



Options to establish social investment trials through Budget 2025

Date: 17 October 2024

Security level: ~~Budget sensitive~~

To: Hon Nicola Willis, Minister for Social Investment

Tracking Number SIA24/25-112

Purpose

1. This briefing seeks your decision on options to establish social investment trials / demonstration projects via invitations which would be included as part of a social investment package in Budget 2025.

Context

2. You have made clear that your priorities for social investment in Budget 2025 are to:
 - 2.1 Deliver the Social Investment Fund (currently underway),
 - 2.2 Establish a model for social investment contracting with two to three significant providers (currently underway),
 - 2.3 Announce three to five social investment trials or early demonstration projects (focus of this briefing),
3. We heard your feedback in relation to the three to five social investment initiatives that our previous advice would not drive the change required to meet your ambitions for social investment in Budget 2025. We heard your expectation is for the social investment approach to drive better outcomes from government investments in social services. This means pairing the expertise that the government holds in using data, evidence, and analytics to identify those who are most in need of support, with the community-level expertise of our non-government partners to design and deliver services for those most in need.
4. In response to this feedback, we have developed options which, in our view, will enable bids received through the budget process that:
 - 4.1 are based on social investment outcomes-based contacts,
 - 4.2 provide flexibility for NGOs to design programmes,
 - 4.3 are focused on delivering outcomes aligned to the Government targets.

5. Our expectation is that these trials will demonstrate social investment in practice, particularly enabling the design and delivery of services to rest largely with providers and be an example of the shift towards commissioning for outcomes rather than outputs as a new normal for the social sector.
6. In discussion with you we have also heard that you would like Budget bids to use data and analysis to be clear on:
 - 6.1 the outcomes we expect
 - 6.2 who we need to focus on (the priority cohort/s)
 - 6.3 locations of particular interest
 - 6.4 what works (a summary of the evidence)
 - 6.5 what monitoring and measurement will ensure feedback loops to understand whether the initiative is working.
7. To deliver initiatives in time and sufficient detail to be announced at Budget 25 you have options on how these can be progressed (and options in terms of the details you'd like confirmed in advance of announcement). To differentiate between the two options we've used "initiative" to describe the announcement of the funding without the detailed contractual arrangements being in place, and "investment" to describe the announcement of more detailed contractual arrangements.
8. These options are described in detail below but in terms of what this means in practice, we envisage two announcement scenarios at Budget:

Initiative announcement (example)	Detailed investment announcement (example)
<ul style="list-style-type: none"> • Today I'm announcing an investment of \$12M over four years focused on a high-needs group of children aged 10-12, who we know are at high risk of future offending. • This funding will deliver evidence-based early intervention and wrap around support to these children and their families. • We know that this is a small group of children of around 1200, who have been in contact with the state throughout their lives, often from a young age, for serious issues. They are already beginning to disengage from school, and have not had the start that we expect. 	<ul style="list-style-type: none"> • Today I'm announcing three investments in the future of a small group of children who, without support, risk going on to significant, harmful offending. • These investments are for three providers in the areas we know many of these children live: XX provider, AA provider, YY provider. • The SIA and/or OT has worked at pace to put in place outcomes-based contracts with these three providers, which enable them to deliver flexible, evidence-based support to this group of children and their families. • Social investment outcomes contracts will enable us to rigorously measure our

<ul style="list-style-type: none"> • We know the communities that have high numbers of the children with these needs. • With this funding, the SIA will work with a small number of providers in those communities who are expert in working with high needs children and their families. The providers will design and deliver the services that these families need, and they will be commissioned in a way that enables them to meet those needs, without the rules and requirements of output-focused contracting. • We will rigorously measure our success and failure for these children, by putting in place rapid (and radical) feedback loops. I expect us to see through the data whether those kids are re-engaging with education, whether their siblings are attending ECE, whether they are getting the additional learning and behavioural support they need, whether their parents have received the support and services they need for their kids to engage with school and be averted from a pathway of significant future offending behaviour. 	<p>success and failure for these children, by putting in place rapid (and radical) feedback loops. I expect us to see through the data whether those kids are re-engaging with education, whether their siblings are attending ECE, whether they are getting the additional learning and behavioural support they need, whether their parents have received the support and services they need for their kids to engage with school and be averted from a pathway of significant future offending behaviour.</p>
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Working through the available options

9. There are some key considerations and choices to be made, these are outlined below and are described in more detail in the subsequent tables:

- 9.1 **Is the goal to announce 3-5 initiatives on Budget Day (i.e. at which point, discussions with providers would have started, but would not be finalised), or is the goal to announce 3-5 specific investments?** As discussed below, this has a significant impact on the immediate timing and nature of engagement with providers. If the goal were to announce specific investments at Budget 2025, an early decision would likely be required, and funding set aside to allow good faith discussions with providers to proceed in the first part of the 2025 calendar year. If SIA is to lead these commissioning conversations, even with a rapid scale-up of our contracting expertise we could not realistically do so with more than 2 providers.
- 9.2 **If your goal is to announce a range of initiatives or investments on Budget Day, our advice is that you should invite agencies to work with the SIA to develop a coherent package of initiatives (to be designed with providers).** As discussed with you we

considered the option of inviting agencies **or** the SIA to lead initiative bids, but following our discussion our view is that in order to achieve your goal of having a range of social investment demonstration project announcements (whether contracting arrangements are entered or not), the best way is for the SIA to work with social sector agencies to:

- 9.2.1 Refine the cohorts and referral pathways to services,
 - 9.2.2 Understand what services are already in place, and which have unmet need, or particularly strong provider maturity/capability,
 - 9.2.3 9(2)(g)(i)
 - 9.2.4 Carry out a range of analysis and modelling to understand the trajectory for the cohort, with some scenarios of effect sizes of different magnitude,
 - 9.2.5 Identify measures that would indicate success.
- 9.3 Involving the SIA across both agency-led initiatives and developing our own (which could ultimately be novated to the Fund) enables you to have a wider range of options to choose from. This is the distinction between Option 1 and Option 2 in the tables below.
- 9(2)(g)(i)
- 9.4 Note the SIA also considered an option for inviting NGOs to submit directly into the Budget process. We understand this was attempted previously but the response was underwhelming and did not result in any specific initiatives that were pursued in Budget 2015. This reflected the fact it was a quick engagement late in the process (issued in Nov 2014 with a 3-week closing date, for Budget 2015) and also because it was a one-off engagement without any real warning or relationship-building before-hand. We suggest exploring this option within the next budget process as we'd need to provide a longer lead time and build on existing relationships (e.g. with other government agencies) to develop substantive, novel proposals from NGOs. Regardless, with either option presented it will be made clear that the NGOs will be engaged in the development of proposals.
- 9.5 **How should these initiatives be funded (e.g. from reprioritisation or general funding)?**
This choice is less critical for other decisions, except to the extent that reprioritisation requirements (if any) should be set out in Budget invitation letters.

10. The schematic below shows the key options:

Option 1a: Agencies work with providers to identify options for initiatives (but not specific investments) for Budget Day	Option 1b: Agencies work with providers to identify options for specific investments for Budget Day
Option 2a: SIA works with providers to identify options for initiatives (but not specific investments) for Budget Day	Option 2b: SIA works with providers to identify options for specific investments for Budget Day

Other considerations

11. In working through these choices, we also recommend you should consider:

- 11.1 **The extent these initiatives align to the Government’s targets and the specificity of the targeted cohorts.** A balance will need to be struck between keeping options sufficiently open to respond to practical considerations (e.g. provider capability) and a desire for a high degree of alignment and targeting.
- 11.2 **If you wish for specific investments to be announced on Budget Day, a Budget pre-commitment is likely to be necessary.** This drives the choice between Options 1a and 1b, and between options 2a and 2b, in the tables below. Agreement to the initiative and funding parameters in late 2024 or early 2025 would allow agencies (Option 1b) and/or the SIA (Option 2b) to engage with preferred providers between then and Budget Day, allowing for more specific investments to be announced. However, there are some reasons why you may not wish to seek a precommitment: for example, this would likely involve taking a decision on new spending ahead of knowing exactly what reprioritisation and savings options are available to help meet the cost. There will also be limited Cabinet dates at which the precommitment could be confirmed. Options 1a and 2a also provides you the opportunity for subsequent announcements (post Budget Day) when investments are confirmed with relevant portfolio Ministers.
- 11.3 If you would like to progress with Option 1, you should indicate which Ministers you would you like to invite (with the expectation that agencies will work with the Social Investment Agency to develop initiatives). We recommend inviting a relatively limited number of Ministers (between 3 -5), to enable the SIA to provide more concentrated support to, and coordination between, the invited agencies.
- 11.4 We note that the draft conditions recommend that lead agencies should engage with other agencies as necessary. Agencies may also submit multiple proposals within the fiscal cap of \$20m per annum indicated in the conditions, so it is possible that one agency may be well placed to deliver multiple initiatives (especially given contracts with NGOs are often of a relatively low quantum).
- 11.5 **It will be challenging for the Social Investment Agency to grow its capability to deliver specific investments for announcement on Budget Day (Option 2b).** The Agency does not currently have the requisite experience nor the contacts with prospective providers. The Agency is considering how to develop this capability in order to ‘incubate’ the Social

Investment Fund (subject to decisions on the Fund through Budget 2025) and Option 2a or 2b would accelerate this development. However, it will be challenging to credibly build a team in time for specific investments to be announced on Budget Day (in part, because this would likely require seeking expressions of interest this calendar year).

12. Each of the tables below provide further considerations on each of these decisions.

Table 1		Table 2		Table 3
Who leads?	Option 1: Agencies	What's announced on Budget Day?	(a) initiatives but not specific investments	How are the initiatives funded? (e.g. reprioritisation or new funding)
	Option 2: SIA		(b) specific investments	

Impact reviews

13. As discussed with you, our advice is that the Impact Reviews are an important lever to maintain pressure on agencies to lift the overall quality and effectiveness of their spending. These are the enactment of the function set for the Social Investment Agency by Cabinet in May ("having an ongoing review role with respect to existing government spending in the social sector, providing advice to Ministers about areas where spending could be improved") – and their findings enable you to have a range of options to suggest for reprioritisation within portfolio, should none be forthcoming.

14. ^{9(2)(g)(i)} [REDACTED]
[REDACTED]
[REDACTED] The high-level results of our Impact Review for FVSV were discussed with the Board, and as a result they have tasked agencies with coming up with a ^{9(2)(f)(iv)} [REDACTED] reprioritisation package within the wider \$1bn FVSV portfolio. The impact reviews are referenced in the current draft of the Te Puna Aonui Action Plan. There is a specific action to introduce an annual process of reviewing the impact and effectiveness of government investment in Family Violence and Sexual Violence. We have also encountered a number of other examples of agencies and ministers using the standards and impact review framework to improve the quality of current spend.

15. We recommend that the results of both Impact Reviews are shared with relevant lead Ministers (Chhour and Upston), with an invite to them to consider reprioritising spending *within their portfolio* towards higher impact initiatives. This approach means that the reprioritisation is contained within each portfolio area, and if these areas are ring-fenced from cost-savings, it further incentivises agencies to conduct an ongoing examination of their spending, to move it from lower impact to higher impact initiatives.

Next Steps

16. If social investment invitations are to be included in the Minister of Finance's Budget invitation letters, we need to meet the following timeline:
 - 16.1 **17 October** – SIA provides advice and draft invitation letters to Minister for feedback;
 - 16.2 **21 October** – SIA receive your feedback and incorporate into letters;
 - 16.3 **24 October**: Treasury will provide the final draft of your Budget letters, including social investment invitations, to your office for feedback.

Table 1: Options on who to lead development of social investment proposals

	Description	Approach for B25	Mechanism of funding	Risk for B25 priorities	Implications for the SIA
Option 1: Agencies identify options	<ul style="list-style-type: none"> • Invite lead agencies to work with SIA to identify suitable new initiatives or small existing initiatives that can be scaled up in line with social investment principles (i.e. social investment outcomes contracts). • Agencies' proposals would focus on cohorts and the locations in which the initiatives would operate – making use of SIA analysis. • The SIA would work with agencies ensuring that proposals are suitable for social investment contracts. 	<ul style="list-style-type: none"> • To ensure there is a range of proposals to select from, we recommend inviting a selection of lead Ministers responsible for delivering Governments Targets develop proposals, e.g.: <ul style="list-style-type: none"> » Minister for Children » Minister of Justice » Minister for Social Development and Employment » Minister for Education » Minister for Māori Development • As cohorts of interest will have both high and complex needs, invitations could encourage collaboration across agencies to develop bids • The Minister could also direct agencies to work with the Regional Public Service Commissioners to support the identification of any existing initiatives that are suitable for scaling up. 	<p>Various options are possible:</p> <ul style="list-style-type: none"> • Responsible agencies propose reprioritisation options linked to new initiatives – this may create challenges for cross-agency initiatives. • Initiatives are funded from Budget allowances (i.e. general reprioritisation). • Not recommended: Reprioritisation from options identified through impact reviews (or near equivalents) – there may be timing challenges if decisions on new spending are precommitted (i.e. taken ahead of other Budget decisions) – this option is not recommended to ensure that Impact Reviews are not seen as cost-savings measures 	<ul style="list-style-type: none"> • On the surface this approach appears similar to how government currently operates, SIA will support agencies to ensure options meet the Ministers expectations. • While the SIA will work closely with line agencies (as much as current capacity allows) - there is a possibility that not enough agencies engage in the process, or proposals do not meet the requirements to be selected to be a part of a social investment package. 	<ul style="list-style-type: none"> • In the lead up to December the SIA will focus its analytical and policy resource to supporting agencies in the development of budget proposals. • As the SIA is not the lead agency nor impacted by any new funding decisions, it could also support the Treasury in the assessment and moderation of proposals specifically invited for this purpose.
	Description	Approach for B25	Mechanism of funding	Risk for B25 priorities	Implications for the SIA
Option 2: SIA identifies options	<ul style="list-style-type: none"> • Inviting SIA to accelerate the establishment of the architecture required for the Fund – the SIA identifies the cohorts, locations and outcomes sought, and develops proposals to be considered by Ministers. • In developing these proposals, the SIA would need to work with agencies or the Regional Public Service to identify what capability already exists in communities. • As decisions are made, SIA commissions service providers to deliver. • Once the Fund is established the initiatives could be moved from being set up by the Agency, to be managed by the Fund. 	<ul style="list-style-type: none"> • Associate Minister of Finance invites the Minister for Social investment to submit proposals for initial investments. • This is in addition to capital required for the Social Investment Fund. 	<p>Limited options:</p> <ul style="list-style-type: none"> • Reprioritisation from options identified through impact reviews (or near equivalents), invited separately (not recommended for reasons above) • Initiatives are funded from Budget allowances (i.e. general reprioritisation) – this is likely to be necessary if decisions are taken in advance of the usual Budget process 	<ul style="list-style-type: none"> • The SIA will be working to identify the high needs cohorts and localities as well as preparing the proposals –within the six-week timeframe the SIA will likely only be able to put forward 1-3 proposals to choose from, potentially limiting the range of options Ministers may get to choose from. 	<ul style="list-style-type: none"> • The SIA will need to accelerate the recruitment of commissioning and procurement capability within the agency. • While the SIA can identify specific cohorts and locations of high need, it will need to work closely with agencies in order it identify what capability currently exists within communities. • Depending on expectations for B25, there are likely implications on SIAs relationships with other social sector agencies. • As the SIA are the lead in developing these proposals they will need to be excluded from the assessment and moderation process.

Table 2: Further process options

Option 1: Agencies identify options		
	(a) initiatives, but not specific investments, announced on Budget Day	(b) specific investments announced on Budget day
October	MOF invites relevant SI Ministers to work with SIA to develop proposals	
November	SIA supports agencies to develop proposals. Likely engagement with prospective providers.	SIA supports agencies to develop proposals, including seeking EOI from providers.
December	Agencies submit bids.	Ministers agree parameters and pre-commitment.
January	TSY (and/or SIA) assess bids.	
February, March	Ministers consider which bids should progress.	Agencies works with providers to agree contracts, and Ministers agree to specifics if required.
April, May	Decisions are announced on Budget Day.	Specific investments are announced on Budget Day.
June, July	Agencies works with providers to agree contracts, and Ministers agree to specifics if required.	

Option 2: SIA identifies options		
	(a) initiatives, but not specific investments, announced on Budget Day	(b) specific investments announced on Budget day
October	Relevant AMOF invites Minister for SI to develop proposals	
November	SIA grows capability, develop proposals. Likely engagement with prospective providers.	SIA grows capability, develop proposals, including seeking EOI from providers.
December	SIA submits bids.	Ministers agree parameters and pre-commitment.
January	TSY assesses bids. *	
February, March	Ministers consider which bids should progress. *	SIA works with providers to agree contracts, and Ministers agree to specifics if required.
April, May	Decisions are announced on Budget Day.	Specific investments are announced on Budget Day.
June, July	SIA works with providers to agree contracts, and Ministers agree to specifics if required.	

*If necessary, during this period, further work could be carried out by SIA (e.g. further engagement with providers, without making any commitments).

Table 3: Funding options

	Option 1a: Agencies identify initiatives by Budget Day, not specific investments	Option 1b: Agencies identify specific investments by Budget Day
Reprioritisation from options identified through impact reviews (or near equivalents)	✓✓ (As previously proposed)	X (reprioritisation options would likely be considered later)
Responsible agencies propose reprioritisation options linked to new initiatives	✓✓	X (reprioritisation options would likely be considered later. Not clear how cross-agency bids would work)
Initiatives are funded from Budget allowances (i.e. general reprioritisation)	✓ (workable, but reduces scope for other spending through B25)	✓ (workable, but reduces scope for other spending through B25)
	Option 2a: SIA identifies initiatives by Budget Day, not specific investments	Option 2b: SIA identifies specific investments by Budget Day
Reprioritisation from options identified through impact reviews (or near equivalents)	✓ (workable, but creates perception that SIA is capturing savings it identified, and that Impact Reviews are about cost saving rather than moving \$ to higher-impact initiatives)	X (reprioritisation options would likely be considered later)
Agencies propose reprioritisation options	XX (not an option?)	XX (not an option?)
Initiatives are funded from Budget allowances (i.e. general reprioritisation)	✓ (workable, but reduces scope for other spending through B25)	✓ (workable, but reduces scope for other spending through B25)

Recommendations

It is recommended you:

Note all options outlined in the briefing

☐ Noted

Agree to one or more of the following options:

Option 1a: Agencies work with SIA to identify social investment demonstration initiatives by Budget Day, not specific investments

☐ Yes ☐ No

Option 1b: Agencies identify specific investments by Budget Day

☐ Yes ☐ No

Option 2a: SIA identifies initiatives by Budget Day, not specific investments

☐ Yes ☐ No

Option 2b: SIA identifies specific investments by Budget Day

☐ Yes ☐ No

Note that SIAs recommended approach is a **combination** of **Option 1a** and **2a**, to give you a coherent package and a range of initiatives to choose from, and also to mitigate risks of SIA doing this alone

☐ Noted

Note the Treasury's recommended approach is Option 1a and/ or 1b with the SIA closely involved in and driving the development of bids

☐ Noted

Indicate on Table 3 your preferred mechanism(s) for funding the agreed option (a variety of options available)

☐ Yes ☐ No

Indicate (if applicable) which Ministers you would like to invite (with the expectation that agencies will work closely with the Social Investment Agency to develop initiatives).

Hon Karen Chhour, Minister for Children

☐ Yes ☐ No

Hon Paul Goldsmith, Minister for Justice

☐ Yes ☐ No

Hon Louise Upston, Minister for Social Development

☐ Yes ☐ No

Hon Erica Stanford, Minister of Education

☐ Yes ☐ No

Hon Tama Potaka, Minister for Māori Development

☐ Yes ☐ No

Provided feedback on the proposed wording of the draft letters

☐ Yes ☐ No

Agree to forward the findings of the impact reviews to Minister Upston (Child Poverty Reduction) and Minister Chhour (Prevention of Family and Sexual Violence)

☐ Yes ☐ No

Agree to invite Ministers Upston and Chhour to provide proposals for options ☐ Yes ☐ No
to reprioritise spending within their portfolios towards higher impact initiatives, based on the findings of the Impact Reviews

Note that initial suggestions for specific targets are described in the example ☐ Noted
Budget letters attached. These can be refined further as proposals are developed



Aphra Green
Deputy Chief Executive
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Hon Nicola Willis
Minister for Social Investment

Name	Position	Contact Number	First contact
Aphra Green	Deputy Chief Executive, Policy, Data and Insights	9(2)(a)	<input checked="" type="checkbox"/>

Attachments – draft examples of social investment annexes to your Budget letters to Ministers

Appendix one – Example annex to your Budget letter to your Budget letter to portfolio Ministers (Option 1(a) and 1(b))

Appendix two – Example annex to the Budget letters to the Minister for Social Investment (Option 2(a) and 2(b)).

Final version of appendix can be found in the Treasury proactive release