

IN CONFIDENCE

Office of the Minister of State Services
Office of the Minister for Social Development

Chair
Cabinet Social Policy Committee

Social sector leadership – delivering better results

Proposal

- 1 This paper proposes strengthened arrangements for social sector agencies, directed by Ministers, to take action to achieve better results for the significant minority of clients with multiple and complex needs. We seek in-principle decisions to disestablish the Social Sector Board and replace it with a new Specific Purpose Social Investment Board supported by a Departmental Agency. The State Services Commissioner will hold chief executives on the new Board collectively accountable for achieving the results that Ministers are seeking.

Executive summary

- 2 The vast majority of social services are delivered by single agencies to individual clients. This meets the needs of the great majority of New Zealanders and our social services perform well on this basis.
- 3 However, we know that a smaller group of clients with multiple and complex needs continue to experience poor outcomes. These groups are a small subset of the New Zealand population as a whole. But the issues they face, if not addressed, mean high continuing costs for them, their families, and for government.
- 4 Addressing the needs of these groups of clients requires early intervention and a collective approach. A variety of agencies are involved with these clients but their work tends to be unconnected and remedial in focus. We have recognised for some time that this approach is not working.
- 5 We have made some positive progress towards a better approach. We have used data and analytics to provide a much better knowledge base. We have developed the social investment approach to identify priority populations, target investment, and assess progress. These developments have been governed by Ministers and, at the agency level, through the Social Sector Board.
- 6 The Social Sector Board has overseen improvements in cross-agency responses to challenging issues. However, we consider that there is now an opportunity to move this to the next level of performance with stronger governance, accountability, and leadership arrangements. This requires a tighter collective focus by agencies on defined priority groups, and holding chief executives collectively accountable for the achievement of results.
- 7 We propose to replace the Social Sector Board with a Cabinet-mandated Social Investment Board, based on the Specific Purpose Board model developed as part of the Better Public Services Reforms [CAB Min (12) 10/16 refers]. The Social Investment Board would operate under Cabinet terms of reference that specify the Board's purpose and scope, the constituent departments within the Board's remit and Board members' collective responsibilities and accountabilities.
- 8 The State Services Commissioner will appoint the chief executive members of the Board, including an independent chair, and, under a new performance accountability regime, will hold them collectively accountable for the achievement of the results Ministers are seeking. This new approach will bring together in one place existing data

IN CONFIDENCE

and analytical tools, and the social investment approach, and will make these more effective by backing them with strong leadership and accountability for achieving results.

- 9 The Board will focus on priority groups and issues:
 - 9.1 that are beyond the remit of any single agency (e.g. between two or more individual portfolio and/or departmental/sector responsibilities), and
 - 9.2 where better results cannot be achieved without collective action.
- 10 Under the proposal decision-making remains with individual portfolio Ministers, and collectively through Social Policy Committee and Cabinet, but Ministers' decision-making will be more strongly supported through the Social Investment Board.
- 11 We propose to support the Social Investment Board with a Departmental Agency. This will provide the critical mass of expertise needed to effectively support the new Board to define key priorities, work programmes, and report on results.
- 12 Neither the Board nor the Departmental Agency would have any role in areas covered by the mandate of the Ministry for Vulnerable Children, Oranga Tamariki.

Background

- 13 In May 2016, Cabinet commissioned a series of report backs from the Minister of State Services and the Minister for Social Development (MSD) on the role and functions of the Ministry for Vulnerable Children, Oranga Tamariki, and, Ministry of Social Development and on options for the future arrangements of social system leadership. Social system leadership included advice on the leadership and coordination of social investment approaches, the interface between different governance arrangements for sector collaboration and advice on the development of new levers, such as a cross-sector liability approach, to better manage social services as a system [SOC-16-MIN-0053]. This paper constitutes the report back on social sector leadership.
- 14 Leadership of the social sector currently rests with the Social Sector Board, comprising the chief executives of Ministry of Social Development, Ministry for Vulnerable Children, Oranga Tamariki, and the chief executives of the Ministries of Health, Education, Justice, Business, Innovation and Employment, Pacific Peoples, Te Puni Kōkiri, Department of Corrections and New Zealand Police. MSD is designated as the social system lead agency and the Board is chaired by the chief executive of MSD. MSD also provides policy and administrative support for the Board.
- 15 For the vulnerable children's population we have established the Ministry for Vulnerable Children, Oranga Tamariki to provide a single point of accountability. It has a specific mandate to develop a prevention and early intervention focus and a strengthened focus on the wider cross-government accountabilities and integration of services supporting vulnerable children and young people. The Ministry for Vulnerable Children, Oranga Tamariki will be supported by the Vulnerable Children's Board, providing cross-agency governance, ensuring linkages to relevant work by other agencies, and oversight of the transformation programme. This will ensure that Ministers are well supported to address the needs of the vulnerable children's population.

Achieving better results

- 16 While social services perform well for most New Zealanders, we know that smaller groups of clients with multiple and complex needs continue to experience poor outcomes. These are the populations whose needs cannot be addressed by any single agency. Their needs require a whole-of-social-sector approach to overcome the current limitations of inter-agency collaboration.

- 17 The Social Sector Board has achieved some momentum in improving cross-agency responses to challenging issues. However, it is difficult for the Social Sector Board to take this to the next level for several reasons, including:
- 17.1 Its mandate is not tightly framed so the focus of the Board has expanded over time to encompass most aspects of inter-agency coordination in the social sector. As a consequence the Board is too large, with ten members;
 - 17.2 accountabilities of Board members are not always clear and are often focused on contribution to the working of the Board, rather than the achievement of results;
 - 17.3 board membership encompasses chief executives with direct responsibility for driving results and those who do not have direct operational accountabilities.
- 18 The Social Sector Board relies on a model of essentially voluntary collaboration. It has achieved some success but, given the above constraints, is unlikely to achieve the degree of impact on results that Ministers are seeking into the future.
- 19 We propose putting new arrangements in place which are:
- 19.1 tightly focused on achieving results for cohorts of individuals with multiple and complex needs which cannot be effectively addressed through established mechanisms for voluntary inter-agency collaboration;
 - 19.2 made up of chief executives who can directly drive action on results;
 - 19.3 collectively accountable for achieving defined results;
 - 19.4 effectively supported by a critical mass of analytical, policy, and strategic capability.
- 20 Our understanding of where to focus effort, and potential investment choices, has greatly improved as a result of the work on data and analytics for the social sector. While it is early days in understanding the full potential of new data and analytical techniques, there is a significant opportunity to support better decisions and deliver better results for New Zealanders. The development of the social investment approach has provided another key element in the tool kit needed for addressing multiple and complex needs of clients. What we now need to do is ensure that we have the strong governance, accountability, and collective leadership in place to best support Ministers in addressing the needs of the minority of clients with multiple and complex needs.
- 21 The proposals in this paper are designed to provide Ministers with stronger expert advice on which cohorts of individuals should be prioritised for action and how their needs can be most effectively addressed on a cross-system basis.
- 22 Under the proposed arrangements decision-making remains with individual portfolio Ministers, and collectively through Social Policy Committee and Cabinet, but is more strongly supported through:
- 22.1 tightly focused collective governance of the social sector that supports Ministers to set clear priorities and direction;
 - 22.2 formalising the collective accountability of Chief Executives for social investment advice and support;
 - 22.3 bringing together the capability needed to provide advice and assessment from a sector-wide perspective independent of the interests of any particular agency.
- 23 An illustrative scenario of how this approach could work is attached in ANNEX 1.

Social Investment Board

- 24 We propose to replace the Social Sector Board with a Cabinet-mandated Social Investment Board, based on the Specific Purpose Board model developed as part of the

Better Public Services Reforms [CAB Min (12) 10/16 refers]. This model was developed specifically to provide a mechanism to strengthen collective work on cross-cutting issues. As a Specific Purpose Board the Social Investment Board would operate under a formal Cabinet Terms of Reference that specifies the:

- 24.1 Board's purpose and scope;
- 24.2 constituent departments (including any departmental agencies) within the Board's remit;
- 24.3 collective responsibilities and accountabilities of chief executive members of the Social Investment Board.

Purpose and scope

- 25 The purpose of the Social Investment Board will be to:
 - 25.1 provide advice to the Cabinet Social Policy Committee on the strategic direction, priorities and joint results for the social sector in areas where better results cannot be achieved without a collective approach;
 - 25.2 advise the Cabinet Social Policy Committee on the best investments for achieving joint results, including advice on optimal resource allocations and any reprioritisation across time, and how investments are performing.
- 26 Specifically the Social Investment Board will:
 - 26.1 identify the priority areas with largest potential benefit from investment where better results require a collective approach;
 - 26.2 recommend to the Cabinet Social Policy Committee an annual work plan focused on these forward-looking priorities;
 - 26.3 deploy agencies' resources in a joined up way to deliver the results required;
 - 26.4 oversee and report on the achievement of results.
- 27 The Board will focus on priority groups that fall between two or more individual portfolio and/or departmental/sector responsibilities; areas that are beyond the remit of any single agency and where better results cannot be achieved without a collective approach. This will be a much tighter focus than that of the current Social Sector Board.

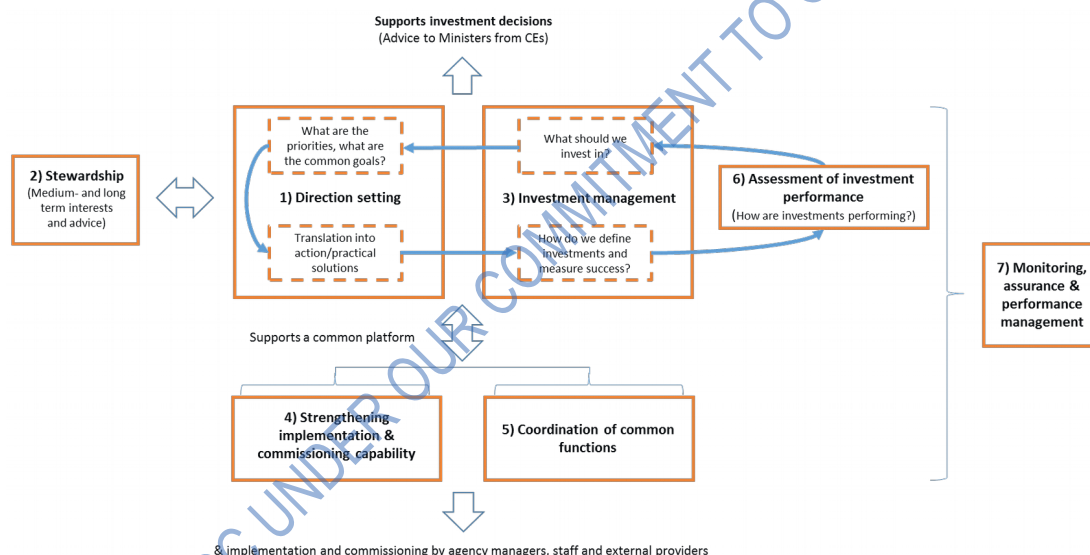
Membership

- 28 The membership of the Social Investment Board will be designated by the State Services Commissioner and will be smaller than the current Social Sector Board. This approach seeks to tighten the focus and enhance the effectiveness, cohesion and accountability of the Board.
- 29 The appropriate size and composition of the Social Investment Board will be a matter for the State Services Commissioner to determine with chief executives. The Commissioner's initial view is that Board members will include the chief executives of the Ministries of Health, Education, Justice and Social Development, Department of Corrections, and the New Zealand Police Commissioner. The State Services Commissioner will appoint an independent chair.
- 30 Chief executive members of the Social Investment Board will be collectively responsible for achieving results, while acknowledging any statutorily independent functions of individual chief executives. The Commissioner will hold chief executive Board members collectively accountable for the results achieved.
- 31 Te Puni Kōkiri, and the population agencies, will have a strong and legitimate interest in the work of the new Board. The Commissioner has convened a meeting of these chief executives to agree options for how they best work with the new Board including:

- 31.1 Provision of advice on the work programme to be recommended to the Social Policy Committee
- 31.2 Contestable advice to Ministers on proposed priorities and results
- 31.3 Specialist advice to the Departmental Agency to inform advice to the Board
- 31.4 Independent monitoring of progress towards results.

Functions and Support

- 32 We recommend the establishment of a Departmental Agency to support the Board in achieving the results that Ministers are seeking. The Departmental Agency will bring together in one place currently separate components of capability; Sector Strategy in MSD and the Social Investment Unit. This will provide the critical mass needed to effectively support the new Board to define key priorities, work programmes, and report on results. The new Departmental Agency will provide a whole-of-sector view that is independent of the interests of any particular agency.
- 33 Six core functions have been identified to support the Social Investment Board to perform its role, being: advice on direction setting, supporting stewardship, enabling investment management, strengthening implementation and commissioning, coordination of common functions and the assessment of investment performance.



- 34 The functions identified require technical and specialised expertise. Formalising institutional arrangements to support the Board, and new collective accountability arrangements, provides an opportunity to formalise the support arrangements and funding for the Social Investment Unit.
- 35 Four options for providing this institutional level support were considered: maintaining the status quo, the establishment of a dedicated business unit within a social system agency, the establishment of a Departmental Agency within a host agency and the creation of a stand-alone Department. Each option was considered against a set of criteria assessing their impact on whole-of-system approach, transparency, level of integration, accountability and scope.
- 36 We propose to establish the capability as a Departmental Agency, with its own chief executive. This will provide structural separation, regardless of where it is hosted. The choice of location essentially comes down to a balance between ensuring:
 - 36.1 social system investment decision making that is owned by the social system;
 - 36.2 separation and neutrality to ensure a whole of social system view and avoid risks of capture (whether real or perceived) by individual department interests.

- 37 The Departmental Agency could be hosted either within a social sector department or a department outside the social sector (e.g. in a central agency), depending on the balance Ministers wish to strike. In either case the Departmental Agency would consolidate existing capability and link with individual agencies using a hub and spoke model. There is also potential for stronger alignment and/or consolidation in the future of some functions currently within other organisations, for example SuperU.
- 38 There will not be a need for a portfolio Minister for the Departmental Agency, but as with any agency, there will need to be a responsible Minister for technical reasons.

Next steps

- 39 Following Cabinet agreement in principle to the proposals in this paper, the next steps are that:
- 39.1 the State Services Commissioner, in consultation with the relevant chief executives, will develop a terms of reference for a new Social Investment Board;
- 39.2 the State Services Commissioner will work with the Chief Executive of the Ministry of Social Development to identify the resources that would be transferred to the Departmental Agency;
- 39.3 the Minister of State Services will report back to the Cabinet Social Policy Committee by 31 March 2017 on the;
- mandate, remit and terms of reference for the Social Investment Board
 - final composition of the Board and how the interests of Te Puni Kōkiri and the population agencies in the working of the Board will be met
 - an implementation plan including commencement date
 - the location for the Departmental Agency
 - financial implications of the proposals.
- 40 The current arrangements for social sector leadership through the Social Sector Board will remain in place until altered.

Consultation

- 41 All departments represented on the Social Sector Board were consulted on these proposals. Treasury has been consulted and DPMC informed.

Financial implications

- 42 For the Social Investment Board itself the only additional cost is the remuneration for the independent chair. This would be set with reference to the Cabinet Fees Framework.
- 43 For the Departmental Agency there will be the cost of remuneration for the chief executive and related management overhead. Other costs associated with the Departmental Agency will be already covered within existing baselines.
- 44 It should also be noted that Social Investment Unit is seeking funding in Budget 2017 for its ongoing operation as its current funding ceases at end of June 2017. The proposal is to shift the Social Investment Unit into the Departmental Agency once established.

Human rights implications

- 45 The proposals in this paper are consistent with the requirements of the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

- 46 There are no legislative implications associated with the establishment of a Social Investment Board. The establishment of a Departmental Agency would require an Order in Council (OIC). The OIC would:
- 46.1 bring the new Departmental Agency into legal existence on a specified date by naming it in Schedule 1A of the State Sector Act 1988
 - 46.2 provide for a transitional period relating to any transfer of functions from other agencies (if applicable) as well as any change in responsibility for functions from the chief executive of the Ministry of Social Development to the chief executive of the Departmental Agency.
- 47 The Minister of State Services will issue drafting instructions once Cabinet agrees on the name and commencement date for the new Departmental Agency.

Regulatory impact analysis

- 48 The Regulatory Impact Assessment Team at the Treasury has confirmed that a regulatory impact statement is not required.

Gender implications

- 49 None.

Disability perspective

- 50 None.

Publicity

- 51 The Minister of State Services will consider this in the context of preparing the specific proposals for Cabinet following agreement in principle to the proposals in this paper.

Recommendations

- 52 It is recommended that the Committee:
- 1 **note** that Cabinet commissioned a report back from the Minister of State Services and the Minister for Social Development on options for the future arrangements of social system leadership in light of the sector changes following the establishment of the Ministry for Vulnerable Children, Oranga Tamariki [SOC-16-MIN-0053]
 - 2 **note** that for most New Zealanders social services are provided by single agencies and that our social services perform well on this basis
 - 3 **note** that a smaller group of clients with multiple and complex needs continue to experience poor outcomes and that addressing their needs requires collective action that is beyond the remit of any single agency
 - 4 **note** that we have developed tools for addressing the needs of these cohorts and individuals though the work on data and analytics and the development of the social investment approach.
 - 5 **note** that the Social Sector Board has achieved some momentum in improving cross-agency responses to challenging issues but that there is an opportunity to move this to the next level with strong governance of performance, accountability and leadership arrangements
 - 6 **note** that we consider there is an opportunity to achieve the better results that Ministers are seeking for cohorts of individuals with multiple and complex needs through:

- 6.1 tightly focused collective governance of the social sector that supports Ministers to set clear priorities and direction
 - 6.2 formalising the collective accountability of Chief Executives for social investment advice and support
 - 6.3 bringing together the capability needed to provide advice and assessment from a sector-wide perspective independent of the interests of any particular agency
- 7 **note** that this paper proposes new arrangements under which decision-making remains with individual portfolio Ministers, and collectively through Social Policy Committee and Cabinet, but will be more strongly supported through new arrangements

Social Investment Board

- 8 **agree** in principle to disestablish the Social Sector Board and replace it with a Cabinet-mandated Social Investment Board, based on the Specific Purpose Board model developed as part of the Better Public Services Reforms
- 9 **agree** the purpose of the Social Investment Board will be to:
- 9.1 provide advice to the Cabinet Social Policy Committee on the strategic direction, priorities and joint results for the social system in areas where better results cannot be achieved without a collective approach
 - 9.2 advise the Cabinet Social Policy Committee on the best investments for achieving joint results, including advice on optimal resource allocations and any reprioritisation across time, and how investments are performing
- 10 **note** that the Social Investment Board will not be accountable for the work of the Vulnerable Children's Board.

Departmental agency

- 11 **note** that the establishment of a Departmental Agency is proposed to support the Board in achieving the results that Ministers are seeking and provide the critical mass of capability needed to effectively support the new Board
- 12 **agree** in principle to establish a new Departmental Agency
- 13 **note** that there is also potential for stronger alignment and/or consolidation in the future of some functions currently in SuperU

Financial implications

- 14 **note** that the financial implications of the proposal will be worked through with Treasury and Social Sector Board chief executives
- 15 **note** that the Social Investment Unit is seeking funding in Budget 2017 for its ongoing operation as its current funding ceases at end of June 2017
- 16 **note** that the State Services Commissioner will work with the Chief Executive of the Ministry of Social Development to identify the resources that would be transferred to the Departmental Agency
- 17 **agree** in principle that the functions and resources currently comprising the Social Investment Unit will be transferred to the Departmental Agency, if established

Next steps – approach to aligning functions (and associated resources)

- 18 **direct** the State Services Commissioner, in consultation with the relevant chief executives, to develop a terms of reference for a new Social Investment Board

- 19 note** the State Services Commissioner will work with the Chief Executive of the Ministry of Social Development to identify the resources that would be transferred to the Departmental Agency
- 20 invite** the Minister of State Services to report back to the Cabinet Social Policy Committee by 31 March 2017 on the:
- 20.1 mandate, remit and terms of reference for the Social Investment Board
 - 20.2 final composition of the Board and how the interests of Te Puni Kōkiri and the population agencies in the working of the Board will be met
 - 20.3 an implementation plan including commencement date
 - 20.4 the location for the Departmental Agency
 - 20.5 financial costs of the proposals.

Hon Paula Bennett
Minister of State Services

____ / ____ / ____

Hon Anne Tolley
Minister for Social Development

____ / ____ / ____

RELEASED BY SSC UNDER OUR COMMITMENT TO OPEN GOVERNMENT