

13 May 2019

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Tēnā Koe 9(2)(a)

Request for documents under the Official Information Act 1982

This letter is to follow up on my email of 1 May 2019 about your request for all cabinet papers in relation to the establishment of the Social Investment Agency up to the end of December 2017.

Please find attached a copy of the cabinet paper “Changing Lives - our social investment narrative and 2017 work programme” as requested. In my email of 1 May, I provided you with links to other relevant papers regarding the establishment of the Social Investment Agency. I understand from talking with members of staff who were here at that time, that these along with the attached paper were the only ones that went to Cabinet.

Please note that this response (with your personal details removed) will be published on the SIA’s website on 22 May 2019.

If you are not satisfied with this response regarding the release of the requested documents, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi



Alma Shaw

Senior Ministerial Adviser

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Appendix 1: Changing lives – Our Social Investment Narrative and 2017 Work programme

Chair
Cabinet Social Policy Committee

CHANGING LIVES – OUR SOCIAL INVESTMENT NARRATIVE AND 2017 WORK PROGRAMME

Proposal

- 1 This paper confirms the social investment narrative, and outlines next steps for applying social investment across government.
- 2 The joint machinery of government proposal on social sector leadership: *Social sector leadership – delivering better results: report-back* should be read in conjunction with this paper.

Executive summary

- 3 We believe that with the right timing and type of support many more New Zealanders can fully participate in, and belong to, the community and fulfil their potential. We need to be developing tools to help government and front-line workers understand better who needs support, when and what sort, to enable the customer to feed back and influence decisions and systems that effect change. These tools will enable government to sit alongside the most vulnerable and complex families to help them change their lives, with long-term benefits for them, their children and the community. Government agencies and suppliers will be incentivised and encouraged to show they are having an impact and to adjust their support to improve that impact.
- 4 Social investment is an approach that provides a critical opportunity to improve the lives of vulnerable New Zealanders and increase the effectiveness of government spending across the social sector. As well as better understanding and addressing need within portfolios, social investment will increase understanding of the whole-of-social-system response required to achieve desired outcomes for particular groups of people over their lifetime.
- 5 Social investment at its most simple is about investing earlier, and more effectively, in the lives of those who may otherwise be on track to experience poor outcomes so they achieve better longer-term outcomes and at a lower total cost. This will be achieved through better use of data and evidence, more rigorous programme evaluation and both a whole-of-life and whole-of-system understanding of impact, centred around people, not agencies and whole of life service decision-making and delivery systems.
- 6 The majority of social investment activity will occur within agencies as part of their business as usual operations. Greater use of data and evidence and a focus on tracking outcomes is enhancing agencies' understanding of their customers and service effectiveness, and enabling them to identify opportunities across the system to reduce future demand pressures. Increasing the application of social investment within agencies is the first of four proposed work streams to progress the social investment approach, with responsibility for this work sitting with portfolio Ministers in respect of their own agencies.

- 7 Agencies will be assisted by the new Social Investment Agency (SIA) (the departmental agency proposed in the accompanying paper *Social sector leadership – delivering better results: report-back*). The SIA will be responsible for developing the necessary social investment architecture (infrastructure, tools, analytical approaches and guidance) for all agencies – government and non-government to use. Development of this architecture is the second proposed work stream and responsibility sits with both the SIA and the Minister responsible for the SIA.
- 8 We know that whole-of-system analysis provides richer insights than agency-specific analysis alone. Previously, reliable whole-of-system and whole-of-life predictive impact analysis of costs and likely benefits has not been available to Ministers or other decision makers. This has made assessing the true longitudinal impact of interventions, and therefore the relative merits of proposals, challenging. As part of determining the work programme for the new Social Investment Board (SIB) (also proposed in the accompanying paper) Ministers will need objective analysis of potential target populations to focus cross agency attention on, and to assist in prioritising new investment opportunities. It is proposed that responsibility for developing whole-of-system advice (work stream three) sit with the SIA, with advice being provided by the SIB to this Committee who will decide the collective impact work programme, on a case by case basis.
- 9 For a small number of very vulnerable New Zealanders the solutions do not sit within the ambit of a single agency. Here we recognise that services need to be delivered differently, responses built around the family or individual, and services co-ordinated based on the individual mix of needs with decision making devolved to the local level. There is also scope to think quite differently about how we commission services, including moving more to contracting for outcomes. This requires expertise and tools around delivery structures, accountabilities, commissioning models and feedback loops. The collective impact work programme, lead agency and funding for each such intervention is proposed to be set by the Social Policy Committee on a case by case basis based on advice of the SIA and SIB, however development of the supporting tools and evaluation for collective impact work is the fourth proposed work stream for social investment and responsibility for this would sit with the SIA and the Minister responsible.

Background

- 10 Despite investing approximately \$61 billion each year in social services we are not seeing the outcomes we want for all New Zealanders, especially those vulnerable New Zealanders with highly complex problems. Our understanding of how effective specific investments in social services are is limited, and we do not yet know enough about the impact of an investment in one area on the results in another.
- 11 In December 2015, Cabinet declared its intention to implement a social investment approach that “puts the needs of people who rely on public services at the centre of decisions on planning, programmes and resourcing, by:
- 11.1 setting clear, measurable goals for helping people who rely on public services;
 - 11.2 using information and technology to better understand the needs of people who rely on social services and what services they are currently receiving;
 - 11.3 systematically measuring the effectiveness of services, so we know what works well and for whom, and then feeding these learnings back into the decision-making process;

11.4 purchasing results rather than specific inputs, and moving funding to the most effective services irrespective of whether they are provided by government or non-government agencies (NGOs).”

[CAB-15-MIN-0280 refers]

- 12 A number of system-level initiatives have been implemented which are helping progress social investment, both across the social sector and within individual agencies. Initiatives include the Social Sector Board, the four Data Hui, the Social Investment Panel, the Science Advisors, increasing availability of integrated data through the Integrated Data Infrastructure (IDI), and the 2017 Budget acknowledgement of social investment principles through the ‘Track 1’ Budget process. Further, in December last year Cabinet agreed in principle to establish new institutional arrangements to fully embed a social investment approach in the public sector and a paper seeking further decisions on those arrangements is being considered by this Committee today.
- 13 Within agencies and sectors we now have investment approaches to welfare, social housing and justice (see Appendix 2). Oranga Tamariki, launched on 1 April, is taking an investment approach to vulnerable children and is the first agency established from day one using a social investment approach. A number of frontline initiatives, for example, the Place Based Initiatives (PBIs), family violence Integrated Service Response (ISR) pilots, and Whānau Ora are also adopting social investment principles (see Appendix 3).
- 14 Despite progress to date, a single, coherent, practical understanding of what is meant by social investment is still forming, both inside and outside government. This paper confirms what is meant by taking a social investment approach (the social investment narrative) and outlines four work streams designed to progress its application.

Social Investment: the opportunity (the narrative)

- 15 The social investment vision is to improve the lives of vulnerable New Zealanders for whom our traditional structures and approaches are not delivering the outcomes we would want. We want to ensure that government investment in the social system is used in the most effective ways based on a principle that earlier, effective and integrated intervention will provide better outcomes for New Zealanders and at a lower total cost. It is based on applying rigorous and evidence based investment practises to social services.
- 16 It means using information and technology to identify those people for whom additional early investment will improve long term outcomes, better understanding their needs and what works for them and then adjusting services accordingly. What is learnt through this process will then inform the next set of investment decisions. It requires government to be sure that it is purchasing the outcomes it wants through better contracting approaches and more robust evaluation of spend.
- 17 Within agencies it is about better understanding customers, the impact on the customers of spending and the impact those interventions are having across the rest of the social system.
- 18 While the biggest part of social investment will occur within agencies, it is particularly important to understand and respond effectively to the needs of our most vulnerable populations. This relatively small number of New Zealanders often have complex needs that span multiple agencies and may only come to our attention when something goes wrong. Helping at this stage is usually too late, very expensive, and less likely to be effective.
- 19 The key principle underlying social investment is a strong focus on the customer and the use of evidence for better informed investment decisions. We need to know what works, for

whom, and at what cost. Evidence, and the analytical processes that derive it, is critical at every step: from agreeing outcomes and target populations, to understanding the effectiveness of current interventions and options to improve, to collecting new evidence by measuring and evaluating impact so that this can be fed into further decisions.

- 20 Through advances in technology and data use, it is now possible to develop tools and analytical approaches to better predict who is likely to need what help over their lifetime. These advances will enable agencies to increase the effectiveness of government spending.
- 21 Social investment presents a high threshold. For agency activity to be described as using a social investment approach it needs to demonstrate: the ability to link information about effectiveness with information about resourcing. This requires an analytical understanding of the 'target' population(s); a comprehensive view of their needs and experiences (and how well these are met by the current social system); analytical evidence of progress or a change related to a given investment(s); and the use of this information to continually make better investment decisions for that population.
- 22 Social investment is still in its infancy and will take time to evolve and mature. While change will take time to fully implement, for supporting agencies to continue to improve investment decisions to improve outcomes for New Zealanders, is essential to make the best use of the Government's limited resources.

Realising the opportunity

- 23 Responsibility for applying social investment sits with many players – Ministers, agencies – government and non-government, and the new SIB and SIA. Four work streams designed to advance the social investment approach, together with respective responsibilities, are set out below.

Work stream 1: agencies apply social investment

- 24 The majority of social investment will happen in agencies. Ministers and agencies have responsibilities and accountabilities which remain the same, and as such, they will continue to be responsible for investment decisions, policy and service design, and the commissioning and delivery of services within existing portfolios.
- 25 Social Sector Ministers, with their agencies, are working through how best to apply social investment in their sectors.
- 26 Work to build the social investment architecture that will assist agencies and other parties in the system to increase effectiveness is underway. This will essentially result in more comprehensive use of data and evidence to demonstrate understanding of customers, the effectiveness of interventions, and identification of opportunities across the wider social system to reduce future demand pressures and the total long term cost to taxpayers.
- 27 Investment approaches have been emerging in the social sector since 2011 with the introduction of the welfare investment approach. While the primary focus has been on managing long term fiscal liability, the new vulnerable children's model is starting to explore measures of wellbeing also. Some agencies are well advanced in their social investment work programmes, in particular using data to understand populations. As these approaches mature, evidence will increasingly be available to understand the whole-of-system and whole-of-life impact of investment decisions.
- 28 While work stream one is the responsibility of Ministers and their agencies, I invite Ministers to feed back to me on the policy and analytical support their agencies need to apply social

investment. This information will help determine what support they require from the SIA (work stream two below) and help shape the social investment work programme going forward.

Role of the Treasury

- 29 Treasury has an important role to play in Social Investment, building on its traditional roles of lead economic and fiscal adviser, system steward, and performance monitor. In `social investment, Treasury will exercise its role as lead economic and fiscal advisor by providing advice on the fiscal returns on specific proposals, and comment on other agencies' estimates of social costs and benefits. This advice is primarily to Finance Ministers, but needs to be integrated with the advice Cabinet receives on the investment proposal. This is particularly focused at Budget time, where several channels of advice – fiscal advice, investment advice, sector agencies' advice on interventions and implementation, and the Social Investment Panel's scrutiny - all need to come together for Ministers.
- 30 In its system steward and performance monitor roles, Treasury will identify areas with long term fiscal impacts that warrant investigation for investment, feedback on the proposed SIA's and others' methodologies and tools for developing proposals, and provide feedback on the success of interventions to both agencies and Ministers.

Work stream 2: developing the architecture needed to assist agencies apply social investment

- 31 The SIA is responsible for developing the necessary social investment architecture; the key objective of which is to ensure resourcing is directed to effective services. This will require us to have an agreed methodology to ensure consistency of measurement and comparability of results. The development and testing of a working definition of effectiveness has begun with the social housing use case but considerably more work is required yet, including development of complementary wellbeing measures.
- 32 Other agencies will also have a key role in developing this architecture, including the Treasury in running the Budget process, Statistics New Zealand through involvement with data, and agencies in sharing and developing their knowledge as they develop their own social investment approaches.
- 33 The social investment architecture has six components:
- 33.1 **Measurement** involves data capture for the purpose of informing social investment decisions; for example, individual-level outcomes, services delivered and cost of service data to inform effectiveness evaluations. This will be made easier with the introduction of the Data Exchange (now in production), which will enable the safe and secure sharing of individual level and anonymised data between agencies, government and non-government.
 - 33.2 **Evaluation** of service effectiveness. One of the goals of the social housing use case was to test whether it is possible to calculate a fiscal return on investment for a given investment within the social sector. Results, which are soon to be published, suggest that it is but further work is required to understand the full nature of investment and returns and how these are calculated in complex social services environments.
 - 33.3 **Feedback loops** to provide actionable intelligence, such as information about service effectiveness, in a timely way to decision makers to inform the next set of decisions.

33.4 **Commissioning** of services using information about effectiveness. Trialling and testing new commissioning approaches, including the development of supporting tools, templates and methodologies to enable greater contracting for outcomes on the basis of better information about effectiveness is expanded in paragraphs 40-42 below.

33.5 **Social licence** in this context means getting support from New Zealanders to share and use data for the commissioning and evaluation of social services. The Data Futures Partnership is currently developing guidance for the acceptable sharing and use of data to support social investment decision-making.

33.6 **Governance** in this context means the appropriate allocation of decision rights and roles and responsibilities across the social investment system.

34 The architecture has a focus on data collection and impact reporting – government does not need to own, collect or store all data, but it does need to ensure that the information required to know how effective our social services are is available to decision makers in a timely fashion and in a trusted form. The social investment information architecture will likely be a ‘network of networks’ with government, NGOs and intermediaries all connected as appropriate. The SIA will be responsible for testing the Data Exchange, but also for trialling and testing the commercial relationships, operating models and supporting contracts required to ensure all necessary information is flowing around the system as appropriate. In addition to the IDI and government-owned databases, third party organisations are building their own data hubs that need to be linked to the Crown’s information networks. Examples include a Primary Health Care Data Repository owned by PHOs, the Whānau Ora Commissioning Agencies’ data platforms, and the Integrated Services Hub (ISH) being developed by Methodist Mission Southern (MMS).

35 To date, a great deal of the focus has been on the data required, analytics and better understanding need. Social investment invites a reconsideration of the allocation of tasks between investor and service provider. The introduction of the ability to measure service effectiveness creates the opportunity for the Government to be smarter in its approach in commissioning without any loss of accountability for spending. Providers could be granted greater flexibility in spending, for example to partner with other providers, or innovate in service delivery, when they are accountable for results. This shift in decision making from Wellington to providers in communities, and households, supports the use of local knowledge and contestability of ideas.

Work stream 3: developing whole-of-system advice

36 A priority for the SIA will be developing whole-of-system advice on opportunities and/or target populations for decision-makers including Ministers to decide what, when and how to invest to maximise long-term impact. Advice that spans social services portfolios has not previously been available, making it difficult for Ministers and decision makers to assess the relative merits of interventions and the true longitudinal impact of investment decisions.

37 I will be asking the SIA to report to this committee periodically with advice about various populations where social investment might best be focussed, especially if it is forecast that these populations are at risk of poor long-term outcomes, resulting in high downstream costs to government.

38 Ministers will decide which target populations to focus complex cross agency approaches on and prioritise new investment opportunities. The SIB will coordinate work with agencies to develop a work programme on the target populations selected by Cabinet, govern that work programme and be accountable for progress. I will expect the SIB and the SIA to report back to this committee with progress, measurement of investments and how the SIB plans to

adjust their investment and intervention portfolio to better achieve outcomes for these targeted populations.

- 39 The mental health and addictions use case, which is provided as an example of how the SIB could work in practice in the accompanying paper, will establish a replicable approach for other target populations and form part of the initial work programmes of the SIA and SIB. The first phase of the mental health and addictions use case has focused on identifying and understanding populations of interest from whole-of-system and whole-of-life perspectives. This is to inform further analysis and potential investment cases for particular target initiatives. Initial findings indicate there is a significant social investment opportunity.

Work stream 4: Developing new approaches to working with targeted groups of complex need customers

- 40 This government has made considerable progress in developing new approaches to working with its most complex customers. Programmes such as Whānau Ora, Social Sector Trials, placed based initiatives, family violence ISR pilots, and social bonds have all tested different ways of working. We want to build on the lessons we have learned and seek better ways of getting improved outcomes.

- 41 The future social investment system will need to include well-functioning commissioning models to direct resources to specific population groups and target outcomes. The SIA will be responsible for helping to develop new approaches, including the development of supporting tools, templates and methodologies, to allow us to move from the siloed procurement of services to contracting for outcomes.

- 42 There is a significant amount of activity already underway to develop the infrastructure needed to take a social investment approach. Specific areas where we should continue to invest in developing new approaches include:

42.1 **Prototyping and piloting** – tackling the investment priorities identified in work stream 3 will require transparent and flexible processes that support innovation, collaboration and risk-taking. The Social Investment Unit (SIU) is currently scoping potential pilots with health sector NGOs to improve mental health outcomes for consideration by the future SIB and Ministers.

42.2 **Contestability and unsolicited proposals** – to encourage innovation and to ensure social sector participants are rewarded for performance, we need to ensure that NGOs, for-profit providers, intermediaries, and others are on a level playing field with government agencies. This will be enabled through contestable funding sources, information sharing, common data and analytics and accepted channels for submitting unsolicited proposals for consideration.

42.3 **Treatment of Intellectual Property (IP)** – to foster innovation in the social investment system we require a different incentive structure for NGOs in particular. This will, in part, be achieved through the SIA testing the contractual settings for ownership and use of IP. The SIU is currently developing an agreement with Methodist Mission Southern (MMS) that includes different treatment of IP to foster innovation in social services as an example pilot.

42.4 **Partnership Models** – to tackle our most pressing social issues will require NGOs and government to each bring their capabilities and strengths to new partnership-based endeavours, with high levels of collaboration and trust. Achieving this collaboration will need to be supported by different structures, which themselves require trialling and testing (such as collective impact models, joint ventures, licensing models and

partnerships). The structures being progressed under the three PBIs are current examples of this. We expect the SIA to work in concert with the central agencies and operational agencies to test alternative models and evaluate the results achieved.

42.5 **Funding models** – a flourishing social investment system will fund itself out of the value created through improving people’s lives. To deliver this state, we will need to consider the mechanisms required to bridge the current gaps between agencies’ funding models and the differences between economic and fiscal value, for example. This will require testing concepts such as dedicated Budget tracks, social investment funds and other bridging mechanisms and considering the work needed to catalyse a strong private sector impact investment market. The SIU and the Treasury are currently working on a business case for a co-investment fund with philanthropy, as one example, and we expect to receive a significant body of advice on mechanisms, instruments and appropriations required to fund the social investment system through the 2017/18 financial year.

42.6 **Devolved decision making** – for locally delivered services targeting a range of complex needs to be effective, it is imperative that those working with families at the front line have the ability to make the required decisions. The SIA will be working with agencies to consider what devolution of decision making is needed to support collective action approaches and to assist in best practise design and implementation in this regard.

Consultation

43 The Ministries of Social Development, Education, Health, Justice, Vulnerable Children - Oranga Tamariki and Pacific Peoples, the New Zealand Police, Department of Corrections, Te Puni Kōkiri, and the Treasury and State Services Commission have been consulted and their views have been taken into account. The Department of Prime Minister and Cabinet has been informed.

Financial implications

44 The financial implications of establishing the SIB and SIA are addressed in the accompanying paper: *Social sector leadership – delivering better results: report-back*.

45 There are no additional financial implications arising from this paper.

Human rights implications

46 The proposal in this paper is consistent with human rights legislation.

Legislative implications

47 The legislative implications of establishing the SIB and SIA are addressed in the accompanying paper: *Social sector leadership – delivering better results: report-back*.

48 There are no additional legislative implications arising from this paper.

Regulatory impact and compliance cost statement

49 A regulatory impact and compliance cost statement is not required.

Gender implications

50 There are no specific gender implications from this proposal.

Disability perspective

51 There are expectations that the proposals in this paper may help people with disabilities.

Publicity

52 A level of public interest in the Government's social investment approach is expected.

Recommendations

53 It is recommended that the Committee:

- 1 **Note** social investment provides a critical opportunity to improve the lives of vulnerable New Zealanders and increase the effectiveness of government spending across the social sector
- 2 **Note** social investment is about investing earlier, and more effectively, in the lives of those who may otherwise be on track to experience poor outcomes so they can have a better quality of life
- 3 **Note** the majority of social investment activity will occur in agencies as part of their business as usual operations
- 4 **Note** agencies will be assisted by a new Social Investment Agency (the departmental agency proposed in the accompanying paper *Social sector leadership – delivering better results: report-back*)
- 5 **Agree** to the following four work streams to progress the social investment approach:
 - 5.1 Agencies apply social investment
 - 5.2 Developing the architecture needed to assist agencies to apply social investment
 - 5.3 Developing whole-of-system advice
 - 5.4 Developing new approaches to working with targeted groups of complex needs customers
- 6 **Agree** responsibility for workstream 1 sits with individual Ministers and their agencies
- 7 **Agree** responsibility for workstream 2 and 4 sits with the Minister Responsible for Social Investment and the new Social Investment Agency
- 8 **Agree** responsibility for workstreams 3 sits with the Minister Responsible for Social Investment, the new Social Investment Agency, and the Social Investment Board
- 9 **Invite** the Minister Responsible for Social Investment to report to this Committee periodically with advice on potential whole-of-social system opportunities, target populations, and investment proposals

- 10 **Note** this Committee will make decisions on target populations and prioritise investment proposals
- 11 **Invite** Ministers to provide feedback to the Minister Responsible for Social Investment on the policy and analytical support individual agencies need to assist in applying social investment
- 12 **Invite** the Minister Responsible for Social Investment to report back to the Committee by December 2017 on progress against the four workstreams set out in recommendation 5.

Hon Amy Adams
Minister Responsible for Social Investment

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