

PROACTIVE RELEASE COVERSHEET

Minister	Hon Nicola Willis	Portfolio	Social Investment
Title of Cabinet paper	Paper 1 – System change to support social investment	Date to be published	15 May 2025

List of documents that have been proactively released		
Date	Title	Author
27 March 2025	Cabinet paper: Paper 1 – System change to support social investment	Office of the Minister for Social Investment Office of the Minister for the Public Service
7 April 2025	Cabinet minute CAB-25-MIN-0108.01: System Change to Support Social Investment (Paper 1)	Cabinet Office

Information redacted YES

Any information redacted in this document is redacted in accordance with the Social Investment Agency's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Information has been withheld for the reason of confidential advice to Government.

[© Crown Copyright, Creative Commons Attribution 4.0 International \(CC BY 4.0\)](#)

Budget sensitive

Office of the Minister for Social Investment

Office of the Minister for the Public Service

Cabinet

Paper 1 – System change to support social investment

Proposal

1. This paper is the one of two papers reporting back on our Social Investment work programme and setting out our proposal for system change to deliver better outcomes for New Zealanders from our investment in social services.
2. This paper seeks agreement to a first phase of changes to our public management and funding systems, including establishing:
 - 2.1 a new commissioning¹ function to provide integrated commissioning of social services
 - 2.2 a Social Investment Fund to deliver this integrated commissioning model
 - 2.3 interim oversight arrangements to enable collective Ministerial direction over the use of this Fund.
3. A second paper, *Paper 2 - Implementing social investment commissioning*, sets out our plan to deliver the proposed system changes, and to devolve decisions around commissioning from the Fund to regional and community commissioners over time.

Relation to government priorities

4. These proposals directly support this Government's ambition to implement a social investment approach to drive better outcomes for people and break cycles of disadvantage.

Executive Summary

5. The government spends significant amounts of funds on commissioned services, (estimated to be between \$6 – 8 billion per annum in 2021) on top of significant service provision provided directly from agencies. However, in many cases outcomes have gone backwards. Most critically, the group of people experiencing the most complex issues – many of which are preventable with earlier support – is getting bigger. Recent data analysis of a representative cohort indicates that, in the period between 2017 and 2022, those with the most complex needs grew by 71%. Worryingly, the larger cohort who are those most at risk of developing these high and complex needs also grew by 62%. This means we are spending more on services at

¹ We define commissioning, in line with the Social Sector Commissioning Action Plan 2022-28, as “the interrelated activities, including but not limited to planning, engagement, funding, procurement, monitoring, and evaluation that need to be undertaken through third-party providers to ensure people whānau and communities who need support get the support they need”.

the bottom of the cliff rather than investing at the top. Attempts to change these trends over the years have not been successful and it is clear that tinkering with the status quo will not deliver New Zealand the change that is required.

6. We hear that providers working with these individuals and whānau are stymied in their efforts to provide better support by having a myriad of output-focused contracts that count the wrong things. The current approach is not focused on outcomes and does not use data and evidence to improve services to prevent escalation of need.
7. Since the Minister for Social Investment received Cabinet support for her approach to social investment, work to develop many of the elements necessary for its implementation have been progressed. However, it has become evident that there are some significant structural barriers that will ultimately frustrate our ability to make many of the improvements we seek. A bold shift is needed to deliver better impact for taxpayer funds, enable services to put people and outcomes first, and deliver for communities.
8. The Social Investment Agency was established in July 2024 and has progressed its initial mandate – including developing standards for social investment, commencing a programme of reviews across the social sector, and building the capability needed to implement social investment. A forward work programme has also been developed. The programme will deliver tangible and timely proof of social investment in practice, and set the foundations for system change that will enable the social sector to achieve better outcomes for New Zealanders. The programme consists of:
 - 8.1 demonstrating social investment in practice through a small number of new initiatives to improve outcomes for priority cohorts of people (subject to Budget 25 decisions)
 - 8.2 developing a new model for integrated commissioning and progressively scaling the model
 - 8.3 building capability and methodologies to review the effectiveness of funding across the social sector, improve service delivery, and increase visibility of what we spend and where
 - 8.4 supporting social investment commissioning approaches across government.
9. This paper proposes system change that will address the long-standing structural barriers, and enable integrated commissioning. A core feature is that it will enable commissioning to be devolved to communities, account for local needs, and incentivise prevention of poor outcomes. This will involve agencies, commissioners and providers using the right evidence to inform decisions and improve delivery, and ensuring data is shared safely and responsibly for greater impact.
10. The transition to this future state will be phased. A companion paper *Implementing social investment commissioning* sets out a repeatable and scalable process for delivering the system change in a measured and phased manner. This process provides visibility for Ministers to manage implementation risks and seek assurance of capability in the system (and in SIA specifically).

Background

11. Social investment puts people and outcomes at the centre of social service delivery. Implementing social investment requires Government to be clear about the outcomes that are sought and for whom, and relies on using data and evidence to do more of what works. Appendix 1 describes the key elements of social investment – the primary focus of this paper is on the commissioning element.
12. In April 2024, Cabinet considered a paper that set out the key elements of social investment (summarised at Appendix 1) [CAB-24-MIN-0140 refers]. It agreed to establish the arrangements needed to accelerate social investment. Cabinet noted that, over time, we would need to significantly change the way we commission, deliver, and scale up successful social services to achieve the outcomes we want.

In the near-term, the social investment work programme will build the foundations for permanent improvements

13. The Social Investment Agency is in a rapidly-building phase following its establishment in July 2024. This includes building its capability in commissioning, contracting for outcomes, fund management and design, machinery of government, and being ready for the scaling up of its activities proposed in this paper.
14. Four connected strands are underway to implement social investment. The focus of this work programme is to test and learn from activities that demonstrate the promise of social investment, and build the methodologies and tools needed to scale up rapidly. Appendix 3 provides a phased view of the longer-term work to implement social investment, through to 2027.

<i>Work programme detail</i>	<i>What we will learn</i>	<i>Connection to broader implementation</i>
<p>1: Social investment demonstration initiatives</p> <p>A small number of demonstration investments with selected providers to improve outcomes for priority cohorts of people (those who data shows will receive the most benefit from investment) (subject to Budget 25 decisions)</p> <p>Agreed in Budget 25, delivered starting from 1 July 2025 and for the next 4 years.</p>	<p>Using outcomes contracts</p> <p>Methodologies for identifying priority cohorts and pricing outcomes</p> <p>Process for commissioning and measuring contracts</p>	<p>Provides us with rapid demonstrations of social investment in practice, for us to learn what works and build momentum</p>
<p>2: Developing a new model for commissioning prevention and early intervention and progressively scaling the model</p> <p>A new approach to commission prevention and early intervention services (subject to Budget 25 decisions)</p>	<p>Shared governance and oversight model for existing services</p> <p>Recommission services as needed</p> <p>Evaluation of spend and reallocation of resources</p>	<p>Testing elements of the system change proposed in this paper.</p> <p>Paper 2 seeks agreement for a repeatable process which would allow for the systematised identification of future areas for this activity to be scaled.</p> <p>Further policy work required, including potential legislation to formalise and</p>

Initial decisions in Budget 25, transition over coming 6 months. Repeatable and scalable process commences following this.	Shared commissioning tools and platforms needed	embed social investment structure as part of public management and funding systems.
<p>3: Building the capability and methodologies to review the effectiveness of funding across the social sector, improve service delivery, and increase visibility of what we spend and where</p> <p>SIA develops tools, integral capability and guidance for the wider sector.</p> <p>Capability build underway, ongoing programme of reviews, building over next 12 months</p>	<p>What capability is needed (central and in agencies)</p> <p>What agencies need to operate social investment semi-autonomously</p>	<p>As SIA moves into its mature central agency role, these functions will become the core functions.</p> <p>These capabilities and methodologies are critically important across all agencies.</p>
<p>4: Working with other social investment commissioning approaches across government e.g. Whanau Ora recommissioning</p> <p>Already underway, to be in place by 1 July 2025</p>	<p>A timely opportunity for testing recommissioning on a larger scale</p> <p>Test and learn, solve problems and repeat success</p>	Engagement with social investment commissioning approaches will enhance our understanding of community capability and stakeholder management for the wider implementation of social investment.

15. The remainder of this paper sets out the case for change required to implement social investment and improve outcomes for New Zealanders, and the detail for how we propose to establish and govern this work.

The current public management and funding system does not effectively deliver social outcomes for those with high needs

16. Despite significant investment in social services, we have not seen improvements for many of the most vulnerable New Zealanders, whose needs cross multiple government portfolios. These individuals and whānau require intensive and bespoke services, which are most effective when provided by their communities. In many instances, early intervention effectively avoids more intensive and expensive services.
17. Our current public management and funding system fails at delivering cross-portfolio services and early intervention. This is because it incentivises:
 - 17.1 Efficiency – high-volume services delivered in consistent and repeatable ways
 - 17.2 Vertical accountability – departments to Ministers, Parliament and the public.
18. Government agencies have historically struggled to commission social services in a co-ordinated way, so we currently face well-known issues such as:
 - 18.1 overlapping services for some groups of people and missing services for others

- 18.2 short-term arrangements that contribute to market fragility, preventing investment by providers in infrastructure and capability
 - 18.3 contracting for outputs in ways that prevent customisation and innovation, with compliance-heavy monitoring
 - 18.4 reliance on expensive, late (and often non-existent) evaluations that do not support providers and agencies to learn and adapt.
19. We are concerned that Government cannot form a joined-up view of the coverage and impact of social services, leaving it unable to make coherent investment decisions. Most importantly, this means that people do not receive the integrated and tailored support they need from providers they trust. Historic attempts to improve the way that government works to deliver social outcomes over around 30 years² have failed to result in meaningful changes. The feedback from the social sector is the same now as it has been since the 1990s.
20. We know that the current commissioning system does not work for the provider sector. Complaints include some providers having over 100 separate contracts with 17 different funding agencies. Annual contract renewals which provide no certainty forcing providers to take a short-term focus and pay more for items. Audit overload; anecdotes suggest that providers are spending up to thirty percent of their time on audits rather than delivering front line services, a deadweight loss. A lack of focus on outcomes; there is an emphasis on ticking the boxes and outputs rather than on long-term impact.
21. Earlier in the term this government has commissioned work from social sector agencies to simplify government contracting with social sector NGO's. Despite a significant work programme and resources being applied, little progress has been made, with agencies struggling to apply an outcomes focus to their contracting practices and no new contracts being entered into.

We propose a fundamental change to how we invest in social outcomes

22. Improvements in social service commissioning require changes to how money flows through the system. We propose changes to our public management and funding systems through:
- 22.1 a new cross-sector commissioning function to provide integrated commissioning of social services
 - 22.2 a Social Investment Fund to deliver this integrated commissioning model
 - 22.3 interim oversight arrangements to enable collective Ministerial direction over the use of this Fund.
23. These changes are summarised in Appendix 2. They will sit alongside and complement the current system where it is working to effectively.

² See, for example, [Community Survey results](#) (1998), [Funding for Outcomes](#) (2007), [More effective social services](#) (2015).

An integrated commissioning function will deliver better social outcomes

24. We propose an independent commissioning function that delivers social outcomes for people and communities. This will involve better contracting arrangements that use outcomes to encourage flexible support, tailored to individual and whānau needs. The function will also implement data-rich feedback loops to drive performance improvements.
25. This function will be built from the ground-up because current vertical accountabilities and portfolio arrangements mean that no existing agency can deliver integrated commissioning, and new solutions (for example a platform for shared contracting) will be required.
26. The new commissioning function will build on the existing Social Sector Commissioning principles, and work that has been progressed on outcomes contracts. It will support local commissioning capabilities so that in future, commissioning can be undertaken within communities.
27. During a temporary transition phase, SIA will incubate the commissioning function, which we anticipate will become a stand-alone function by 1 July 2026. This is pragmatic because:
 - 27.1 The system must be built in an integrated way from the outset. If the function is split off too early, this complexity may not be managed successfully, and would not work well with the rest of the system.
 - 27.2 The new commissioning function requires capabilities not yet found across Government (such as designing outcomes-based contracts with data flows). SIA currently has the skillsets to deliver this on an interim basis while more capability is built.
 - 27.3 It would not be appropriate to incubate these functions in line agencies, because the new commissioning must, from the outset, operate in an integrated way.
28. Once established, the new stand-alone function will be able to attract investment from private and philanthropic organisations, evolve to enable invest-to-save methodologies,³ and enable the SIA to advise on the Fund's effectiveness.
29. We expect the Social Investment Agency to engage on further design elements of this new commissioning function with the sector, including iwi and Māori partners. Further detail about implementation is included in Paper 2, which sets out Ministers' decision points, and management of implementation risks.

A Social Investment Fund will achieve outcomes through integrated commissioning

30. In April 2024, Cabinet agreed to the creation of a Social Investment Fund [CAB-24-MIN-0140 refers]. The Fund would directly commission services for vulnerable New Zealanders; would have a portfolio of investments ranging from innovative to more

³ For example, methodologies inspired by the Victoria State Government's Early Intervention Investment Framework

conservative; and over time, could be expected to attract funding from private / philanthropic organisations.

31. The Social Investment Fund will sit within Vote Social Investment. These proposals establish the mechanism for new money, existing funding to be pooled, and third-party funding (if approved by Cabinet in the future) to be directed into integrated commissioning to improve outcomes. Over time, we expect that the Fund to devolve significant commissioning of services to communities. We also expect that the Fund will use a range of contracting approaches that focus on outcomes, which will retain the strong accountability requirements of current best practice contracting while enabling the type of innovation and flexibility needed to achieve those outcomes.
32. The first strand in the social investment work programme will see the Fund making initial social investments in demonstration initiatives that will improve outcomes for priority cohorts of people (subject to Budget 25 decisions). These demonstration projects will be initiated in advance of any transfers of funding and will be delivered by the SIA in the near-term. These outcomes will be aligned with the Government Targets and the Child and Youth Strategy.
33. The second strand to the work programme includes testing this new approach on a small and repeatable scale, by transferring selected funding to Vote Social Investment in Budget 2025. We will learn from this initial transfer, and can repeat and scale the approach as Ministers consider the capability and capacity of the system to adjust.
34. Paper 2 sets out the repeatable and scalable process where further funding will be identified and transferred for recommissioning for outcomes. Decisions on each opportunity for transferring funding will be taken by relevant Ministers at the appropriate time, as detailed in Paper 2.
35. There are choices about the form the new stand-alone Fund function should take. We will return to Cabinet with recommendations on form as part of the advice on embedding social investment, by the end of 2025.

A group of Ministers will provide oversight over the Fund

36. Under current legislation settings, the Minister for Social Investment will be accountable for the Fund. We are testing a new model of collective interest in outcomes by enabling Ministers to have a role in setting those outcomes, to ensure investments made by the Fund achieve long-term improvements within their portfolios.
37. The proposed oversight model will allow Ministers to have input into ensuring the appropriate outcomes are sought and we are able to leverage the collective impact of the Fund and the integrated commissioning model to achieve these outcomes.
38. We propose Social Investment Fund Ministers initially consist of Ministers who currently chair other Social Sector Ministerial Groups and the Minister of Finance, Minister of Education, Minister of Health and Minister for Māori Development, and be chaired by the Minister for Social Investment:

38.1 Chair of Child and Youth Ministers

38.2 Chair of Family Violence and Sexual Violence Ministers

38.3 Chair of Justice Ministers.

- 39. We will seek agreement for a Terms of Reference for this group. As the Fund grows the membership of the group will be reassessed.
- 40. We propose that the Fund initially focuses on outcomes associated with the Government targets and with strategies such as the Child and Youth Strategy and Te Aorerekura (the Government's strategy for the elimination of Family Violence and Sexual Violence). Outcomes (and target cohorts most relevant to those outcomes) will be confirmed once the group is established.
- 41. The existing group of Social Investment Ministers will focus on applying social investment practices to improve agencies' core business, and coordinating the interactions between this core business and the integrated social investment commissioning through the Fund.

Alignment with Whānau Ora

- 42. Social investment has a number of parallels with Whānau Ora, notably both approaches enable providers to deliver holistic services focused on whānau need with a strong focus on outcomes. The current realignment of Whānau Ora provides a timely opportunity for lessons about commissioning approaches with communities and providers, and the data flows needed to support this. SIA has been directed to work closely with Te Puni Kōkiri to ensure these lessons inform the implementation of social investment.

The Social Investment Agency will continue to support the adoption of social investment across government

- 43. In the short-term, we do not expect changes to the arrangements for commissioning and contract management by departments. As the social investment system evolves, we expect departments will be able to focus on core responsibilities ensuring value for money. Overtime we would expect these commissioning function to embed social investment principles within their portfolios, with the support of SIA. This presents an opportunity to adopt social investment widely.
- 44. Adopting social investment for line agencies will include:
 - 44.1 being clear on what outcomes are going to be achieved for which specific groups of people
 - 44.2 using data and evidence to understand how existing funding, commissioning and operating models can be improved and actioning these insights
 - 44.3 greater use of outcomes-based contracts.
- 45. Most people at risk of poor social outcomes will continue to access core social services. We therefore need to manage the allocation of resources between the existing and new part of the system. Data and evidence from each part of the system

will generate insights that could benefit the other. We expect that all agencies will continue to actively build the capability they need to apply social investment.

46. To support this, we propose that the functions of SIA be expanded from that agreed by Cabinet in April 2024 [CAB-24-MIN-0140 refers]. Its expanded role would include the mandate to:
 - 46.1 advise Ministers on investments to be delivered through the new commissioning function, using a rolling programme of reviews and expressions of interest from non-government and community organisations to identify funding and contracts that could be transferred to the Social Investment Fund (this role is expanded on in Paper 2)
 - 46.2 provide system leadership and oversight of social investment commissioning, and coordinate advice to Social Investment Ministers on commissioning and other related matters
 - 46.3 oversee standards for social investment practice through monitoring and evaluating the performance of social sector investment.

Comment from the Social Investment Board

47. The Social Investment Board is a Ministerial Advisory Committee that provides independent advice on the development and implementation of social investment.
48. The Board and the SIA are broadly aligned on the future state of the social investment system. This system uses evidence to make decisions closer to, and focuses resources on, those who need it the most. It also supports people, whānau and communities to make positive change towards better lives.
49. The Board has concerns that the proposals outlined in this paper, while being presented as transitional, will become the future state. The Board recommends that the Fund is established as an independent entity and works rapidly to create a commissioner of local commissioning model. The Board would also like to see the voices of the communities embedded into these arrangements, ensuring decisions do not default back to agencies.
50. The Board is concerned by the inability of Ministries to cut the administrative costs of multiple contracts with single providers, and from excessive and ineffective auditing and monitoring.
51. The board would like to see an ongoing close alignment with Whānau Ora.

Cost-of-living implications

52. We do not expect the social investment work programme to directly impact on the cost-of-living. However, social investment initiatives are likely to lead to an improvement in the cost-of-living for New Zealanders at greatest risk of poor social outcomes by better addressing some of their more basic needs.

Human Rights

53. Social investment seeks to improve outcomes for our citizens with needs that cross multiple portfolios and should assist us to fulfil our human rights obligations.

Financial Implications

54. These proposals have financial implications involving the transfer of funding between Votes. We propose these decisions are initially taken in the Budget 2025 Cabinet paper. The transfers are expected to be fiscally neutral in the immediate term. However, we anticipate there will be some transition costs associated with establishing a new integrated commissioning function that will – initially – operate in parallel to existing commissioning functions. The Minister for Social Investment is seeking to address these transition costs as part of initiatives proposed for Budget 2025. Confidential advice to Government
55. As the social system matures and contracts are re-negotiated, we expect some administrative savings by consolidating contracts across portfolios to achieve a range of social outcomes, benefiting both government and social service providers. From an all-of-government perspective, we also expect efficiency savings from consolidating some commissioning expertise.

Legislative Implications

56. This proposal will likely have legislative implications. We expect to seek Cabinet agreement to any proposed legislative changes to support the implementation of the system we are proposing, and social investment more generally, by the end of 2025.

Impact Analysis

Regulatory Impact Statement

57. A Regulatory Impact Statement (RIS) is not required for this proposal.

Climate Implications of Policy Assessment

58. A Climate Implications of Policy Assessment (CIPA) is not required for this proposal.

Population Implications

59. Social investment builds on existing good practice found in whānau ora approaches and is intended to have a significant positive impact for people in New Zealand who would otherwise be most likely to suffer disproportionately poor social outcomes (e.g. in health, education, employment and housing). These outcomes often stem from historical and ongoing inequities. The populations particularly affected by poor social outcomes include children, Māori and Pacific people, and disabled people.

Use of external Resources

60. No external resources were used to develop this paper. There may be a requirement for external resources to implement the proposals in this paper.

Consultation

61. This paper was consulted with coalition partners and relevant portfolio Ministers.
62. The Public Service Commission and the Treasury were involved in the drafting of the paper. The Department of the Prime Minister and Cabinet, the Ministry of Education, the Ministry of Health, the Ministry for Housing and Urban Development; the Ministry of Justice, Te Puna Aonui, Te Puni Kōkiri, the Ministry for Regulation, the Ministry of Social Development, Oranga Tamariki, the New Zealand Police, the Accident Compensation Commission and Stats NZ were consulted.

Communications

63. Officials will work with the Minister's office on further communication regarding these proposals. Communications will likely be prior to Budget 2025 announcements. The Social Investment Agency will also undertake targeted engagement and consultation on the design of aspects of the system.

Proactive Release

64. This paper will be proactively released after Budget Day, as it contains material related to Budget 2025.

Recommendations

The Minister for Social Investment and Minister for the Public Service recommend that Cabinet:

- 1 **Note** that in April 2024, Cabinet agreed to establish the institutional and funding arrangements needed to accelerate social investment and invited the Minister for Social Investment to report back with a social investment work programme [CAB-24-MIN-0140];
- 2 **Note** that a work programme has been developed that will deliver tangible and timely proof of social investment in practice, and set the foundations for system change that will enable the social sector to achieve better outcomes for New Zealanders;
- 3 **Note** that initial work has exposed structural barriers that will frustrate our ability to use social investment to make the improvements we seek over the long term unless they are addressed;
- 4 **Agree** to make changes to our public management and funding systems to address structural barriers and enable an alternate way of purchasing services for early intervention and prevention, and for people with multiple needs, through the establishment of:
 - 4.1 a new commissioning function to provide integrated commissioning of social services;
 - 4.2 a Social Investment Fund to deliver this integrated commissioning model;

- 4.3 interim oversight arrangements to enable collective Ministerial direction over the use of this Fund;
- 5 **Agree** the oversight arrangements for the Fund, which will initially be chaired by the Minister for Social Investment and consist of the Minister of Finance, Minister of Education, Minister of Health, Minister for Māori Development, and the Chairs of the following social sector Ministerial groups:
 - 5.1 Child and Youth Ministers;
 - 5.2 Family Violence and Sexual Violence Ministers;
 - 5.3 Justice Ministers;
- 6 **Note** that:
 - 6.1 the implementation of the above decisions will have flow-on effects for the public management and funding systems, and will need to be phased over time;
 - 6.2 the accompanying paper *Implementing Social Investment Commissioning (Paper 2)*, under EXP-25-SUB-0036 provides details on a proposed transition plan;
- 7 **Direct** the Public Service Commission and the Treasury to continue to work with Social Investment Agency to identify flow-on effects for the public finance and administration systems, to support the Minister for Social Investment to return to Cabinet by the end of 2025 to seek further decisions, including possible legislative changes and the potential stand-alone form for the commissioning function;
- 8 **Agree** to expand the functions of the Social Investment Agency from those agreed by Cabinet in April 2024 [CAB-24-MIN-0140 refers] to:
 - 8.1 advise Ministers on investments to be delivered through the new commissioning function, using a rolling programme of reviews and expressions of interest from non-government and community organisations to identify funding and current contracts that could be transferred to the Social Investment Fund;
 - 8.2 provide system leadership and oversight of social investment commissioning, and coordinate advice to Social Investment Ministers on commissioning and other related matters;
 - 8.3 oversee standards for social investment practice through monitoring and evaluating the performance of social sector investment.

Authorised for Lodgement.

Hon Nicola Willis
Minister for Social Investment

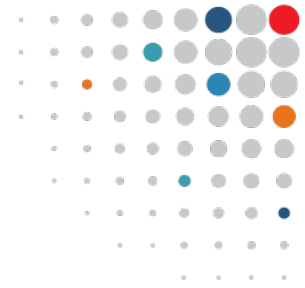
Hon Judith Collins
Minister for the Public Service

Appendices

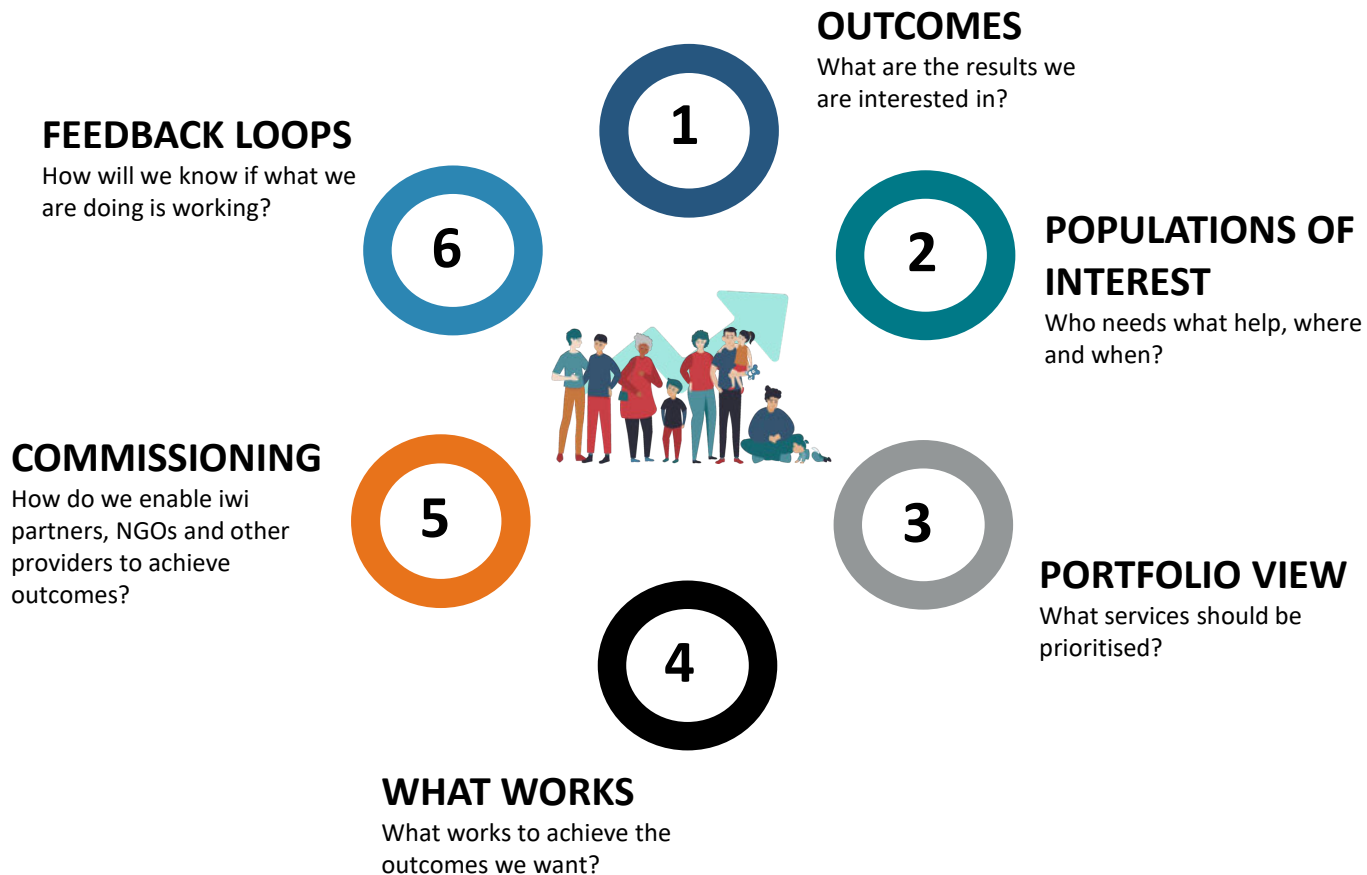
Appendix One: Key elements of social investment

Appendix Two: Social investment – proposed social sector system model

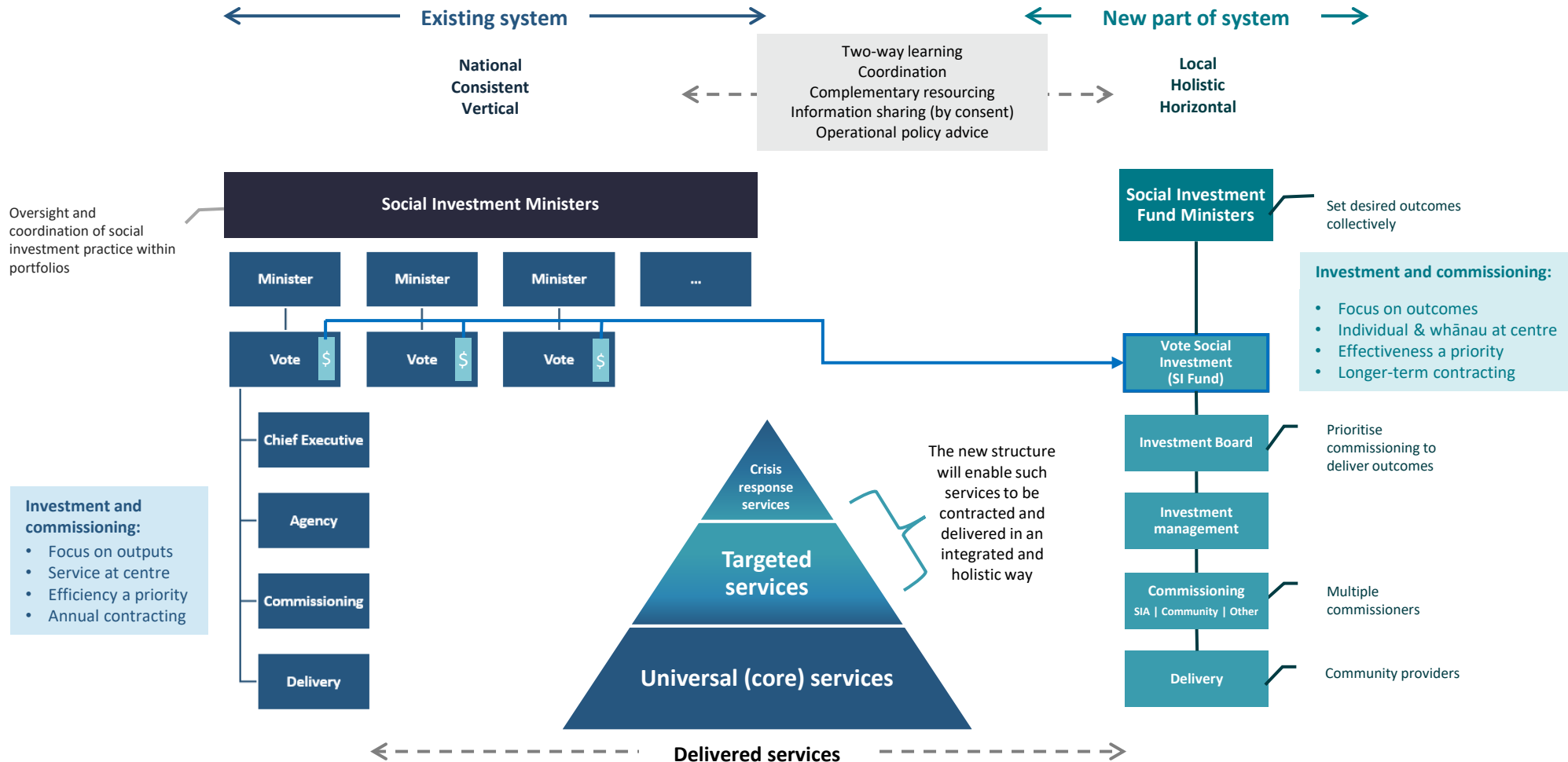
Appendix Three: Phasing of work to implement social investment

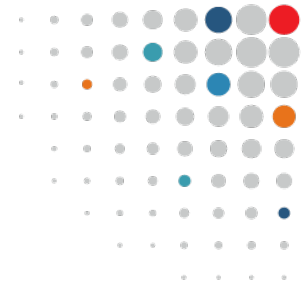


Appendix 1: Key elements of social investment



Appendix 2: Proposed social sector model for social investment





Appendix 3:

Phasing of work to implement social investment

Purpose: To improve social outcomes for New Zealanders

Key elements of / levers for change

- **Shared commitment** among social sector Ministers and agencies for the proposed changes
- **Outcomes-focused investment** processes and practice, organised around people
- **Community commissioning** at the local and regional level, organised around common goals
- Use of **data and evidence** to inform investment decisions and improve outcomes

Phase 1 (Initiating) To mid-2025

WHAT:

Set direction for system transformation and develop foundations for system change

HOW:

- Begin structural changes to provide an alternate way of purchasing services for people most at risk of poor social outcomes, including:
 - A Social Investment Fund to support integrated commissioning of social services
 - Governance arrangements to enable collective Ministerial direction
- Build capacity and capability for social investment, including through strengthening the data and evidence infrastructure, and supporting community providers

Phase 2 (Building) mid-2025 to end-2026

WHAT:

Phased implementation of social investment commissioning

HOW:

- Deliberate transition arrangements for the transfer of funding, to manage risks of unintended service disruption (for service users and service providers)
- Establish integrated social investment commissioning function
- Develop local commissioning functions
- A rolling programme of baseline/impact reviews to identify further funding to transfer and insights on improved outcomes
- Identify legislative and machinery of government changes needed to embed and drive social investment

Phase 3 (Embedding) From 2027

WHAT:

Formalise and embed social investment as part of public management and funding systems

HOW:

- Enact legislative changes
- Establish new entity to manage the Social Investment Fund
- Continue to embed social investment in social sector agencies' operating models
- Partner with private and philanthropic investors to improve outcomes
- Implementation of identified improvements in service design, contracting and delivery
- Regional and local commissioning through the integrated commissioning function



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

System Change to Support Social Investment (Paper 1)

Portfolios Social Investment / Public Service

On 7 April 2025, following reference from the Cabinet Expenditure and Regulatory Review Committee, Cabinet:

- 1 **noted** that in April 2024, Cabinet agreed to establish the institutional and funding arrangements needed to accelerate social investment, and invited the Minister for Social Investment to report back with a social investment work programme [CAB-24-MIN-0140];
- 2 **noted** that a work programme has been developed that will deliver tangible and timely proof of social investment in practice, and set the foundations for system change that will enable the social sector to achieve better outcomes for New Zealanders;
- 3 **noted** that initial work has exposed structural barriers that will frustrate the Government's ability to use social investment to make the improvements sought over the long term unless they are addressed;
- 4 **agreed** to make changes to the public management and funding systems to address structural barriers and enable an alternate way of purchasing services for early intervention and prevention, and for people with multiple needs, through the establishment of:
 - 4.1 a new commissioning function to provide integrated commissioning of social services;
 - 4.2 a Social Investment Fund to deliver this integrated commissioning model;
 - 4.3 interim oversight arrangements to enable collective Ministerial direction over the use of this Fund;
- 5 **agreed** to the oversight arrangements for the Fund, which will initially be chaired by the Minister for Social Investment and consist of the Minister of Finance, Minister of Education, Minister of Health, Minister for Māori Development, and the Chairs of the following social sector Ministerial groups:
 - 5.1 Child and Youth Ministers;
 - 5.2 Family Violence Sexual Violence Ministers;
 - 5.3 Justice Ministers;

- 6 **noted** that:
- 6.1 the implementation of the above decisions will have flow-on effects for the public management and funding systems, and will need to be phased over time;
 - 6.2 the accompanying paper *Implementing Social Investment Commissioning (Paper 2)*, under EXP-25-SUB-0036, provides details on a proposed transition plan;
- 7 **directed** the Public Service Commission and the Treasury to continue to work with the Social Investment Agency to identify flow-on effects for the public finance and administration systems, to support the Minister for Social Investment to return to Cabinet by the end of 2025 to seek further decisions, including possible legislative changes and the potential stand-alone form for the commissioning function;
- 8 **agreed** to expand the functions of the Social Investment Agency from those agreed by Cabinet in April 2024 [CAB-24-MIN-0140] to:
- 8.1 advise Ministers on investments to be delivered through the new commissioning function, using a rolling programme of reviews and expressions of interest from non-government and community organisations to identify funding and current contracts that could be transferred to the Social Investment Fund;
 - 8.2 provide system leadership and oversight of social investment commissioning, and coordinate advice to Social Investment Ministers on commissioning and other related matters;
 - 8.3 oversee standards for social investment practice through monitoring and evaluating the performance of social sector investment.

Rachel Hayward
Secretary of the Cabinet

Secretary's Note: This minute replaces EXP-25-MIN-0035. Cabinet agreed to amend paragraph 5.
