



Report

Date: 10 May 2016

Security Level: IN CONFIDENCE

To: Hon Jo Goodhew, Associate Minister for Social Development

CC: Hon Anne Tolley, Minister for Social Development

Community Investment Strategy: The Vision, Key Deliverables and Return on Investment

Purpose of the report

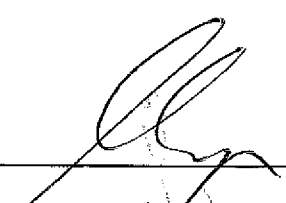
1. This paper describes the vision of the Community Investment Strategy as building a system over a three year implementation period to improve the results we achieve for vulnerable New Zealanders.
2. The paper presents the system and its key components including the key deliverables of the Strategy through to 2018.
3. We describe key changes and features of the contracts and how they will provide data which can be used to calculate Return on Investment. Within this paper we also address the Minister of Finance's questions about feedback loops, real time data and analysis, and use of customer level data.

Recommended actions

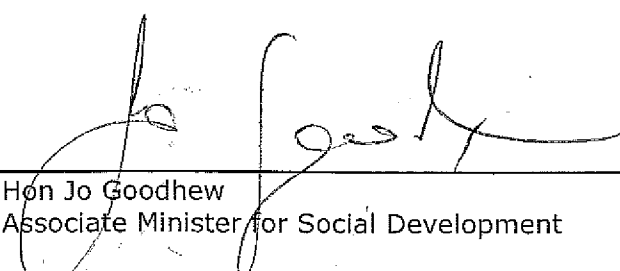
It is recommended that you:

1. **Note** that the Community Investment Strategy is building a system that will continuously improve the results we achieve for vulnerable New Zealanders, and deliver a Return on Investment for the Government.
2. **Agree** to forward a copy of this report to the Minister of Finance.

Agree / Disagree


Murray Edridge
Deputy Chief Executive, Community Investment

10 May 2016.
Date


Hon Jo Goodhew
Associate Minister for Social Development

10/5/16.
Date

Our vision began with Investing in Services for Outcomes, and was encapsulated in the release of the Community Investment Strategy

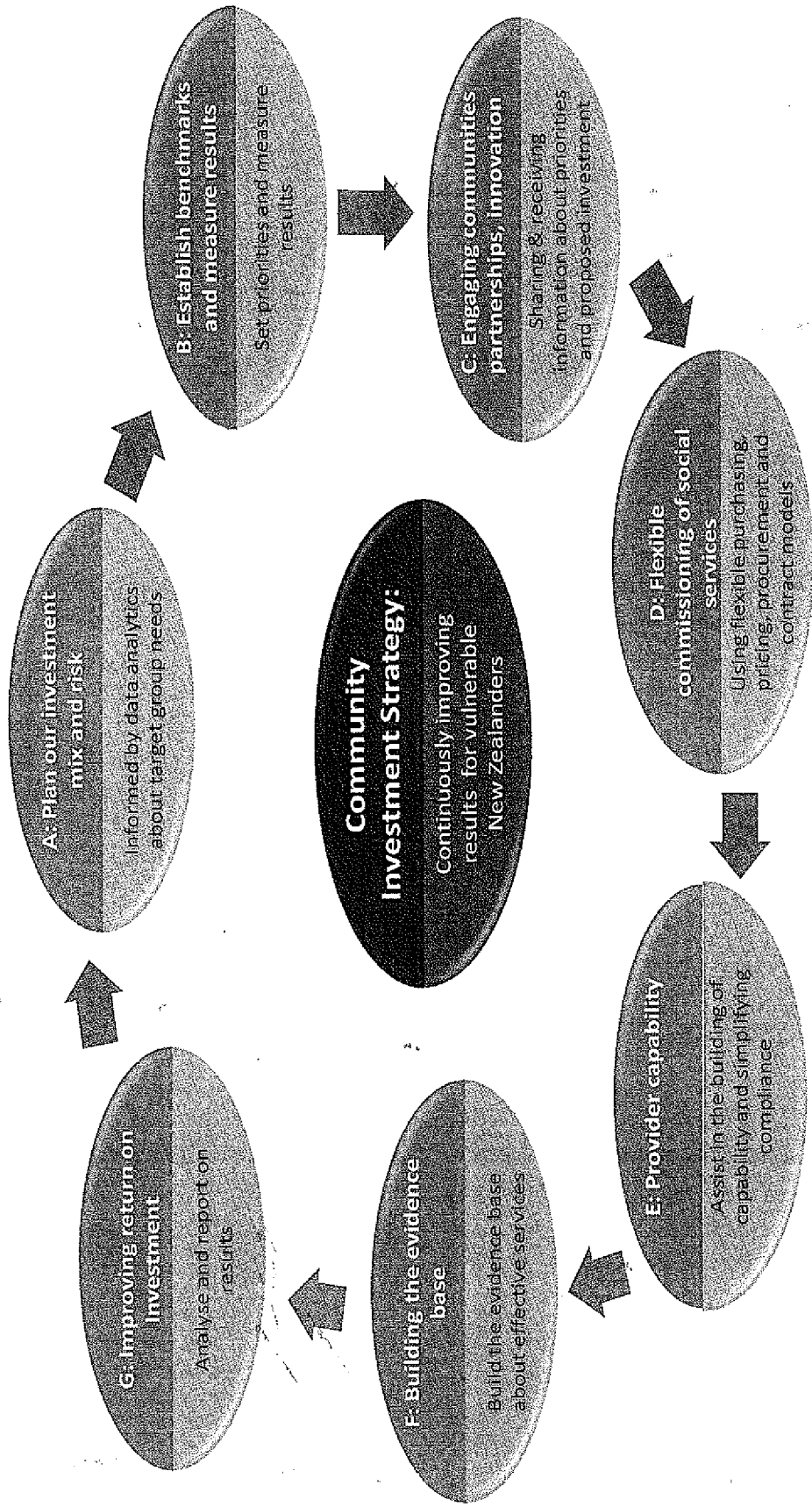
3. Investing in Services for Outcomes (ISO) was launched by the then Minister for Social Development Hon Paula Bennett in June 2012. The programme of work was designed to ensure the social services the Ministry of Social Development (MSD) funded made a tangible, positive difference for New Zealanders by targeting investment in the right people, through the right programmes and providers.
4. In June 2015, Minister for Social Development Hon Anne Tolley launched the Community Investment Strategy (the Strategy), to be implemented over a three year period between 2015 and 2018. The Strategy identified three priority result areas:
 - supporting vulnerable children, children in hardship, and reducing child maltreatment
 - supporting vulnerable young people, including youth offenders, and reducing youth crime
 - supporting victims/survivors, addressing perpetrators' behaviour, and reducing violent crime (family violence, sexual violence).
5. By bringing together what we know about existing programmes and services under these priority results, we aim to better align funding to those with the highest needs, and to programmes and Providers who demonstrate they are meeting these needs, with evidence about what works.
6. The Strategy is being implemented through six key elements:
 - focusing more clearly on priority results
 - building the evidence base
 - improving the quality of data collection
 - setting a clear direction for funding
 - simplifying compliance requirements
 - building Provider capability.

As the social investment approach has evolved, our thinking has continued to be refined

7. Since the release of the Strategy in June 2015, considerable work has been done to build the social investment approach across the New Zealand government. For example, the Productivity Commission's *'More Effective Social Services'*; the Child, Youth and Family Expert Advisory Panel's report; and Treasury's Social Investment Unit's work on Cost Benefit Analysis (CBAX).
8. The Child, Youth and Family Expert Advisory Panel recommends that the proposed new vulnerable children's agency move from a social welfare to a social investment approach. We believe the system we are creating will support the Government's direction of more effective and efficient social investment practices. We also view the Strategy as a learning system, with social investment principles and concepts guiding the development of the system.

Introducing the learning system and key deliverables over a three year period to 2018

9. A system such as the Strategy is a complex set of interlinked subsystems. Each of the bubbles in the following diagram involves programmes of work that will see the subsystems, and so the broader system, mature over time. That maturing will see us move from a programme funding approach based on fixed appropriations, to effective investment in communities with well-defined results, where data and evidence provide feedback loops that help to inform our investment decisions. While the diagram shows steps through A-G in a sequential manner, in actual fact the system is dynamic and is made up of inter-related activities.



A) Using data analytics to plan our investment portfolio, based on understanding the need of our target groups

10. We are using data analytics to provide the basis for where and who we should be providing services for. We are adding to this analysis with work on policy reviews, evaluations and on the ground knowledge of community needs within regions. We will develop a more sophisticated set of data analytics as we gather consistent customer and performance data. The data and evidence gathered will form the basis for investment decisions across the three priority result areas, the spectrum of intervention levels, and geographic spread.
11. The data and evidence will underpin a long term (2-10 year) outlook which will be revised annually as part of regional and national investment planning. This longer-term view will allow us to identify and manage service gaps and risks, and plan mitigation strategies through a combination of approaches, including partnerships [with other Government agencies, philanthropic and Providers], results-based procurement and innovation.

From 2017/18 data analytics about the needs of our target groups will inform funding distribution.
From 2017/18 a new appropriation structure will support flexibility in funding decisions.

B) Establish benchmarks and measure results at a programme and customer level

12. We are developing a line of sight from customer results through to changes in outcomes that link to the three Government priority areas of the Strategy, and ultimately Better Public Service targets.
13. The result measures we have developed align with the service specifications we have been using in contracts. The data we intend to collect from providers will measure different aspects of their services including:
 - a. Quantity measures – such as the number of customers referred to the service, used it and were closed
 - b. Quality – how many of those customers successfully achieved the results and were satisfied with the service
 - c. Customer Results – what change did the service make to the customers lives (knowledge, attitude, skills, behaviour).
14. Comparing data on the services customers receive with the results and outcomes they achieve over time will help us to understand services' and providers' effectiveness. We will also have fewer contracts where we have to rely on service specifications and reporting on service volumes to tell us about providers' performance. We are including results measures and customer data collection as appropriate in Provider's contracts on a service by service basis.

By July 2016, 23% of funded services will have results measures and customer data collection in Provider's contracts. By July 2018 this will be 100% of all relevant services.

C) Engaging with communities, partnerships and innovation

15. Stakeholders (providers, community leaders and members, the philanthropic and corporate sector, and NGOs) are pivotal to the success of the Strategy. We have been working directly with Providers and communities on the Strategy through sharing data and information about priority populations and issues. We also continue to inform and engage them about the ongoing developments of the Strategy.
16. We have broad networks across communities through our regional staff's engagement. This includes a wide range of collaborations such as Children's Teams, Social Sector Trials, initiatives such as Make it Happen Te Hiku, cross-government work programmes and boards, and Whānau Ora collectives. That work includes negotiations with local agencies and providers to support providers' participation in these initiatives.

17. We will broaden these relationships by sharing data on risk factors within and across communities, how they impact on outcomes, the evidence we have about what works to improve them, and what we know of the cost/benefit impact of improvements. That sharing of data and information will form the basis of partnerships and results-based contacts where there is greater opportunity for innovation and flexibility, allowing for the ongoing refinement of investment.

Our engagement strategy is dynamic and responsive to reflect stakeholder and government priorities. It is based on an 'inform, involve, collaborate'¹ model, and will be increasingly informed by data analytics.

D) Flexible commissioning of services

18. We have developed a contracting framework that applies systems thinking to the commissioning of social services. This includes clear standards and principles for purchasing, pricing and procurement models, and arrangement agreements. The contracting framework allows more transparent and flexible commissioning of services, within defined parameters and clearer contractual agreements to best suit the market.
19. Part of the contracting framework includes a costing model to provide benchmarking to better understand the economic cost to deliver a service. This information, coupled with customer level data and results measures will provide us with better information about the actual cost of interventions for Providers.
20. The framework also enables us to determine which services we are willing to fund fully or in part, and the implications of those decisions. It will mean where performance is proven to achieve strategic priorities, Providers will have longer term contractual agreements.

By July 2016, the contract redesign framework will be tested with some services moving to results measures in contracts. By July 2018 it will be in regular use.

E) Building Provider capability

21. We recognise some providers need support with delivering services in a results focused way, or demonstrating the results they have been able to achieve with their customers. Through the Capability Investment Resource we are funding a tailored training package aimed at the strategic governance of targeted organisations. Together with Superu, we are also developing a longer term capability approach, to support Providers to be sustainable while focused on 'what works'. We intend that future Provider capability development will be a component of overall investment funding.

By July 2016 we will report on our longer term approach to Provider capability.

By June 2017, 110 Providers (half working primarily with Māori and Pacific peoples) will be better supported to deliver results focused services through enhanced Governance capability.

22. We also recognise that providers need to maximise their time working with customers and minimise the time required for compliance. We are continuing to streamline contracting, monitoring and reporting to simplify compliance for providers. We are leading work across government to establish Social Sector Accreditation Standards.

¹ **Inform:** Providing information to stakeholders about the Strategy; **Involve:** Working directly with stakeholders by sharing our data and receiving information from them about priority populations and issues; **Collaborate:** Working in partnership with stakeholders by developing shared plans for investment to support vulnerable people.

Over, 80% of Providers and 90% of funding has moved to the MBIE Streamlined Contracting framework to date with 99% of Providers by September 2016.

In April 2016, 10 Social Sector Accreditation Standards were implemented across MSD. By July 2018 these will be embedded across the social sector.

F) Understanding what works for people, building the evidence base

23. To date, we have established there is very little information about the effectiveness of our services. To learn about what works for people, we need to consistently capture customer data to identify: where each person is touching the social services system, what results they are being supported to achieve, and what is happening to them over time, particularly in terms of our target outcomes.
24. We therefore require data that is consistently captured across Community Investment funding, that reports on our result measures, and that can be linked to other government databases, including the Integrated Data Infrastructure (IDI) and MSD's Information and Analysis Platform (IAP).
25. Customer data will also enable us to understand the age, ethnicity, gender, location and other key demographics to identify whether the most vulnerable are being targeted and supported.
26. We also need to develop and maintain an understanding about the range of possible interventions and their likely effectiveness. That understanding will inform the ongoing refinement of our risk factors and result measures, and steer us at possible interventions that we could then work with providers and communities to test and refine.
27. By June 2016 we will have completed a line by line review of all programmes and services funded under the Strategy, and determined what evidential base they have. Alongside those we are implementing a Policy review and evaluation schedule which will be updated as strategic decisions are made about prioritising policy reviews and evaluations to ensure critical programmes and needs are understood.
28. Building the evidence base requires a combination of information sets being considered as one package including analysis of; evaluations, formal policy and programme reviews, programmes/Provider performance data and changes occurring to critical demographic groups and localities.

The Line by Line review of the programmes will be complete by June 2016

Alongside and in some cases arising from the Line by Line reviews there is a schedule of policy reviews and evaluations with results already emerging for key services (eg Family Start)

We are developing a more strategic approach to how we build the standard of evidence, and will report on this once complete.

A phased approach to collecting customer data consistently will be undertaken so that by December 2018 we plan to have most programmes capturing customer results.

G) Return on Investment (ROI) for vulnerable New Zealanders

29. Through a consistent set of result measures in providers' contracts, the collection of high quality customer data, and logical and consistent pricing, we can start to compare the costs and benefits of different programmes and services on a rigorous and transparent basis. However, Return on Investment modelling requires additional cost and benefit formulae. We are working with Treasury's Social Investment Unit on Cost and Benefit Analysis (CBAX) to identify the metrics associated with the most significant clusters of services we invest in.
30. We will contribute to the CABX model by monitoring the impact of our investment through triangulating results achieved at a customer level across government agency databases. By comparing changes to results over time with like groups who did not

receive services (the counterfactual) we can identify the return to Government of investments, and so improve the efficiency and effectiveness of our investment mix.

31. The Child, Youth and Family Expert Advisory Panel report describes an actuarial model for vulnerable children that would provide an estimate of childhood and future lifetime costs. This model will mean we can calculate the financial return on achieving certain results, which in turn enables more sophisticated forms of investment based on a social return. Performance across the portfolio will be measured through comparing ROI across investments, and feedback loops will enable us to continuously improve our ROI year on year.

From December 2018, we expect to be able to undertake ROI analysis on key clusters of services for Community Investment funding.

Conclusion

32. For vulnerable New Zealanders we expect to be able to recognise their need earlier, provide more targeted interventions that are known to be effective for their specific needs.
33. At a community level, we will be able to have better informed discussions about what has worked, where and with whom, and where further change is needed. We will be able to have open conversations about innovative opportunities to do things differently in a greater variety of ways.
34. Providers will benefit from shared information about effectiveness and efficiency so they can improve the services they deliver to their customers.
35. For the Government, the quality of decision making will improve as it will be informed by evidence. We will also be able to continuously improve the ROI in social services, and thus reduce the Government's forward liability and better plan for longer term social investment. The improved rigour of data analytics and sharing will also allow improved collective impact of Government investment across Government agencies to occur.

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