Briefing for the incoming Minister Responsible for Social Investment

From the Social Sector Board

December 2016

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Introduction

This briefing from the Social Sector Board provides you, as Minister Responsible for Social Investment, with an introduction to social investment. It sets out the current key components, highlights how it is being applied across the social sector and details upcoming decisions.

The role of Minister Responsible for Social Investment is a new role, and we will work with you to help determine your priorities, and the best way to support you in this role.

Members of the Social Sector Board are:

- Brendan Boyle, Chief Executive, Ministry of Social Development (Chair)
- Chai Chuah, Director-General of Health
- Iona Holsted, Secretary for Education
- David Smol, Chief Executive, Ministry of Business, Innovation and Employment
- Andrew Bridgman, Chief Executive, Ministry of Justice
- Mike Bush, Commissioner of Police
- Ray Smith, Chief Executive, Department of Corrections
- Michelle Hippolite, Chief Executive, Te Puni Kōkiri
- Gráinne Moss, Chief Executive, Ministry for Vulnerable Children, Oranga Tamariki
- Pauline Winter, Chief Executive, Ministry for Pacific Peoples
- Liz MacPherson, Government Statistician

The Social Sector Board members look forward to meeting you at your convenience and understanding how we can best support you and your priorities for social investment. We will be providing a further briefing to all social sector Ministers on the role and work of the Social Sector Board in January 2017.

Also attached is a briefing from the Social Investment Unit, which is governed by the Social Sector Board.

Key contacts

Name	Role	Mobile
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What is Social Investment?

Social investment means improving the lives of New Zealanders, particularly the most vulnerable, by systematically applying rigorous, evidence-based investment practices to social sector interventions.

This reflects the over-arching imperative for government to better understand the effectiveness of public spending and ensure this spending is directed at what works best.

The social investment approach uses data and evidence to understand the needs of people who rely on public services, and determines the value and impact of interventions based on those needs.

Ministers want practical advice that supports them to determine:

- investment priorities and choices (i.e. population priorities, common goals)
- the best intervention points that are likely to deliver the best outcomes and returns on investment (i.e. where to focus the balance of investment)
- the types of current investment that are working and warrant additional investment
- new types of investment to consider investing in (e.g. new collective impact models or approaches).

The key components of the social investment approach that underpin this are:

- use of data and evidence to identify target populations and desired outcomes (including how these will be measured)
- use of data and evidence to identify potential interventions (or where interventions are genuinely new/innovative, designing them in a way to ensure that high quality data and evidence will be generated as they are tested and implemented)
- establishing operational implementation that integrates the designing, testing and evaluating of interventions over time
- quantifying the impact of interventions on the target populations and desired outcomes
- clear performance expectations and accountability
- creating an open/transparent environment for generating and sharing evidence, developing linked administrative datasets, and providing opportunities for non-government organisations, philanthropic organisations, iwi, private sector businesses and community groups to access the same information and engage in the search for social investment that makes a difference.

In this way the social investment approach creates a systematic and rigorous feedback loop on the effectiveness of social services and how these impact on people's needs and government and community priorities.

To date, many applications of the social investment approach have measured effectiveness by calculating the return on investment mainly in terms of fiscal savings. For example, MSD and ACC began by using actuarial analysis to calculate the future financial liability of particular categories of benefit recipients.

Over time, analysis is starting to expand to more comprehensively assess economic and social return. An effective social system investment approach requires a medium-to-longer term time horizon to see the effect of investments on these wider outcomes. By taking a long-term perspective to spending on people's education, health and well-being, the investment approach will lead to better investment on the basis of increasing long-term benefits (including social and economic benefits) and reducing long-term costs rather than just focusing on the short term.

Social System Leadership and the Social Investment Unit

Currently the development and application of the social investment approach is overseen by the Social Sector Board, a forum of chief executives drawn from across the social sector agencies and chaired by the Chief Executive of MSD. More information about the Social Sector Board will be provided to you in January 2017.

A cross-agency Social Investment Unit (SIU) has been established as a centralised function to advance and embed a social investment approach across the social sector, complementing the investment activities already underway in a number of agencies. It is building reusable tools, methods, standards and definitions for all agencies to use, and facilitating safe and secure data exchange (including working with the NZ Integrated Data Infrastructure or IDI).

The SIU is governed by the Social Sector Board and, since establishment, has reported through the Board to the Ministers of Finance and State Services. The SIU has prepared a separate briefing providing more detail on its approach and work programme.

Ministers have recently considered a proposal to improve the institutional arrangements for social sector system leadership in supporting the development of the social investment approach.

Section 9(2)(f)(iv) Active Consideration

Applying the social investment approach

Different agencies can and do apply the discipline of the social investment approach with varying emphases, depending on the pressing challenges and opportunities within their Ministers' portfolio. As individual departments and sectors apply a social investment approach to their core business, they are getting a better understanding of client needs and how to tackle the underlying causes of poor outcomes. Social investment approaches can also be used to assess current expenditure within agencies, and redirect funding to initiatives that demonstrate better results.

Across the social system, there are a number of areas where we know collective action is needed that goes beyond the current approach to inter-departmental collaboration. One example is the development of the place-based approaches in Northland, South Auckland and Gisborne with a focus on the 0-24 population. There are a number of other areas, for example in mental health or family violence services, that extend beyond the remit of any one agency and where there is an urgent need to deliver better results for New Zealanders.

Social investment is therefore being applied both to the current focus of individual agencies, sectors and Ministers delivering core business, and to cross-cutting issues where a tighter focus on defined population groups of common clients and different, joint approaches to investment and delivery may be required.

Our understanding of where to focus effort and the potential investment choices from a whole of social system perspective is still emerging. While it is still relatively early days in understanding the full potential of new data and analytical techniques, there is a significant opportunity to support better decisions and deliver better outcomes for New Zealanders.

The work already underway in agencies highlights the commitment that Ministers and their agencies have made to implement a social investment approach that works for their part of the wider system. Some current examples from across the social system of where and how the social investment approach is being applied and developed are attached in appendix one. Further detailed information on these and other examples and initiatives can be supplied as subsequent briefings as you wish.

Upcoming decisions

Section 9(2)(f)(iv) Active Consideration

3. Section 9(2)(f)(iv) Active Consideration

You have also received a separate briefing from Sir Peter Gluckman, on The New Zealand - European Commission joint project on Social Investment. The social sector group at MSD, the SIU and other government agencies are also providing support for this work.

Appendix One: How the social investment approach is being applied across the social sector

Justice sector

The Justice Sector Investment Approach uses robust analytics and data modelling to ensure the sector invests in crime reduction initiatives that deliver long-term effects and the best return. The approach gives Ministers and decision-makers at all levels evidence-based information to support sound investment decisions.

The justice sector has built an actuarial model to project the future risk of offending and victimisation across the whole New Zealand population and help analyse crime from the perspective of various population cohorts. Combined with a suite of products that explain the effectiveness of current crime prevention interventions, the sector is able to turn data into insights about what works to reduce crime among some of the highest-risk groups.

This modelling capability will also be useful for policy simulations and evaluations, such as understanding the effect that legislative, policy and practice changes are having, or are expected to have, on crime.

The Justice Sector Investment Approach is an enduring change to how the justice sector understands its business, and will help integrate justice sector services with wider social sector services.

The justice sector works closely with the Social Investment Unit (SIU) and the Investing in Children's programme (IIC) who are responsible for building the model which will support the new Vulnerable Children's Agency Oranga Tamariki. The technical modelling work of the Justice Sector Investment Approach has already been used to support the Oranga Tamariki model.

MSD's Investment Approach

Welfare

MSD has implemented an investment approach to welfare to understand how to target support to those most in need and to invest where it can make the greatest difference.

The Ministry of Social Development's adoption of an investment approach has evolved through a series of changes to the New Zealand welfare system over recent decades.

A new impetus for the concept of the investment approach came through in the 2011 Welfare Working Group's recommendation that the performance of a more work-focussed welfare system should be managed "using a regularly estimated actuarial calculation of the forward liability".

In recent years 'social investment' or the 'investment approach' has been an increasingly important part of MSD's service delivery and advice. Actuarial modelling is well established as one of the pillars of the investment approach in MSD but there are several other key building blocks:

(1) Clear performance goals and accountability mechanisms

(2) The use of data and analytics to better understand sectors and client groups. An important part of this has been the use of actuarial techniques, such as the actuarial valuation of forward liability of the benefit system (risk of long term benefit receipt for particular cohorts)

(3) Financial and operational flexibility to target funds (and service responses) to those groups with amenable risk profiles

(4) Trialling and testing new service responses (both internally and externally delivered)

(5) Monitoring and evaluation

(6) Potential to re-invest benefit savings in proven effective service responses (which may be directly delivered or externally purchased).

In the Work and Income context the investment approach is used to establish the lifetime costs (liability) of both the overall system and of specific client segments (largely defined by benefit categories) and cohorts (groups of clients with similar characteristics) within the system through an annual valuation. This has added a level of transparency about the Crown's exposure in future welfare costs that had not previously existed, and also provides a clear and transparent measure of Work and Income's performance.

Social Housing

MSD is developing the building blocks for an investment approach to social housing. It has completed the first social housing valuation which provides a client-centric view of projected lifetime pathways and costs for the social housing system. The valuation is a key plank in building the data and analytics platform on which to improve investment decision-making in social housing.

The modelling for the welfare and social housing valuations is linked, creating a platform for the development of a more integrated operational approach that targets tailored services and interventions for clients with both welfare and housing needs. Once embedded in a return on investment and performance framework, the valuation will provide information to support MSD to move to a more active system that houses the right people, in the right place, for the right duration and cost.

Once MSD starts to break down the valuation into segment and cohort groups, it will be possible to better identify the target groups and types of interventions that have promise for addressing the risk factors for dependency for different types of clients. Monitoring the change in client pathways through the valuation and implementing evaluation and feedback loops for particular interventions will ensure that MSD continuously builds on its strategy to improve outcomes for those in social housing, alongside a Return on Investment and performance framework for social housing currently under development.

Section 9(2)(f)(iv) Active Consideration

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MYD Youth Investment Strategy

The Ministry of Youth Development (MYD) administers around $8 million a year to purchase youth development opportunities. In November 2016, a Youth Development Investment Strategy was released that sets out how MYD will move toward embedding a social investment approach that ensures youth development investment is effective and supports young people to make confident transitions to adulthood, reducing the probability of more costly and intensive interventions later.

As part of this approach MYD is seeking to further understand the impact that quality youth development opportunities have as a contributor enabling young people to acquire the skills and confidence they need to participate and contribute to the social and economic growth of New Zealand. This will include effective use of evidence and data to regularly assess outcomes and refine investment.

While youth development opportunities are available to all young people aged between 12 and 24 years, there is an increased focus on targeting investment to where it's likely to have the most impact. This includes at least 30 percent of total investment being targeted toward young people from disadvantaged backgrounds who may be less able to access youth development opportunities.

Vulnerable Children

Using an investment approach is a key part of the ongoing transformation of the current cross-sector system, which is failing to provide the safe, stable and loving care that children need to fulfil their potential as independent adults.

Unlike prior models based on fiscal liability, this model will focus on economic and social measures of wellbeing. An investment approach will determine the impact and focus of strategic and operational investment decisions in the context of future outcomes for children and young people. A lifetime view of future wellbeing, to be delivered through the actuarial model currently being developed, will look at where best to intervene across the vulnerable population as a whole.

The fiscal liability that prior models have been based on has served as a proxy for poor lifetime outcomes, guiding investment decisions towards increasing the likelihood of positive outcomes. While liability remains a key component of the model to guide fiscal return on investment, wellbeing provides a direct relationship to the outcomes sought.

Framing the valuation model around wellbeing has a number of significant advantages:

1. It provides a **common language**, allowing us to describe and measure both immediate needs and long term outcomes in a way which is truly child-centric

2. The **holistic** framing of wellbeing allows us to recognise the complex interaction of risk factors which contribute to long term outcomes, such as social and emotional competencies, complementing the current system's focus on safety

3. The use of wellbeing allows for **alignment with the frontline and across agencies**, using terminology which practitioners and other agencies are familiar with and providing a vital connection between theory and practice

4. Wellbeing acts as a predictor for the future need for services and benefits, providing **increased accuracy in identifying fiscal liability** associated with poor outcomes if no action is taken.

By incorporating the whole population of New Zealand children into the model, we are able to understand both who is in need of services, and just as importantly who is not. We will also be able to see the movement of children between cohorts of need, from early need to developing need, or through to developed need requiring a statutory intervention.

The skills and solutions required to address vulnerability factors are often outside of the new Ministry, or Government as a whole. To address the complex causes of child vulnerability, collaboration across a broad spectrum of Governmental and non-Governmental stakeholders is required. Understanding needs as a whole through wellbeing helps the different parts of the system clearly understand where they can contribute, as well as allowing attribution of successes.

The investment strategy being drafted draws together the various interventions and services provided for New Zealand's most vulnerable children, and connects them to our evolving understanding of these children's needs and the funding available in order to enable decisions targeted at making the largest possible difference in their lives.

Education

The Ministry of Education (MoE) is actively embedding social investment thinking to improve decision-making. There are significant opportunities for further work on what works for whom, the interactions and impacts on other agencies' services and costs, the role of investment in education for specified groups in relation to wider outcomes, and the downstream benefits and avoidable costs of educational underachievement.

There are, however, differences in the way that investment approach thinking can be applied depending on the system settings and sector structure in each area. In Education, universal entitlements, standardised delivery mechanisms, and compulsory participation mean that fewer services are purchased directly for learners and less of the Vote can be targeted to specific types of customers (for example, a large proportion of the Vote pays for teachers and schools directly). Many of the education sector investments are about lifting capability in the sector to meet students' needs, and interventions are often best delivered at the whole class or school level, rather than directly to individuals. This means that there is less flexibility for experimentation, directing services to specific risk segments, and movement of funding according to what works for whom.

MoE is focusing on using data and analytics to better understand and segment learners. For example, MoE is looking at cross-agency historical data to find out more about the combinations of factors at different ages that are associated with the greatest risk of not achieving in education, the level of achievement different groups attain, and the costs of services they use in education, welfare and corrections.

Work to date has informed the Budget 2016 school funding adjustment, the Funding System Review (which, amongst other things, is looking at the possibility of replacing the decile funding system with a more client-focused index of risk for a learner funding top up), the Learning Support Update (which is intended to improve special education service delivery), Section 9(2)(f)(iv) Active Consideration 9(2)(f)(iv). MoE has reviewed the return on investment of a number of programmes such as Trades Academies Section 9(2)(f)(iv) Active Consideration Section 9(2)(f)(iv) Active Consideration

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Section 9(2)(f)(iv) Active Consideration

Health

Embedding a social investment approach for health is a strategic priority for the Ministry of Health and underpins the New Zealand Health Strategy.

As the Ministry operates in a devolved system built around principles of universal access, it have chosen to immediately apply the approach to specific priority areas where it can better understand targeted population and service characteristics.

Those priority areas are currently mental health and disability support services. For each of the priority areas, using a social investment approach will provide:

- a better understanding of the population, including a richer narrative of segmentation, possible target populations, use and flows of services
- understanding of current models of care and service packages, and their impact on improving outcomes
- information that will support decisions to optimise effectiveness of services and investment return, and indicators and measures to monitor progress
- a better understanding of evidence gaps, and information to develop a plan to fill these gaps

The Ministry is also working with the Social Investment Unit on its Section 9(2)(f)(iv) Active Consideration
Section 9(2)(f)(iv) Active Consideration

As the Ministry refines its ability to identify specific target populations and specific interventions to improve outcomes for those groups it will roll this approach out more broadly.

Te Puni Kōkiri

Te Puni Kōkiri has been developing and refining a whānau centred approach to social investment since 2010. Whānau Ora is a holistic approach that focuses on improving the wellbeing of whānau and addressing the individual needs within a whānau context. The framework for this work is described in the Whānau Ora: Report of the Taskforce on Whānau-centred Initiatives published in January 2010.

The investment approach has had two phases, the first phase focused on strengthening provider capability to design and deliver whānau centred approaches. Moving from the traditional social sector approach of focusing on single issues with individuals to working with the collective to identify the necessary factors to strengthen and transform their lives. It refined service delivery to the whānau so that they only had one key caseworker working with them as opposed to seven different people for seven different things.

The second and current phase has seen the development of a commissioning model where three commissioning agencies were established to invest directly in whānau. The commissioning agencies have developed their models with input from their communities and they offer a range of different initiatives to support their needs. Some initiatives are channelled through services providers, iwi, whānau collectives or directly to whānau.

This investment approach focuses on what is required to build the wellbeing of whānau rather than how can you limit the fiscal liability on society.

The investment is guided by an outcomes framework that has been ratified by Whānau Ora Partnership Group. Whānau ora focuses on achieving the wellbeing of whānau so works to identify their strengths and build their capability towards achieving the whānau ora outcomes. There are seven key outcomes where whānau and families are:

- self-managing and empowered leaders
- leading healthy lifestyles
- participating fully in society
- confidently participating in language and culture
- economically secure and successfully involved in wealth creation
- cohesive, resilient and nurturing
- responsible stewards of their living and natural environments.

Place-based initiatives

In April 2016 Cabinet agreed to progress three social investment place-based proposals. These are:

- South Auckland Social Investment Board in South Auckland (Hon Paula Bennett, Minister of State Services, lead Minister)
- Kainga Ora in Te Tai Tokerau (Hon Hekia Parata, Minister of Education, lead Minister)
- Manaaki Tairāwhiti in Tairāwhiti (Hon Anne Tolley, Minister for Social Development, lead Minister).

These three place-based initiatives (PBIs) aim to improve outcomes for at-risk people and their families by giving local social sector leaders the flexibility and support to collectively tailor responses to what works in their specific communities.

All three groups will take a social investment approach that:

- draws on data and analytics to better understand the outcomes and resourcing required in the target population in the locality
- uses this alongside local intelligence and engagement to make evidence-based investment decisions about services and interventions that deliver better outcomes for the target population and that manage long term costs to individuals and government.

The PBIs are due to report back to Cabinet in March 2017.