



Further advice on Social Investment Budget 25 bids

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| Date: | 14 March 2025 | Priority: | Medium |
| Security classification: | Budget Sensitive | Tracking number: | SIA – 24/25 - 178 |

| Action sought | | |
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| | Action sought | Deadline |
| Hon Nicola Willis Minister for Social Investment | Note the options for a social investment B25 budget envelope Agree to forward this briefing, and send a letter with your B25 preferences for social investment, to the Associate Minister of Finance. | 21 March 2025 |

| Contact for telephone discussion (if required) | | | |
|------------------------------------------------|----------------------------------------------------|-----------|-------------|
| Name | Position | Telephone | 1st contact |
| Aphra Green | Deputy Chief Executive – Policy, Data and Insights | 9(2)(a) | ✓ |

| The following departments/agencies have been consulted |
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Comments:

Further advice on Social Investment Budget 25 bids

Purpose

To seek your agreement to send a letter to Associate Finance Minister Bishop confirming your preferences for a social investment budget envelope, in light of your proposal for system transformation.

Key Messages

1. System transformation is an ambitious work programme and if approved, will result in an expanded Social Investment Fund of \$500m-\$3b in the first few years that will invest in early intervention programmes which improve outcomes across a range of portfolios, and better invest in, and improve, outcomes for people with high and complex needs.
2. How hard and fast change will go, and how much can be demonstrated over the next year, will ultimately depend on funding decisions. You have indicated your wish to announce as part of Budget 2025 'real life examples' of social investment initiatives, delivered through community providers in certain locations to demonstrate and test elements of social investment and deliver outcomes for specified cohorts.
3. We recommend that you seek a social investment Budget envelope of \$280m over four years (see Appendix One) to enable the level of transformation envisaged, and to demonstrate social investment in action. This would include:
 - \$25m per year for 'demonstration' initiatives to provide real life examples of social investment in action starting in 2025/26
 - \$5m per year for a contestable innovation fund
 - \$30m in 2025/26 and \$10m in 2026/27 in transitional funding to enable SIA to scale up its investment and commissioning capability and establish an expanded SIF. We expect from 2026/27 that transfers of departmental funding (equal to around 5% of the non-departmental funding that is transferred) will increasingly fund this capability.
 - A total of \$120m over the forecast period to fund year-on-year increases for further new social investment initiatives beyond 2025/26, which would signal opportunities for multiple rounds of investment to the sector. It would also enable us to move quickly to commission social investment initiatives, while also identifying consolidation opportunities from funding transferred from other Votes.
4. If additional social investment initiatives (outside of our initial Budget bid) are identified by Budget Ministers through the Budget 25 process, we recommend you request that these are funded in addition to the proposed \$280m social investment envelope, noting that there are opportunities for the capability that SIA would establish through B25 to support these initiatives.

5. We understand that Treasury has recommended a scaled social investment budget envelope of \$160m over the forecast period (see Appendix One). A funding envelope of \$160m over the forecast period would limit the level of transformation or demonstration indicated in the *Catalysing Social Investment* Cabinet paper and decisions would need to be made about how to scale the intended work programme. This more limited Budget envelope would rely entirely on finding efficiencies within funding transferred to Vote SI to scale up effective programmes or fund new initiatives. If additional initiatives identified by Budget Ministers were funded from this limited envelope, they would need to be significantly scaled and SIA would be unable to progress the social investment demonstration initiatives to bring social investment to life.

Recommended action

The Social Investment Agency recommends that you:

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| 1. Note that should your proposal for system transformation be approved by Cabinet, SIA has identified two broad options for a B25 social investment budget envelope (see Appendix One) | <i>Noted</i> |
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| 2. Note that SIA recommends prioritising funding for social investment initiatives starting in 2025/26 (\$25m per year), an innovation fund (\$5m per year) and \$40m to support the SIA to quickly scale up its investment and commissioning capability to manage an expanded Social Investment Fund | <i>Noted</i> |
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| 3. Note that SIA recommends that any additional 'social investment initiatives' that are identified by Budget Ministers through the Budget process are funded in addition to the proposed social investment budget envelope, in order to enable you to still achieve the level of transformation envisaged, and to demonstrate social investment in action | <i>Noted</i> |
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4. **Indicate** your preferred option:

Option 1: Seek a **\$280m budget envelope** for social investment over the forecast period, as originally sought.

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| a) with social investment initiatives identified by Budget Ministers funded <u>in addition to this envelope</u> (enabling SIA to deliver on the level of transformation envisaged, to demonstrate social investment in action, while also enabling other social investment initiatives identified through Budget. [recommended]) | <i>Yes / No</i> |
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OR

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| b) with social investment initiatives identified by Budget Ministers funded <u>within this envelope</u> (which means bringing forward funding from future years for initiatives or no demonstration initiatives in 2025/2026) | <i>Yes/No</i> |
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OR

Option 2 – Support the scaling of the budget envelope for social investment to **\$160m over the forecast period** (as we understand is currently the indicative number reflected in the Budget package)

Yes/No

- a) with social investment initiatives identified by Budget Ministers funded in addition to this envelope.

OR

Yes/No

- b) with social investment initiatives identified by Budget Ministers funded within this envelope (which means no demonstration initiatives in year 1) [not recommended]

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5. **Agree** to forward this briefing, and send a letter from you, to Hon Chris Bishop, Associate Minister of Finance, indicating your preferences for a Social Investment Budget 25 envelope.
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Yes / No



Aphra Green
Deputy Chief Executive - Policy, Data & Insights
Social Investment Agency
14/03/2025

Hon Nicola Willis
Minister for Social Investment
...../...../.....

Background

1. You have sought B25 funding to deliver on two of your priorities for social investment:
 - Establishing the Social Investment Fund as agreed by Cabinet – \$200m over 4 years – initially within the Social Investment Agency to be a testing ground for innovation by directly commissioning outcomes for vulnerable New Zealanders.
 - ‘Demonstration’ social investment initiatives - \$80m over 4 years – Announcing tangible, early investments to build momentum and demonstrate social investment in action is one of your key Budget 25 priorities.
2. You are now also consulting with your Ministerial colleagues on a proposal for system transformation. This vision expands on the proposed Social Investment Fund, involving transferring of funding (estimated around \$500m in 2025/26) from across the social sector into Vote Social Investment to enable more effective commissioning for early intervention and people with complex and high needs in a more efficient and effective manner.
3. You have indicated that we should consider the two bids to be a possible ‘envelope’ of funding and asked that we brief you on options for funding the transition from this (including a scaled option of \$160m that we understand is the approximate number currently reflected in the Budget package).
4. We are also aware that in addition to our Budget bid, other bids are being identified and characterised as social investment through the Budget process, and you will want to consider the ‘social investment budget package’ in its entirety.
5. This paper therefore:
 - Proposes options for the B25 bids as an envelope should the system transformation Cabinet paper be approved. We seek your feedback on your preferred option, and propose you send a letter with your preferences to the Minister Bishop Associate Finance Minister;
 - Provides advice on new social investment funding proposals and whether these are a fit with the direction for social investment, and if so, how they might be funded.

A \$280m Budget 2025 social investment envelope is recommended

6. How hard and fast change will go, and how much can be demonstrated over the next year, will ultimately depend on the scale of funding. Appendix One summarises the expected costs associated with progressing system transformation, delivering on your priorities to establish the Social Investment Fund and demonstrate social investment in action – and the concessions to be made depending on the scale of funding.
7. Options for your consideration are summarised as follows (in order of SIA preference):

Option One – Seek a **\$280m budget envelope** for social investment over the forecast period, as originally sought.

- a) with social investment initiatives identified by Budget ministers funded in addition to this envelope (enabling SIA to deliver on the level of transformation envisaged, to demonstrate social investment in action, while also enabling other social investment initiatives identified through Budget. **[recommended]**)
- b) with social investment initiatives identified by Budget ministers funded within this envelope (which means bringing forward funding from future years for initiatives or no demonstration initiatives in 2025/26)

Option Two – Support the scaling of the budget envelope for social investment to **\$160m over the forecast period** (as we understand is currently the approximate number reflected in the Budget package)

- a) with social investment initiatives identified by Budget ministers funded in addition to this envelope.
- b) with social investment initiatives identified by Budget ministers funded within this envelope (which means no demonstration initiatives in year 1) **[not recommended]**

8. All options, except Option 2(b) would:

- **Enable demonstration social investment initiatives (\$25m per year)** – to fund 3-5 initiatives beginning in 2025/26, working with community providers in certain locations to identify initiatives that will demonstrate and test elements of social investment and deliver outcomes for specified cohorts. These initiatives will be critical in building and testing new ways of commissioning, as well as testing innovative forms of service delivery.
- **Establish an Innovation Fund (\$5m per year)** – for a contestable fund for innovation. This would enable co-investment with philanthropy, academia, and impact investors to test and develop new ideas for further investment. We envisage such a fund could be operationalised in partnership with a philanthropically oriented organisation(s) as a way to start an enduring interface with those who wish to innovate for social outcomes.
- **Quickly scale up investment and commissioning capability for an expanded Social Investment Fund (\$30m in 2025/26 and \$10m per year in 26/27)** – to support SIA to manage system transformation, manage the funding that is transferred to Vote SI, and to deliver initiatives to build momentum for social investment. We expect departmental funding that is transferred (around 5% of the non-departmental funding transferred to Vote SI) will fund this capability over time. A further \$10m from B25 for 2026/27 will be needed to support a smooth transition.

9. Option 1(a) is recommended because in addition, it would enable:

- **\$120m over the forecast period for year-on-year increases of funding for further new initiatives after 2025/26.** This would enable multiple rounds of investment and signal a strong commitment to innovation and community investment to the sector. As the funding would be unconstrained from existing commitments and contracts, SIA would

likely be able to move more quickly to scale up effective programmes or fund new initiatives (for example that have been proven through the Innovation Fund).

- **Additional social investment initiatives identified through Budget**, such as scaling up parenting programmes and more funding to prevent people entering into state care.
10. Option 1(b), involving funding additional initiatives identified through Budget processes from within the \$280m envelope, would mean either not progressing demonstration initiatives in 2025/26 or reducing the year-on-year increases in funding for further new initiatives after 2025/26.
 11. Options 2a and 2b would not allow any funding for further new initiatives beyond 2025/26. These options rely entirely on identifying efficiencies and opportunities from the funding transferred to Vote SI. Given we will need to carefully manage transitions to minimise short-term disruption to service delivery, this would likely slow down opportunities to demonstrate social investment and innovate in the short term.
 12. In addition, Option 2b, involving funding initiatives identified by Budget Ministers from \$160m budget envelope, would not enable demonstration initiatives to bring social investment to life in 2025/26.

Potential Social Investment Initiatives identified by Budget Ministers

13. We understand that you have identified the following two initiatives that could be progressed as 'social investment initiatives' through your bilateral discussions with Hon Erica Stanford and Hon Louise Upston. There are opportunities for the SIA to support these initiatives and work with agencies to ensure they are delivered and measured in a way that is consistent with social investment:

| Initiative | Amount originally sought | Proposal | Alignment to social investment |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Empowering families, whānau, and communities to prevent entry into care | \$25m over three years [From Response to Abuse in Care funding envelope] | To conduct impact analysis on existing interventions, and to scale up effective interventions or fund new interventions to prevent people entering the care system. The scope is wider than preventing children from entering into care. | There is some alignment with SIA's work programme to identify early intervention programmes from OT that would be better managed from Vote SI, and subsequent work to identify opportunities to consolidate and more effectively commission these services using the capability established through B25 funding. |

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|-------------------------------------------------|-----------------------|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Child and Youth Strategy – parenting programmes | \$38m over four years | Funding to scale up evidence-based parenting programmes | We are supportive of further investment in certain parenting programmes, which we recommended through the F2000days Impact Review. We also identified a need for a system lead to coordinate commissioning of parenting programmes. SIA could take on this role, and in future, SIA could look to transfer funding from other parenting programmes to Vote SI to enable coordinated commissioning. |
|-------------------------------------------------|-----------------------|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

14. As noted in the previous section, there are choices for how these additional initiatives are funded. We recommend that funding for both these proposals be considered in addition to our proposed \$280m funding envelope for social investment (Option 1a). However, if Budget Ministers agree for these to be funded from the social investment budget envelope, SIA will provide further advice on how these could be scaled to best balance your objectives for social investment.

Progress on demonstration initiatives

15. You have indicated your wish to announce as part of Budget 2025 ‘real life examples’ of social investment initiatives, delivered through community providers in certain locations to demonstrate and test elements of social investment and deliver outcomes for specified cohorts. Depending on Budget decisions, there may be a range of social investment initiatives that will bring social investment to life.

Purpose of the demonstration initiatives

16. The initiatives will demonstrate a shift towards:
- Outcomes: Clear traceability of programme outcomes to long-term outcomes indicated by Ministers, and robust measurement of these
 - Populations of interest: Focusing investment where there is greater need (as described in the Budget Bid)
 - New ways of working: Testing collective impact models and other innovative contracting approaches
 - Continuous learning: Collection and use of data to inform feedback loops that lead to innovation and service improvement
 - Integrated local commissioning: Regional portfolio-neutral commissioning

17. Across the initiatives, we will also seek to test:

- best practice evaluation: Generating robust evidence of service impact
- life course approach: Taking a proactive and early approach in order to address issues before they become crises
- tailored design: Demonstrating that holistic, wrap-around services addressing different needs can be more effective
- evidenced interventions: Whether translation of evidence of effectiveness from one area works in another area
- contracting methods: Introduction of payment-by-results elements and other contractual incentives for delivery of outcomes

Update on progress with demonstration initiatives and potential announcements

18. In October 2024, you indicated your comfort with an announcement specifying the initiative (i.e. funding amount, the targeted cohort, required outcomes, locations) while not announcing specific providers for investment. This was to enable us to build commissioning capability, ensure we meet procurement requirements and to undertake a level of engagement with communities to ensure feasibility. You have also agreed the criteria for selection of priority locations for these initiatives [SIA-24/25 – 149 refers].
19. We have considered whether it is feasible, or advisable, for more detailed announcements to be made at B25. This would require us to progress conversations faster than anticipated and/or to take a different approach to pre-select providers and services. While possible, we do not recommend this, as the pace and capacity required to scale up our commissioning capability, expectations from the social sector, and transparency in the procurement process (even if its parameters are limited from the outset) places significant risk on the reputation of the agency and the broader social investment approach.
20. The following indicative timings were included with the B25 bid:

| 2025 timings | Engagement |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Jan-March | <ul style="list-style-type: none"> • Continue to develop view of regional need, and potential provider capability and readiness • Decide on priority regions • Identify potential providers and partners for co-design |
| April-June | <ul style="list-style-type: none"> • Initiative design (3 months from Budget decision) |
| July-Oct | <ul style="list-style-type: none"> • Contract negotiation • Contract signed |
| Nov-Dec | <ul style="list-style-type: none"> • Implementation begins |

21. Following further discussions with RPSCs and the Social Investment Iwi Design Group, we are confident that there are a range of communities which would be ready and willing to design and implement social investment initiatives, and which would benefit from investment. We would like to discuss these with you.

22. We anticipate that this pre-announcement engagement will enable you to have relatively specific announcements at B25, such as:

An investment in early support for children and their families with complex needs:

Starting in 2-3 locations, we are demonstrating social investment using an outcomes-based and data-driven approach with providers who are trusted in their communities to work with families who have contact with OT and Corrections. We know that with better and earlier support for these children we can improve their long-term outcomes and ultimately prevent fewer from going on to have contact with the criminal justice system themselves.

*Based on the analysis that SIA has done, these are the characteristics, needs and risks factors that we repeatedly see. This investment of \$25m will be focused on additional support for **(for example)** children with early and often overlapping risk factors and needs (eg, ADHD, having a parent in prison, early stand-downs from school, children experiencing FVSV).*

These are small demonstrations working with providers who are ready in terms of reach, trust, workforce capability and data maturity. We are starting with communities that have high levels of need and provider readiness.

These demonstration opportunities will assist our understanding of the funding transferred to Vote SI, e.g., working with a community commissioner, outcomes-based contract arrangements.

We will know whether these investments are working as we will be able to see from the data whether the additional support and outcomes-focused way of working results in (for example) increasing attendance, improved family stability, fewer school exclusions or moves, fewer visits to emergency departments.

Next steps

23. We propose you send a letter, attached in Appendix Two, to Associate Finance Minister Bishop with your preferences for the social investment budget envelope 21 March. This timing would enable Associate Finance Minister Bishop to consider your preferences, and Treasury's advice, in advance of the Budget Ministers meeting on 25 March.

Attachments

Appendix One: Options for revising Social Investment Budget bids

Appendix Two: Letter to Minister Bishop - Associate Finance Minister

Please see the Treasury's proactive release of Budget documents for appendix two

Appendix One: Options for revising Social Investment Budget bids

The B25 Budget bids (\$280m over four years) sought funding for:

- Social Investment Initiatives (\$20m per year) – For tangible community investments to build momentum and demonstrate social investment in action.
- Establishing the Social Investment Fund, as agreed by Cabinet, to be a testing ground for innovation (\$200m over 4 years) - This **included 8.224m -\$10.2m per year for a commissioning function** and **\$11m in 2025/26 growing to \$59m per year for investments**.

System transformation proposal has implications for B25 funding

You are now also consulting with your Ministerial colleagues on a proposal for system transformation. This vision expands on the proposed Social Investment Fund, 9(2)(f)(iv)

This paper provides two options for Budget 25 should the system transformation Cabinet paper be approved. These options do not address how other initiatives identified by Budget Ministers may be funded.

9(2)(f)(iv)