

## Service Level Agreement for Pro Senectute Evaluation of the transparency of funds allocation and the focus on vulnerable groups

### Key facts

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In Switzerland, not only the state, but also third parties such as non-governmental organisations deal in old-age policy. Based on the Federal Law on Old-age and Survivors' Insurance (AHVG, SR 831.10), one way the Confederation supports old-age aid on a national level is by means of service level agreements with third parties. The reorganisation of fiscal equalisation (NFA) has limited the scope of Art. 101<sup>bis</sup> AHVG: Since 2008, subsidies have been paid to nationwide organisations only, whereas before that, their cantonal and regional agencies received direct payments. However, after the reorganisation of fiscal equalisation, the umbrella organisations still pass on a major share of contributions to their cantonal agencies. As for Pro Senectute, a service level agreement over an annual maximum of 54 million Swiss Francs has been signed for the years 2010 to 2013.

This evaluation is meant to enhance transparency in Pro Senectute's allocation of contributions. The study focuses on the new objectives added to the service level agreement – cost transparency within the individual service categories and allocation of contributions to vulnerable groups in particular. The data were collected by testing the new system of key indicators in accounting, expert interviews with accountants and a written survey at the cantonal Pro Senectute agencies, quantitative research and sampling in social consulting, case studies of projects in community intervention. The evaluation results represent the situation before September 2012.

### **On the whole, target achievement of contributions is not sufficiently apparent**

In subsidies, Pro Senectute receives contributions for quantifiable services as well as flat-rate contributions. The Swiss Federal Audit Office (SFAO) holds the view that supervision of the two, types of contributions is in great disproportion. As regards the contributions for quantifiable services which the umbrella organisation passes on to the cantonal agencies, the services actually rendered are compensated according to the list of services, the annual maximum being 28.5 million Swiss Francs. In addition, there are contributions for coordination and development at a fixed annual flat rate of 18.8 million Swiss Francs for the cantonal Pro Senectute agencies and 6.4 million Swiss Francs for the umbrella organisation. The two instruments for supervising the allocation of contributions consist in a declaration of services for quantifiable contributions and a report, both addressed to the Federal Social Insurance Office (FSIO). The declaration of services is audited at great costs (an estimated total of 1 million Swiss Francs for the overall organisation). With the final declaration of services, the Federal Social Insurance Office has got numerous key performance indicators at hand, yet no light is shed on client structure or the impact of services rendered. In the area of quantifiable contributions, the report counteracts this shortcoming in that it delivers additional demographic specifications, services are categorised and service targets briefly addressed. However, this does not apply for the flat-rate contributions intended for coordination and development, for which the degree of target achievement cannot really be derived from the report. Among other things, this could be due to the fact that the objectives held down in the service level agreement are fairly abstract and may refer to different services at the same time. Objectives can only be quantified and verified if they have been substantiated by means of

appropriate indicators. It makes sense to prepare the indicators within the framework of continuous processes, starting by gaining information on their implementation and the underlying conditions. In view of the 2012 controlling interview, the Federal Social Insurance Office has therefore already requested additional information on the tasks of the umbrella organisation.

### **Allocation of contributions with current margins is of little value**

Contributions for quantifiable services are made in these five categories: social consulting, community intervention projects, group training in sports and education, and assistance – a service involving house calls. Each service category is limited to a certain percentage of the cap on costs of 28.5 million Swiss Francs. These margins have developed over time and help the Federal Social Insurance Office in controlling the funds. Using margins to ensure that the better part of the available funds is spent on social consulting (60–70%) makes sense to the Swiss Federal Audit Office. However, the differences between community intervention (2–4%), sports (10–15%), education (8–13%) and assistance (10–13%) are no longer traceable. For one, community intervention, group training and house calls are all fit for reaching vulnerable groups. Secondly, splitting the contributions makes it more difficult to cross-link service categories, which is important to Pro Senectute Switzerland. There is a certain risk that high demands made by the Confederation might interfere with Pro Senectute's operational command. Furthermore, applying flat-rate contributions and focusing on target achievement seems more suitable to the Swiss Federal Audit Office in a case such as this, where the service level agreement is impact-oriented. This is true in particular due to the fact that a quantifiable service award, when understood as a service *mandate*, can lead to a situation where more service results in greater contributions.

### **Implementation of new accounting manual is well on track**

To fulfil the requirements of the Federal Social Insurance Office with regard to comparability of services and full costs, Pro Senectute has prepared a new accounting manual mandatory for all cantonal Pro Senectute agencies since 1 January 2012. The Swiss Federal Audit Office has come to the conclusion that with the system of key indicators based on the new manual it is now possible to determine the federal subsidies as well as profits and losses for each individual service category. Feasibility was proven in a pilot test showing that the cantonal Pro Senectute agencies had to put in between one and two days for feeding the key indicators into the new system. However, the test also revealed some minor inconsistencies. Pro Senectute is in the process of collecting recurring issues and plans to provide internal training.

### **Strategic implementation of the focus on vulnerable groups is running slow**

The Swiss Federal Audit Office examined as to whether the services in social consulting and community intervention actually reached the vulnerable. It was found that social consulting is indeed granted primarily to those in need, and also that there are great differences in the nature of those clients' resources. In community intervention however, vulnerable targets are a minority. A nationwide concept to reach vulnerable groups has been initialised but not yet accomplished. A qualitative analysis of the current situation and the need for action was conducted; yet the original intention to set up indicators for identifying and addressing certain target groups was abandoned. On a local scale, the cantonal Pro Senectute agencies undertake various efforts to improve accessibility by either readjusting existing services or creating new ones; however, these

measures have yet to be strategically coordinated. So far, the necessary organisational development has not taken place: there is no action strategy to reach vulnerable groups and rouse their interest and participation so as to adjust the services accordingly.

Against this background, the Swiss Federal Audit Office has expressed the following recommendations with regard to the next service level agreement:

**Recommendation for overall control:** The Swiss Federal Audit Office recommends that the Federal Social Insurance Office continue to focus its funds on social consulting. Within the other service categories however, a consolidation of margins to enable cross-linking and control by Pro Senectute should be considered. In the supervision of contributions, a correlation with the objectives needs to be established in the long run. This can be achieved with appropriate indicators, a closer specification of the quantifiable service units or on-site visits by the Federal Social Insurance Office. In any case, Pro Senectute needs to carry on its service statistics.

**Recommendation regarding vulnerable target groups:** The Swiss Federal Audit Office recommends that Pro Senectute Switzerland present a concept for aiming services at vulnerable groups, then define the actions needed and establish controlling instruments in cooperation with the cantonal agencies. A systematic opening should take place, including, among other things, strategies on how to identify vulnerable groups and suggestions for their motivation to participate. And, last but not least, the costs involved must be estimated.

**Recommendation with regard to accounting:** The Swiss Federal Audit Office recommends that the Federal Social Insurance Office demand only those key indicators on profits and losses relevant to fiscal decision-making. Producing unnecessary data at additional costs must be prevented. Instead, significant and consistent key indicators are required. To ensure a consistent implementation of the new accounting manual, the Swiss Federal Audit Office recommends that Pro Senectute further develop the initiated measures.

The FSIO and Pro Senectute have agreed with the recommendations.

**Original text in German**