

PROACTIVE RELEASE COVERSHEET

Minister	Hon Nicola Willis	Portfolio	Social Investment
Title of Cabinet paper	Paper 2 - Implementing social investment commissioning	Date to be published	15 May 2025

List of documents that have been proactively released		
Date	Title	Author
27 March 2025	Cabinet paper: Paper 2 - Implementing social investment commissioning	Office of the Minister for Social Investment
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Information redacted YES

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Budget-sensitive

Office of the Minister for Social Investment

Cabinet

Paper 2 - Implementing social investment commissioning

Proposal

1. This paper is the second of two papers and sets out my plan to deliver the proposed structural change outlined in *Paper 1: System change to support social investment*. It seeks agreement to a systematised and repeatable process for implementing social investment, that allows for scaling over time.

Relation to government priorities

2. This Government's goal is to implement a social investment approach, drive better results for people and break cycles of disadvantage.

Executive Summary

3. The current commissioning system is overly complicated forcing providers to work respond to the needs of commissioning agencies rather than the needs of the people in the community. The provider sector is often delivering results despite the system. Despite multiple attempts to improve the system a new systematic approach is needed.
4. This paper outlines a four-step process for transitioning funding from individual social sector Votes into the Social Investment Fund (see Appendix 1):
 - 4.1 Step 1: Identification of appropriate funding
 - 4.2 Step 2: Discovery to understand what is being allocated and where
 - 4.3 Step 3: Improvement of provision, during which appropriate services will be recommissioned through the integrated commissioning function
 - 4.4 Step 4: Rationalisation of the relevant department to focus on core business.
5. Throughout these steps, oversight by both portfolio Ministers and the Minister for Social Investment will ensure that the risk of service disruption is minimised.
6. The Social Investment Agency (SIA) and specific departments will work together to support and advise Ministers during the transition process. The commissioning function will be initially incubated within SIA (as discussed in paper 1) with the intent to move decision-making to the community level as the system matures. We want to ensure the arrangements for purchasing are separate from the SIA as soon as is practicable so the SIA can focus on system level changes and independently advise on the performance of commissioning functions.

7. The process is designed to be repeatable, and my expectation is that multiple blocks of funding, for services currently commissioned by different departments, would be at different points in this process at any given time (see Appendix 2).
8. The process is also designed to be scalable and allow for Ministers to have high visibility of the risks and opportunities at all times. This will allow us to speed up and slow down implementation as it is apparent that we have the right capability and capacity in the system (including SIA capability).
9. For the avoidance of doubt, this paper seeks agreement to a process – not a commitment to any specific transfers of funding. These decisions will be taken at the appropriate time, by the relevant Ministers as set out in this paper.
10. This is a substantial transformation programme which will require additional work on potential legislative changes. I will return to Cabinet by the end of 2025 to update on these changes, including the future form for this commissioning function.
11. I anticipate that, over time, an increasing proportion of social sector investment will be in well-evidenced, robust, outcome-focused arrangements. However, it will take time for system changes to approach maturity. I am exploring ways to demonstrate the benefits and opportunities from social investment quickly (for example, through initiatives for consideration in Budget 2025 as referenced in Paper 1).

Background

12. *Paper 1: System change to support social investment* outlines a proposal to establish integrated commissioning using pooled funding from across different Votes in a Social Investment Fund. The goal is to intervene earlier for people most at risk of poor outcomes and deliver more impact with Government's investment.
13. Paper 1 also reports back on the Social Investment work programme, which in the near-term involves activities which enable us to learn from initial implementation. The second strand of the work programme is testing the new governance model for integrated commissioning, and this paper sets out the process for repeating and scaling this model.

Four repeatable steps will be used to manage Ministers' visibility and system capacity

14. The transitional arrangements are organised around explicit decision-points for Ministers for each step, as outlined in Appendix 2:
 - 14.1 **Step 1: Identification** of appropriate funding involves a funding review to identify existing funding for services that could be transferred into Vote Social Investment, with responsible Ministers deciding on those transfers (these would be restricted to those outlined in paragraph 20);

- 14.2 **Step 2: Discovery** work to understand current spending and to identify opportunities for improvement, with responsible Ministers deciding whether to recommission services using the integrated commissioning function;
 - 14.3 **Step 3: Improvement** of provision, during which services will be recommissioned, where appropriate, through the integrated commissioning function; operating in parallel to the existing commissioning function in the relevant department; and
 - 14.4 **Step 4: Reorientation** of the home department, to ensure a focus on core business.
- 15. The Social Investment Agency and specific departments will work together to support and advise Ministers through the transition process. This will involve joint advice and decisions over the funding and services transferred to Vote Social Investment during the transition, and joint advice on the arrangements that will apply at the end of the transition.
 - 16. These decisions will be supported with:
 - 16.1 baseline data and tools to measure impact;
 - 16.2 capability within the Social Investment Agency to support the funding review and discovery phases;
 - 16.3 specialist expertise for the Social Investment Fund to purchase shared outcomes for specific cohorts; and
 - 16.4 the development of regional and community commissioning capability, closer to the people that services are intended to help.
 - 17. These transitional arrangements are designed to be repeatable, and we expect that multiple tranches of funding would be at different points in this process at any given time (see Appendix 2). However, capacity constraints within the Social Investment Agency and the new commissioning function will limit progress to one or two blocks of funding in each phase at the same time.
 - 18. Likewise, Ministers will have the options to move faster or slower based on the explicit decision points baked into the four steps outlined in the following sections.

Step 1: Identification of opportunities

- 19. I propose a rolling programme of reviews from 1 July 2025 where the Social Investment Agency and the Treasury would work with relevant social sector departments to identify funding that could be transferred to the Fund.
- 20. These reviews would focus on baseline funding invested in– and the impact achieved through – services and programmes that:
 - 20.1 support individuals and/or families and whānau at risk of poor outcomes falling across more than one area of agency responsibility,

- 20.2 are not directly concerned with delivering the core responsibilities of an agency (which have a focus on near-term impact),
- 20.3 would be strengthened if delivered more flexibly and responsively to need, and/or
- 20.4 involve intended benefits that materialise in later years and/or in different portfolios.

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- 26. As outlined in Paper 1, the wider Social Investment Ministers Group will continue to have an important coordination role for the overall social investment work programme. In particular, it will be important to ensure that existing social services align and interact with any cross-portfolio programmes of support delivered through the social investment commissioning function. For example, to ensure the right clients access the programme, to ensure timely referrals of participants to specialist

mainstream services and to manage the interactions across other contracts that departments may have with that provider.

Step 2: Discovery Process

27. For each tranche of funding transferred to the Fund, I propose a discovery process is undertaken in which the relevant department(s) and the Social Investment Agency will work together to review existing contracts and services to identify opportunities for improvement.
28. These will include identifying funding that could be pooled and recommissioned through an integrated commissioning function to improve outcomes. The discovery would also identify opportunities to improve commissioning and service delivery by the relevant department. This process will also determine the boundary between BAU commissioning within agencies and the spending that would be most suitable for the new integrated commissioning function. This determination will be made at the relevant point for each tranche of funding and agreed to by Ministers.
29. This process will be overseen by senior officials from the Social Investment Agency and senior official/s from the relevant department/s. This will enable “dual key” approval of advice to joint Ministers on funding that can be recommissioned and over operational decisions relating to the management of existing contracts.
30. The Minister of Finance, Minister for Social Investment and relevant portfolio Minister/s will jointly agree to any improvements to be made and the recommended commissioning approach.
31. During the discovery process, the new social investment commissioning function will operate in parallel to the existing commissioning function in the relevant department. Where the appropriation for departmental expenditure has been transferred to Vote Social Investment, the responsible Minister will direct the relevant department to continue to incur costs (for this commissioning activity) through an Administration and Use agreement under section 7C(2)(c) of the Public Finance Act 1989.
32. The discovery process will need to have significant involvement from the provider sector. To a certain extent they will have a greater idea of where the social investment opportunities lie, where efficiencies can be made and how better contracting arrangement with the Social Investment Fund will improve their ability to work in communities. It is likely that providers may opt to work with the Social Investment Fund and that current funding arrangements will be pooled via Vote: Social Investment.

Step 3: Improvements to commissioning

33. Paper 1 highlights the issues with social sector commissioning which have been well known over the past twenty years. Integrated social investment commissioning offers the opportunity to address many of these issues, by working more constructively with those providers and their communities. This will involve:
 - 33.1 consolidating and integrating their multiple contracts with government,

- 33.2 reducing the management overhead costs of negotiating and reporting against multiple fragmented contracts,
 - 33.3 removing the barriers and restrictions that are imposed on service delivery through those contracts, and
 - 33.4 greater use of outcomes-based contracting to provide more flexibility to tailor their services to the people they support.
- 34. Step 2 of this process will identify services that can be improved through integrated commissioning. Over time, we expect a rebalancing of appropriate commissioning activity out of existing departments and into this new social investment commissioning function.
 - 35. Initially this capability will be incubated in the Social Investment Agency. I expect that this will transition to a separate social investment commissioning function, subject to further Cabinet decisions. Paper 1 sets out the reasons why this temporary arrangement is pragmatic.
 - 36. This integrated commissioning function will act as a “commissioner of commissioners”: developing local commissioning capability closer to communities. This builds on the learning from Whānau Ora, and the Whānau Ora commissioning agencies as an example of community commissioning capability that makes decisions at a community level to deliver social investment contracts. As described in Paper 1, we expect to learn from the recommissioning of Whānau Ora how this integrated function could best work with regional commissioners and providers.

Step 4: Reorientation around core business

- 37. At the end of the transition phase, the relevant department will reorganise around its core business and any remaining commissioning functions. Social sector commissioning is currently fragmented, with duplication of functions across many departments. Community providers often have many contracts with multiple government departments, with little or no coordination or consistency. We will consolidate contracts for providers into a smaller number, focused on outcomes. This will mean that government collectively has fewer contracts and, as a result, will mean that government can have fewer, smaller commissioning functions.
- 38. The Minister of Finance, Minister for Social Investment and relevant portfolio Minister/s would determine the allocation of any savings realised from this consolidation between the relevant department (for example to contribute to their savings target or performance plan) and the funding requirements for the social investment commissioning function. Overall, we expect a net reduction in the total resources spent on commissioning across government.

Embedding the new approach

- 39. Over the next two to three years, I expect that significant amounts of funding will be transferred from current social services to the Social Investment Fund. This will enable the Fund to achieve sufficient scale to demonstrate improved efficiency and

effectiveness overall. Over this period, we also expect that the governance and oversight arrangements for the Fund to be reassessed and confirmed.

40. Ministers would then be presented with deliberate investment decisions – for example, through the Budget process – to allocate new money to social investment or to review a specific area to test the opportunities for integrated commissioning.
41. I intend to return to Cabinet by the end of 2025 with a paper to identify further work required on legislation and machinery of government in order to support these changes.

Implementation risks

42. The transitional approach described in this paper is intended to manage implementation risks, including by:
 - 42.1 putting people first - minimising the risk of unintended disruption to services for the people who use them;
 - 42.2 building on current commissioning capability - working with home departments in a deliberate way to understand the current context, and to minimise the risk of unintended disruption to service providers;
 - 42.3 taking a deliberately sequenced and staged approach - both to apply social investment commissioning to a small number of areas at a time, and to the transfer of funding in a small number of blocks at a time; and
 - 42.4 establishing clear governance and decision-making - through the Ministerial accountabilities at each step, supported by joint advice from the relevant departments and the Social Investment Agency.

Comment from the Social Investment Board

43. The Social Investment Board is a Ministerial Advisory Committee that provides independent advice on the development and implementation of social investment.
44. 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.
45. 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.
46. 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.

Cost-of-living implications

47. I 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 the New Zealanders most at risk of poor outcomes by better addressing some of their basic needs.

Human Rights

48. Social investment seeks to improve outcomes for our most vulnerable citizens and should assist us to fulfil our human rights obligations.

Financial Implications

Confidential advice to Government



Legislative Implications

50. This proposal will likely have legislative implications. I 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

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

Climate Implications of Policy Assessment

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

Population Implications

53. Social investment can build 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 disproportionately poor social 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

54. 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

55. This paper was consulted with coalition partners and relevant portfolio Ministers.
56. The Public Service Commission and The Treasury were involved in drafting this 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

57. Officials will work with the Minister's office on further communication regarding these proposals. Communications will likely be prior to Budget 2025 announcements.

Proactive Release

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

Recommendations

The Minister for Social Investment recommends that Cabinet:

- 1 **Agree in principle**, subject to the report in paragraph 11 below, to a four-stage process for transitioning social sector funding into Vote Social Investment, including:
 - 1.1 Step 1: Identification of opportunities for integrated commissioning and associated funding;
 - 1.2 Step 2: Discovery work to understand current spending and to identify opportunities for improvement;
 - 1.3 Step 3: Improvement of provision, during which services will be recommissioned, where appropriate, through the integrated commissioning function;
 - 1.4 Step 4: Reorientation of the relevant department, to focus on core business and realise any savings;
- 2 **Agree** to joint decision-making throughout these steps by both portfolio Ministers and the Minister for Social Investment and the Minister of Finance;

- 3 **Direct** the Social Investment Agency and the Treasury to continue to work with social sector agencies to identify funding that could be transferred to new appropriations in Vote Social Investment for the Fund;
- 4 **Note** it is expected that agencies will engage with the Social Investment Agency prior to altering any contracting and funding arrangements within the areas noted in paragraph 20 of the paper under EXP-25-SUB-0036;
- 5 **Note** that, to minimise disruption to services, existing commissioning capability within relevant agencies will roll over, and operate in parallel to a new integrated commissioning function hosted initially by the Social Investment Agency;
- 6 **Agree** that Social Investment Fund Ministers will lead the transitional approach to review and commission funding transferred to Vote Social Investment;
- 7 **Note** that the above commissioning function is an integral part of the new system design, requiring careful design and specialist expertise which can best be developed in the Social Investment Agency, notwithstanding the tension this creates with the Agency's wider roles and functions;
- 8 **Note** that the intention is to transfer this commissioning function to a stand-alone form, once this initial establishment is complete;
- 9 **Note** that the implementation of social investment commissioning as outlined above is not intended to be a savings exercise;
- 10 **Agree** that non-government and community organisations will be encouraged to propose consolidating or transferring their current contracts into the Social Investment Fund, where those contracts are considered suitable;
- 11 **Direct** the Social Investment Agency to report to Social Investment Fund Ministers by June 2025 with a detailed transition plan and implementation arrangements, including a plan for consultation and engagement with the sector;
- 12 **Invite** Social Investment Ministers to identify funding and services commissioned by their agency that could also be transferred to the Fund.

Authorised for Lodgement.

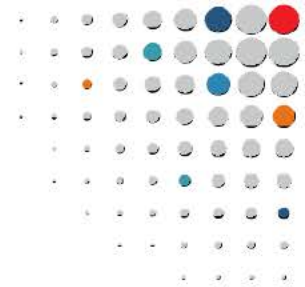
Hon Nicola Willis

Minister for Social Investment

Appendices

Appendix One: Steps to transfer existing funding to Social Investment Fund and activate integrated commissioning

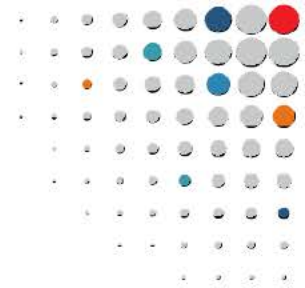
Appendix Two: Tranches of funding will enter the Social Investment Fund and progress through steps at different times



Appendix 1: Steps to transition funding

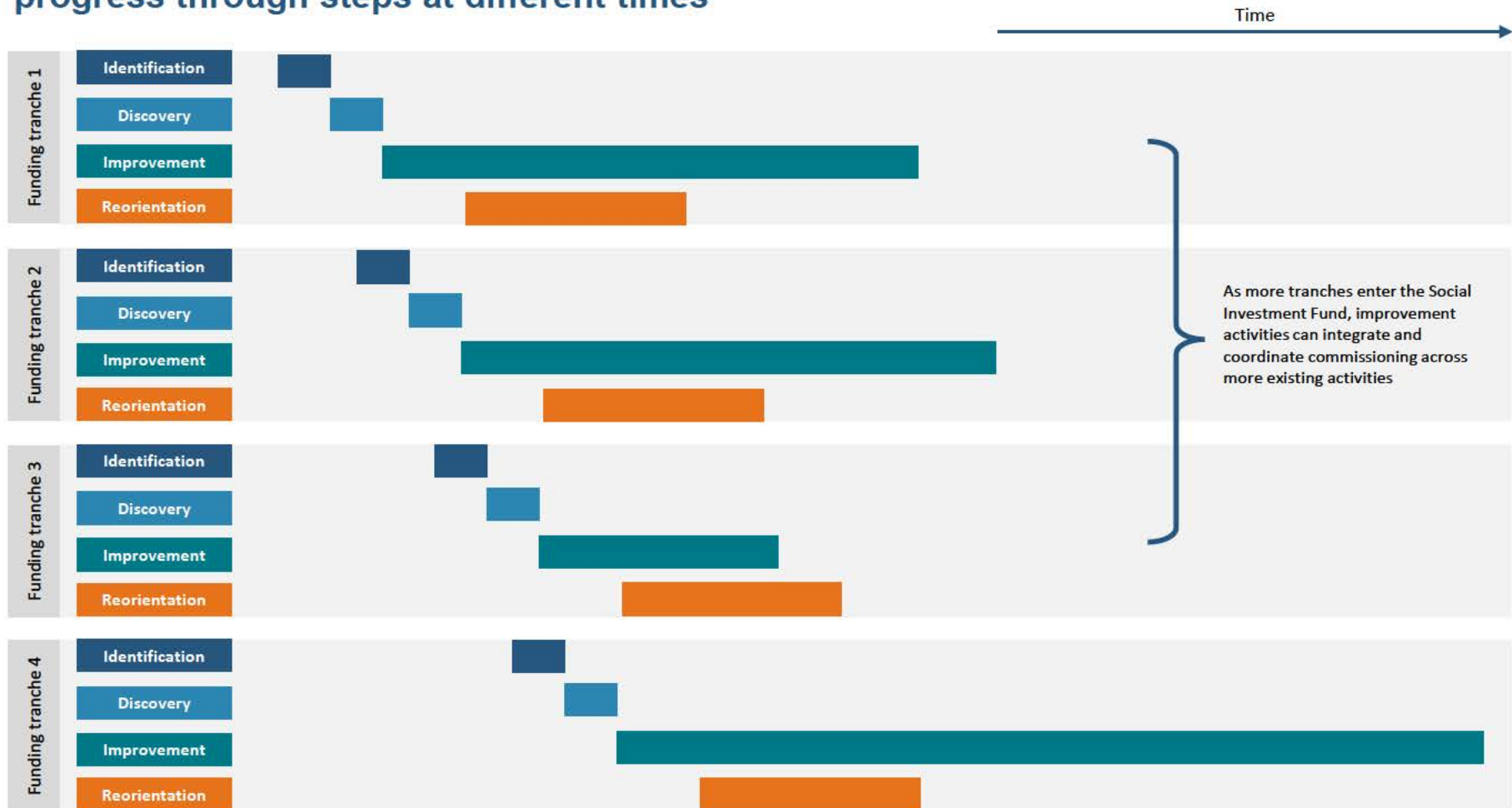
Required steps to transfer existing funding to the Social Investment Fund and activate integrated commissioning

	1: Identification	2: Discovery	3: Improvement	4: Reorientation
Purpose	A funding review to identify opportunities for integrated commissioning within existing funding for services that could be transferred into the Social Investment Fund	A discovery process to understand current spending and to identify opportunities for improvement	Recommissioning through the integrated commissioning function, operating in parallel to the existing commissioning function in the relevant department	Reorient the relevant departments in light of the transfers, to focus on their core business and to realise any savings
Governance	Responsible Ministers decide on transfers Memoranda of Understanding between agencies governs administration and use of transferred funding	Responsible Ministers decide whether to recommission funding (for outcomes for the same people)	Social Investment Fund Ministers Group	Responsible Ministers consult with Minister of Finance to decide on allocation of any savings (either retained by the department, or transferred to contribute to the costs of the social investment commissioning function, or returned to the centre)
Operational controls	Senior officials from Social Investment Agency and relevant agencies	Senior officials Social Investment Agency and relevant agencies	Social Investment Agency	Home agency



Appendix 2: Progression of funding tranches

Tranches of funding will enter the Social Investment Fund and progress through steps at different times





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.

Implementing Social Investment Commissioning (Paper 2)

Portfolio Social Investment

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

- 1 **agreed in principle**, subject to the report in paragraph 11 below, to a four-stage process for transitioning social sector funding into Vote Social Investment, including:
 - 1.1 Step 1: Identification of opportunities for integrated commissioning and associated funding;
 - 1.2 Step 2: Discovery work to understand current spending and to identify opportunities for improvement;
 - 1.3 Step 3: Improvement of provision, during which services will be recommissioned, where appropriate, through the integrated commissioning function;
 - 1.4 Step 4: Reorientation of the relevant department, to focus on core business and realise any savings;
- 2 **agreed** to joint decision-making throughout these steps by both portfolio Ministers and the Minister for Social Investment and the Minister of Finance;
- 3 **directed** the Social Investment Agency and the Treasury to continue to work with social sector agencies to identify funding that could be transferred to new appropriations in Vote Social Investment for the Fund;
- 4 **noted** that it is expected that agencies will engage with the Social Investment Agency prior to altering any contracting and funding arrangements within the areas outlined in paragraph 20 of the paper under EXP-25-SUB-0036;
- 5 **noted** that, to minimise disruption to services, existing commissioning capability within relevant agencies will roll over, and operate in parallel to a new integrated commissioning function hosted initially by the Social Investment Agency;
- 6 **agreed** that Social Investment Fund Ministers will lead the transitional approach to review and commission funding transferred to Vote Social Investment;

- 7 **noted** that the above commissioning function is an integral part of the new system design, requiring careful design and specialist expertise which can best be developed in the Social Investment Agency, notwithstanding the tension this creates with the Agency's wider roles and functions;
- 8 **noted** that the intention is to transfer the commissioning function to a stand-alone form, once initial establishment is complete;
- 9 **noted** that the implementation of social investment commissioning as outlined above is not intended to be a savings exercise;
- 10 **agreed** that non-government and community organisations will be encouraged to propose consolidating or transferring their current contracts into the Social Investment Fund, where those contracts are considered suitable;
- 11 **directed** the Social Investment Agency to report to Social Investment Fund Ministers by June 2025 with a detailed transition plan and implementation arrangements, including a plan for consultation and engagement with the sector;
- 12 **invited** Social Investment Ministers to identify funding and services commissioned by their agency that could also be transferred to the Fund.

Rachel Hayward
Secretary of the Cabinet

***Secretary's Note:** This minute replaces EXP-25-MIN-0036. Cabinet agreed to add paragraphs 9 and 10.*
