporate sector leads and innovators, and youth development experts.

The Board is facing a number of challenges

- 12 A review of the Fund was conducted in 2017 to investigate how it was performing, and whether it was operating based on the original intentions set out in the 2015 Cabinet paper [SOC-15-SUB-0034 refers]. The Fund was set up at pace. A number of the challenges identified were largely a result of the way the Fund was set up. A summary of findings from the review is contained in *Appendix 1*. In brief, the review found that:
 - the Fund was exhibiting a co-funding rather than a partnership model
 - authentic partnership was difficult with limited resources
 - the Fund was challenged in finding a balance between the quality and quantity of youth development opportunities funded and balancing tried and true initiatives with new and innovative ones.

- 13 Additional challenges are that operationally the roles and responsibilities of Board members and of MYD overlap. The Board is fully supported by MYD staff for the administration of the Board, which includes secretariat support. MYD is currently responsible for organising travel, coordinating Board events, financial reporting on the Board's operational budget, contract management, monitoring and reporting and other administrative support. Further, financial delegations for all Board recommendations sit with the General Manager, MYD for approval as the Board have no financial delegations. MYD also sits on the Board in a government advisory capacity. An analysis of the functions for the Board and MYD are provided in Appendix 3.
- 14 In response to the Review findings, the previous Minister for Youth, Hon Peeni Henare, made interim changes to the Board including:
 - adding/increasing the number of Youth dedicated roles on the Board
 - reoriented the Board to have a more strategic role to support his priorities
- 15 The key mechanism for implementing these changes were through the Terms of Reference document and later through a Letter of Expectation to the Board Chair. His vision for the Board is contained in Appendix 2.

The Board's capabilities are mixed

- 16 Board members have a mix of capabilities, experience working with young people of diverse backgrounds and includes successful business owners, CEOs of non-governmental organisations and charities, and founders of successful programmes to enhance young people's wellbeing and leadership skills. This experience gives them good insight into what the youth sector needs, what young people need, and what is likely to be effective. The Board also includes four young people themselves.
- 17 The capability of the Board to partner strategically and effectively may account for some of the reason why MYD has needed to play a larger role in sourcing community partners. In September 2019, the Chair of the Board submitted a report which included a suggestion to provide professional development opportunities for the Board such as training on the Treaty of Waitangi, the Public Finance Act, risk management, and contract management. Some, but not all training has occurred to date. In addition, youth Board members are receiving informal Governance training by more experienced Board members.

COVID-19 has shifted the environment the Fund operates in

- 18 Evidence shows that COVID-19 will have a disproportionate and lasting impact on young people. Young people are more at risk of adverse psychological, social, health, economic and educational effects post-disasters. Existing factors are likely to be exacerbated by COVID-19 and this impact will continue to change the current landscape.
- 19 Given the current economic environment and the negative impact of COVID-19 on local/regional businesses and the philanthropic sector, retaining a focus on increasing investment and growing the Fund may not reflect the change of environment that the Fund operates in.
- 20 Hon Peeni Henare, the previous Minister for Youth requested a review of the governance arrangements, to consider whether this is the most appropriate and effective mechanism for delivering results. This request was timely given recent shifts in COVID-19 lockdowns, which will continue to impact the sector and youth.

The policy intent of the Board does not align with the current operational implementation

- 21 The original policy intent of the Board was to focus solely on partnership opportunities and to enable MYD to become more tightly and effectively focused on delivering a smaller number of youth related functions. However operationally,

overseeing and supporting the Board has seen an increase in additional resource required from MYD.

- 22 The intention in 2016 was for investment decisions for the fund to be at arm-length from Ministers and include input from young people, businesses and philanthropic sectors, youth and community sectors and government. The fund was to both set priorities for the sorts of opportunities it was seeking to fund, as well as being able to respond to proposals from the sector [SOC-15-SUB-0034 refers]. The secretarial support provided by MYD has meant that MYD operationalises many functions of the Board. When the Board was established, it was expected that it would establish funding models and mechanisms to attract business and philanthropic funds, to manage funding allocation and distribution. It was also expected that the Board would enable MYD to streamline its functions and be an independent, decision-making body.
- 23 The Board provides a development opportunity for youth Board members and effectively enables a youth voice in government decision-making. However, the current mix of capabilities in the Board mean it difficult to realise the vision of strong connections to the philanthropic and business sectors. Particularly given the changing COVID-19 environment, there is a question of whether the Board is currently fit for purpose. Reorienting the Board may help to better realise your strategic intentions.

We have identified high level approaches for you to consider, to clarify its purpose and improve how the Board operates

Approach 1: retain and reorient the Board towards its original policy intent, set new expectations and clear purpose

25. There may be value in reorienting the current arrangements towards its original policy intent of effectively engaging the business and philanthropic sectors, growing the funding pool and increasing the number and quality of youth opportunities funded. However, this would mean appointing the a Board with the required skills and expertise, and potentially shifting the Board away from maintaining the current number of Youth dedicated members roles and the youth development opportunities they provide.
26. The Board may gain a clearer direction and purpose by understanding your priorities through a renewed letter of expectations and a revised Terms of Reference. Changes to the Terms of Reference could include, for example, reducing the minimum number of young people on the Board and appointing the Chair of the Board yourself to ensure the Board is being chaired in line with your priorities. There may also be value in seeking strategic Board appointments reflective of the original policy intent. This option could rebalance the Board in favour of members with strong connections to philanthropic and business sectors.
27. Building on the 2017 review findings, there has some criticism from investors that the Board does not operate under a true partnership model, as investors do not get a say over the investment decision and the Board recommends all proposals for MYD financial approval. However, without structural changes to the Board's independence, this issue is unlikely to be resolved. It was noted that if the Fund continues to operate using a co-funding model rather than a true partnership model, that the name of the Fund and its intended function, should be changed to better reflect that. This is something that could also be clarified in a letter of expectations and revised Terms of Reference.
28. Alongside a renewed Terms of Reference and Letter of Expectations, this option could include funding to allow administrative secretariat functions to be delivered by an external provider to ensure MYD involvement is limited to a strategic advisory role.
29. The advantage of this approach is that it would align the Board more closely with its original policy intent, and it would reduce the operational overlap with MYD. However, shifting the Board in this direction would result in it losing its strong youth voice.

Approach 2: the Board is re-established as a youth advisory Board ensuring a youth voice in decision making and MYD takes over the investment functions

30. The current Board has a strong youth voice and experience in working with young people of diverse backgrounds, includes business owners, CEOs of non-governmental organisations and charities, and founders of successful programmes to enhance young people's wellbeing and leadership skills. The Board's experience may be better utilised in supporting you in an advisory function to support your priorities.
31. The Board could be dismantled and re-established as a youth advisory Board (or an alternate title) reporting directly to you. It could offer advice on youth issues and be used as you best see fit to inform the progression of the Youth portfolio. This approach would also align with the principles of the Youth Plan in strengthening youth voice and perspective in decision-making at all levels, particularly in decisions about COVID-19 recovery. This could enable an independent and formalised youth voice in decision making. Alternatively, a Youth Advisory Board could be established to advise MYD directly for this purpose.
32. Insights from the Youth Advisory Board could also be shared with relevant government agencies and youth sector groups to support more collaborative partnerships and actions to support decisions around youth development.
33. Complementing this approach is that MYD could take over the investment function. At the operational level, MYD already performs this function. MYD has also already pivoted its dedicated Regional Relationship Managers to gather timely intel to ensure a better understand of what works on the ground for young people. This is important following the impacts of COVID-19 on young people and the future impact this will continue to have.
34. This shift would enable MYD to operate the Fund and have a single unified view on the initiatives that should be funded to address young people's needs, particularly for COVID-19 recovery and implementing the Youth Plan and CYWS.
35. There is a risk that by disestablishing the Board it could appear there is a loss of youth voice in investment decisions. However, this could be managed by re-establishing the Board as a Youth Advisory Board and highlighting the possibly broader range of issues that youth would have a voice in at all levels of government decision-making

Approach 3: the Board is set up as a statutory body to strengthen the independence of the Board

36. Another approach for resolving some of the challenges faced by the Board could be to set the Board up a statutory body, for example as a Crown Agent. This option, along with a number of other independent entity forms were considered by Cabinet in 2015¹. The current arrangements were chosen as it was seen to provide the best balance between the ability to have external input, and low costs to transition to a new model.
37. This approach would increase the Board's independence and lessen government interface with business and philanthropic organisations. This could improve the Board's ability to partner effectively and realise the original policy intent. A statutorily independent body would be overseen by a Board that would be

¹ In 2015, six options were proposed to Cabinet for expanding youth development opportunities: (1) a refocused MYD with a board or charitable trust to administer the Fund, (1A) a refocused MYD without a board/charitable trust, (2) a charitable trust, (3) a Crown agent, (4) a commissioning non-governmental organisation, or (5) a schedule 4A company¹.

responsible for its own Budget and would undertake its own secretariat functions, freeing up resources for MYD.

38. However, setting up a statutory body would take some time and would require legislation to establish. It would also require an establishment unit in MSD be put in place to facilitate Board appointments and provide practical support that is required to establish a new entity. Depending on the priority assigned on the legislative agenda, it could take a couple of years to pass legislation. It would also require approximately six months to appoint Board members and support them through the process of recruiting a chief executive and other employees that would be required to deliver its functions.
39. In 2015, the costs for setting up a statutory body such as a Crown Agent or Charitable Trust were estimated to be approximately \$2.5 million, with ongoing operating costs of \$3.4 million per year. These costs are indicative, and if you were interested in exploring this option further work would be required.
40. While the benefit of this approach is that it would increase the Board's perceived level of independence and lessen government interface with business and philanthropic organisations, the financial implications of doing so may be counterproductive. In addition, the process of establishing this body would be administratively and legislatively cumbersome.
41. We would also need to take into account the Public Service Commission's views as to whether a new statutory body is essential, and whether it would overlap with the roles and responsibilities of entities that already exist. For these reasons, we do not think that this approach would likely be broadly supported, and on balance would not recommend it.

Next steps

42. We recommend that you provide an indication of your preferred approach for reorienting the Partnership Fund Board. Officials are available to discuss the approaches as required.
43. Subject to your direction, a fuller options analysis will need to be undertaken and further advice provided.

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Appendix 1: Summary of findings from a 2017 review of the Partnership Fund

A review of the Fund was conducted in 2017 to investigate how it was performing, and whether it was operating based on the original intentions set out in the 2015 Cabinet paper.

Key findings/insights were:

- The Fund had been operating through a co-funding model rather than a true partnership model as MYD set the goals for the fund, and made most of the decisions.
- The review identified several challenges for the Fund including the ability to partner authentically with limited resources, balance the quantity and quality of youth development opportunities, and balance new initiatives with tried and true ones.
- Some areas were identified for improvement, including clear communications about the position and purpose of the Fund and connecting more meaningfully with iwi and philanthropic organisations by modelling partnership principles.
- Sharing learnings on what is effective for young people could help to maximise the impact of the fund, as could investing in higher quality opportunities for young people. It was also found that Board members could use their networks and influence in a better way to achieve these things.
- Those surveyed in 2017 (philanthropic organisations, youth sector organisations, Board members and MYD staff) wanted to see the Fund continued and strengthened.
- It was recommended that the Fund focus on building a small number of strategic partnerships with philanthropic funders, iwi and youth providers and identify shared goals and possibilities.
- It was noted that if the Fund continues to operate using a co-funding model rather than a true partnership model, that the name of the Fund should be changed to reflect that. Otherwise, more staff and Board members would be needed to operate under a true partnership model.

Appendix 2: the previous Minister's vision for the Board

The previous Minister for Youth, Hon Peeni Henare, identified his vision for the Board as being to explore opportunities for partnership investments in transformational impact initiatives, including through private equity investors.

One of the current problems with the Fund investments is that they duplicate MYD's other funding streams (youth development and youth enterprise funding streams). Minister Henare asked the Board to invest in transformational initiatives for young people and their communities, including partnerships that align with and contribute to your priorities. It was signalled that a rolling Board term would allow for the upskilling of Board members, and for Board members to be supported into other roles at the end of their term. Some of these changes have already been actioned.

Minister Henare identified some new priorities for the Board that acknowledge the effects of COVID-19, and how it has perpetuated disadvantage in some cohorts of young people. The 2020/21 priorities for the Board, are:

- to develop genuine partnerships to support quality youth development opportunities to improve outcomes for young people aged 17 to 24 years that have been disproportionately affected by COVID-19, with a focus on the following cohorts of young people aged 17-24:
 - rangatahi Māori
 - Pacific young people
 - disabled young people
 - rainbow young people
- to investigate opportunities to partner with iwi and other funders to support rangatahi leadership, particularly for rangatahi Māori.

As a result of COVID-19 and the way it has changed the economic environment, there is likely to be reduced funding available from partners as businesses may cut back on spending to stay afloat. This may mean a change to the type of partners for the Fund. A change to the governance arrangements of the Board may allow the Board to operate in a way that reflects what is needed in the current emerging environment.

Appendix 3: analysis of the functions for the Board and MYD

The Partnership Fund Board

Current functions (intended and observed)	Are these working?	What are the problems?	What are the solutions?
Partnership model	No	Not a true partnership, as investors don't get any say over the investment decisions – the Board approves all proposals.	<ul style="list-style-type: none"> • The name of the Fund and its intention changed to reflect co-investment model or <ul style="list-style-type: none"> • Structural changes to the Board to enable independence from government
Quarterly meetings to approve proposals	Yes		
Investment in youth development opportunities that have a sizeable impact	No	The youth development opportunities are not having a sizeable impact.	Prioritise investments into programmes that have a known impact for young people, and prioritise larger investments, over multiple years.
Finding investment partners	No	It was originally intended that the Board perform this function. Both MYD and the Board are finding investment partners, resulting in an overlap of functions. The original purpose of the Board was to lessen the	The Board could utilise their own networks to perform this function, should they have the skills and experience to do so. MYD could take a step back, and leave this to Board members.

		interface with government by having a Board perform this role.	Alternatively, Regional Relationship Managers could perform this function.
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Ministry of Youth Development

Current functions (intended and observed)	Are these working?	What are the problems?	What are the solutions?
Secretariat function			
Coordinating Board inductions	Yes		
Governance training	No	No current formal governance training.	This could be run by an external provider like the Social Wellbeing Agency.
Review of the Board Terms of Reference	Yes		
Commission work from government agencies on behalf of the Board	Yes		
Oversight of Board contracts	Yes		
Organise and coordinate Board meetings	No	This function takes up a considerable amount of time, and doesn't need to be performed by MYD.	An external provider could perform this function.

Manage conflicts of interests and risk register for the Board	No		MYD does not need to perform this function in the first instance.	This could be managed by the Board in the first instance, and then any ongoing issues could be raised with MYD.
Organising travel for the Board	No		This is using up MYD capacity which could be better used performing other functions.	An external provider could perform this function.
Oversight and decisions relating to the Board operational budget	Yes			
Coordination of Board events	No		MYD does not need to perform this function, and may not be best placed to do so.	An external provider could perform this function.
Administrative support for the Board	No		This is using up MYD capacity which could be better used performing other functions.	An external provider could perform this function.
Financial report on operational budget	No		MYD may not be the best agency to perform this function.	An external provider could perform this function.
Advisory role				
Appointments to the Board (including advising the Minister)	Yes			
Drafting of Cabinet papers	Yes			
Develop operational policies to support the Board	Yes			

Monitor the progress of the Board	Yes			
Providing public sector advice to the Board (including sharing information on relevant government work)	Yes			
Other				
Finding investment partners	No	It was originally intended that the Board perform this function. Both MYD and the Board are finding investment partners, resulting in an overlap of functions. The original purpose of the Board was to lessen the interface with government by having a Board perform this role.	<ul style="list-style-type: none"> The Board could utilise their own networks to perform this function, and they have the skills and experience to do so. MYD could take a step back, and leave this to Board members. Alternatively, Regional Relationship Managers could perform this function. 	

