



Social Investment Budget proposals for approval

Date: 12 December 2024

Security level: ~~Budget Sensitive~~

To: Hon Nicola Willis

Tracking Number SIA24/25-135

Purpose

1. This briefing seeks your feedback on, or submission of, Social Investment bids for Budget 2025. Two bids proposed are on:
 - 1.1 Social investment initiatives
 - 1.2 The Social Investment Fund.
2. The bids have been presented as one package and they refer to each other where there is overlap.

Context

3. You received an invitation from the Associate Minister of Finance, Hon Chris Bishop, to submit Budget 2025 bids for. We have briefed you on our approach to respond to these invitations (SIA24/25-133 and SIA24/25-137 refer).

Bid One: Social Investment Initiatives

4. The *Social investments to improve outcomes for priority cohorts of people* budget bid seeks funding of up to \$20m per annum for up to three social investments. These will be early, modest, yet tangible demonstrations of social investment in practice. They will be contracted by October 2025.

This bid proposes investments to support around 1000 children and their families/whānau

5. The bid identifies high priority cohorts and outcomes for investment, and provides an indication of potential fiscal and wider social benefits from investment. These will be refined as the specific interventions and providers are identified through further engagement with regions and providers.

6. The investments focus on early intervention for children and young people with high and complex needs. Evidence suggests an integrated, whānau-centred approach is needed to shift the dial on outcomes for these cohorts. We expect details of these initiatives would be agreed in conjunction with communities and providers. That means some details usually expected in the budget bid template are not as comprehensive as might otherwise be expected at this stage.
7. We estimate that \$20m would enable support for better outcomes for up to 1,000 families or whānau across the three regions, based on benchmarks from other multi-treatment and/or whānau-centred interventions.

Investments to be commissioned in three regions

8. We have identified a short-list of regions with high need and, based on initial discussions with Regional Public Service Commissioners, where you can have some confidence about provider readiness and capability to deliver. These regions are: Te Tai Tokerau, Tāmaki Makaurau, Bay of Plenty, Waikato, Tairāwhiti, Taranaki, Manawatū-Whanganui, Greater Wellington and Canterbury. Our process for identifying these regions included data analysis (to identify regions with high numbers and/or proportions of the identified cohorts) and engaging with the Regional Public Service Commissioners (who supported us by providing local insights on provider capability). This process surfaced many investment opportunities across the country. The information is reflected in the regional profiles in the appendix attached to the bid, which we will add to before the bid is submitted to Treasury.
9. We will refine this list down to three priority regions through further engagement in the new year, to take forward to commissioning. We propose that our decisions on which regions to progress will be based primarily on demand in that region, our confidence in provider capability to deliver, and consideration of overlap with existing services.

Wider Ministerial interest in the social investment package

10. There has been significant Ministerial interest in providing ideas for social investment opportunities, including:
 - 10.1 Alternative Education - a learning pathway for young people who are disengaged from mainstream schooling and need additional support,
 - 10.2 ENRICH and ENGAGE - ENRICH a program developed to improve oral language in toddlers through enhanced interactions between teachers and children, ENGAGE develops children's self-regulation skills through games grouped into three domains: emotional (feeling), cognitive (thinking) and behavioural (doing).
 - 10.3 Gateway redesign – Gateway is a health, education and wellbeing assessment of Tamariki, with the development of an interagency plan to follow up on needs if and when they are identified,

10.4 Scaling up access to maternal mental health services. Addressing maternal mental health during pregnancy and early childhood critical to achieving the best outcomes for mothers, babies and the wider whānau.

11. In relation to Alternative Education, we agree that this cohort is a strong social investment proposition – our cohort analysis also confirmed this. Our discussions with the Ministry of Education reveal a willingness to consider redesign and re-contracting of Alternative Education services. However, significant redesign and possibly new funding would be required to adequately meet the needs of this cohort and ensure ongoing service provision while any redesign takes place. There are around 80 Alternative Education providers across the country, and they are contracted on a calendar year basis, with tranches of providers rolling off contract every December. There is an ongoing need for Ministry of Education to provide education for this cohort, so it is not as simple as just reallocating the funding.
12. It is possible that, in discussion with regions and local providers, there will be interest in a local redesign of Alternative Education services to meet the needs of this small cohort of high-risk youth. A local re-design approach may not be supported by the Ministry of Education, and this would need to be worked through. We suggest that if that is the case, we work with Ministry of Education to look at the contractual arrangements for local providers to see if they might be bundled into an outcomes contract for this group. This approach is consistent with the approach recently agreed by Cabinet which invited SIA and Ministry of Education to work together to consider an outcomes-based contracting approach to Alternative Education.
13. Child and Youth Ministers also recently discussed taking a social investment approach to maternal mental health, and to look at seeking funding for the redesign and enhanced provision of the Gateway assessment (for children coming into care).
14. Given the broad Ministerial interest in this package, we recommend taking your proposed set of initiatives to the next meeting of Child and Youth Ministers in February.

Bid Two: Social Investment Fund

15. The *Social Investment Fund – Building foundations to drive social investment* initiative seeks \$200m in total of new funding over the four year forecast period. This will establish the Social Investment Fund within the Social Investment Agency to directly commission outcomes for vulnerable New Zealanders. The funding starts small in 2025/26 and increases over the forecast period – enabling rounds of new investment by the Fund each year. The bid comprises two elements:

- 15.1 **Operating costs to establish and manage the Social Investment Fund (\$37.944m over four years).** These costs are mainly composed of FTEs to establish new capabilities (investment, legal, procurement, engagement, assurance) and in some cases scale up existing capabilities (economic, communications and analytics). Other costs include funding for data sharing, impact measurement and evaluation, and co-design.

15.2 The funds to be administered (\$162.056m over four years). Additional funding each year enables rounds of investments to be initiated. The continuity of funding signals to the sector that the SIF will be a key catalyst for innovation in the social investment system. It will also enable us to develop a pipeline of interest while managing expectations in our first year.

16. The bid notes that a paper will be taken to Cabinet confirming the detailed design of the Fund. Cabinet oversight would provide Budget Ministers confidence in recommending the funding for the initiative.

The two bids are complimentary

17. The bids have been drafted as a package, and refer to each other where there is overlap. For example, the likely cohorts and outcomes for investment, and how these will be measured, for both bids is described in the appendix to the Social Investment Initiative bid.

18. The commissioning capability purchased through the Social Investment Fund will also support the commissioning and contracting for the Social Investment Initiatives, if agreed to and commissioned by the SIA. Currently, no delivery costs are included in the Social Investment Initiatives bid.

19. This means that trade-offs will need to be made if one bid is agreed without the other. In particular, if the Social Investment Initiative bid is progressed and the Social Investment Fund bid is not, the costs of administration and delivery will need to be funded from the \$20m and decrease the size of the investment in families and regions.

Tagged contingencies

20. Your invitation letter from Hon Bishop also asked you to review the potential for savings opportunities in the existing tagged contingencies in the Social Investment portfolio (relating to devolution of social services, and to SIA capability), and, if there are no such opportunities, to provide a reasonable justification for why the funding is still needed and should be retained. We recommend that these tagged contingencies be retained. We have completed the relevant bid templates accordingly (attached at appendix 3).

Next steps

21. If you would like changes made to the bids, we will finalise the drafts and provide them to your office for approval.

22. If you approve the bids, you will need to send a letter to the Associate Minister of Finance (see Appendix Three) before 1pm 23 December, which is the last day we can submit the bid into CFISnet.

23. We are planning for implementation of the bids, if agreed. We will likely need to use some resourcing from the existing tagged contingency to progress this design work early in the new year, including for the Social Investment initiatives. However, we will not finalise commissioning and contracting until Budget decisions are made. We will brief you on this early in the new year. We will also seek to draw down the remaining Social Investment Agency operating funding approved in Budget 24 to provide the capability and capacity needed to deliver the system shifts that Government is looking for.

Recommendations

It is recommended you:

Provide feedback on the attached bids

OR

Approve the Social Investment Initiative bid for submission (recommended)	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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AND/OR

Approve the Social Investment Fund bid for submission (recommended)	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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AND/OR

Approve the tagged contingency templates	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Agree to sign and send the draft letter, attached as Appendix 4, to the Associate Minister of Finance (Hon Chris Bishop) to confirm your Budget 2025 submission, by 1pm Monday 23 December	<input type="checkbox"/> Yes	<input type="checkbox"/> No



Aphra Green
Deputy Chief Executive
Policy, Data and Insights

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"/>
Alistair Mason	Deputy Chief Executive – Investment & Delivery		<input type="checkbox"/>

Attachments

Appendix 1 – Social Investment Initiative Bid and Appendix

Appendix 2 – Social Investment Fund Bid

Appendix 3 – Tagged contingencies templates

Appendix 4 – Draft letter to Associate Minister of Finance (Hon Chris Bishop)

Please see Treasury's proactive release documents for Appendices.