

Chair
Cabinet Social Policy Committee

Social sector leadership – delivering better results: Report-back

Proposal

1 This paper reports back on the Social Sector Leadership proposals that received in-principle agreement from Cabinet in December 2016 [CAB-16-Min-0664 refers] and seeks final decisions to establish the Social Investment Board and supporting Departmental Agency. We seek agreement to the Terms of Reference of the Social Investment Board and that the State Services Commission is the host department for the Departmental Agency.

Executive Summary

- 2 A companion Cabinet paper, *Changing lives – Our social investment narrative and 2017 work programme*, sets out what we are trying to achieve through taking a social investment approach. The development of the social investment approach, together with evolving data and analytical techniques, provide some of the key elements of the tool kit needed to drive better results for New Zealanders.
- 3 However, the challenge remains to fully embed the social investment approach within and across agencies and apply it to address that smaller group of clients with multiple and complex needs who continue to experience poor outcomes. These are clients whose needs cannot be addressed by any single agency.
- 4 To make meaningful, sustained progress we need to apply a social investment approach to tackle issues that require collective action, backed by governance and accountability arrangements that:
- 4.1 strengthen collective governance of the social sector to support Ministers to set clear priorities and direction for a collective approach;
 - 4.2 formalise the collective accountability of chief executives for social investment advice and the delivery of results;
 - 4.3 bring together the data, analytics and policy capability needed to support social investment and identify the best investments from a sector-wide perspective.
- 5 In order to achieve this Cabinet has agreed in principle, subject to this report-back, to disestablish the Social Sector Board and replace it with a Cabinet mandated Social Investment Board, and to establish a new Departmental Agency [CAB-16-Min-0664 refers]. Cabinet requested further advice on the proposals through this report back.
- 6 To establish the Social Investment Board Cabinet needs to agree its Terms of Reference and commencement date. We seek agreement to the attached Terms of Reference of the Social Investment Board, which outlines the purpose, mandate and scope of the Board, and agreement to a commencement date of 1 July 2017.
- 7 The State Services Commissioner designates Board membership and intends to appoint the chief executives of the Ministries of Health, Education, Social Development and Justice to the Board. The State Services Commissioner has chosen these chief

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executives given their system leadership responsibilities. These chief executives will represent their respective sectors, and are suitably placed to work with agencies to advise on best investments and deliver results.

- 8 To support and advise Ministers and the Social Investment Board, Cabinet agreed in principle to establish a Departmental Agency and sought further advice on its location in a host department. We seek agreement that the State Services Commission is the host department. This will provide a strong signal for a social sector neutral system view, independent of individual agency interests. Officials have confirmed that there is no legislative or other impediment to the State Services Commission being the host department of a Departmental Agency. We propose the name of the Departmental Agency is the Social Investment Agency and that it be established on 1 July 2017.
- 9 Te Puni Kōkiri and the Ministries for Pacific Peoples and Women will have a mandated hands-on role working closely with the Social Investment Agency to develop a system perspective on specific populations in support of the Board. This will include specialist advice to the Departmental Agency on priorities, and assessment of progress towards results.
- 10 The chief executive of the Social Investment Agency will report directly to its own Minister who determines its work programme. The Social Investment Agency will also support and advise the Social Investment Board under a memorandum of understanding and the Board will report to Cabinet Social Policy Committee through its responsible Minister. Given the dual role of the Social Investment Agency an effective way to ensure alignment is for the Minister responsible for the Agency to also be the Minister responsible for the Board. Both responsibilities align with the Social Investment Portfolio, and would therefore sit appropriately with the Minister Responsible for Social Investment. This has been confirmed with the Prime Minister.
- 11 Cabinet asked for advice on the feasibility of transferring functions of Superu into the Departmental Agency. Any change to transfer research functions and resources currently in Superu into the Social Investment Agency would require legislative change. We propose that the immediate focus is on clarifying Superu's role in social investment and aligning its functions with those of the Board and the Departmental Agency.
- 12 However, in our view, transferring Superu's functions into the Departmental Agency has the potential to create the most value for the social investment system. Further work is needed to identify the functions and/or resources to transfer and implementation timeframes. While this will require legislative change, we believe there is a case for initiating change now. We therefore seek in principle agreement to transfer functions from Superu to the Social Investment Agency subject to a further report back.
- 13 The financial implications of the proposals will be met through the cost neutral transfer of existing resources between baselines (Vote Social Development to Vote State Services), and a budget proposal for the ongoing operational costs of the Social Investment Unit in Budget 2017. Subject to your agreement that the host department be the State Services Commission, we seek agreement to establish an appropriation in Vote State Services for the operational costs of the Social Investment Agency.
- 14 Subject to the approval of these proposals, the Minister of State Services will issue drafting instructions to the Parliamentary Counsel Office for an Order in Council to insert the Social Investment Agency into Schedule 1A of the State Sector Act 1988. The State Services Commissioner will appoint an acting chief executive for the Departmental Agency as soon as practicable and begin recruitment for a substantive appointment to the role once Ministers have made the relevant public announcements.
- 15 This model is a step forward in social investment, and the proposed arrangements will continue to evolve and mature. Some adjustments to the model may be needed in future,

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for example to ensure alignment between the Social Investment Board and the Vulnerable Children's Board.

Background

- 16 Cabinet commissioned a report back from the Minister of State Services 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 and the consequential impact on the Ministry of Social Development [SOC-16-MIN-0053].
- 17 In December, Cabinet agreed in principle, subject to this report back, to:
 - 17.1 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 Better Public Services;
 - 17.2 establish a new Departmental Agency [CAB-16-Min-0664 refers].
- 18 Cabinet invited the Minister of State Services to report back to SOC by 31 March 2017 on:
 - 18.1 the mandate, remit and terms of reference for the Social Investment Board;
 - 18.2 the 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;
 - 18.3 how the Social Investment Board will differ from the current Social Sector Board;
 - 18.4 an implementation plan including the commencement date;
 - 18.5 the location for the Departmental Agency;
 - 18.6 the feasibility of including the functions of Superu in the Departmental Agency;
 - 18.7 the financial costs of the proposals [CAB-MIN-16-0664 refers].
- 19 This paper reports back on these matters and seeks final decisions on the proposals. With the recent establishment of the new Social Investment portfolio it has been agreed that this is a joint report back between the Minister of State Services and the Minister Responsible for Social Investment and.

Context

- 20 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. We want to drive performance further by embedding a social investment approach within these agencies to deliver better results.
- 21 At the same time we know that new and innovative approaches are required to deliver better results for the significant minority of clients with multiple and complex needs that consistently experience poor social and economic outcomes. Improving life outcomes for these clients through early intervention, collective action and targeted support improves their quality of life, and that of their families. It also reduces the ongoing avoidable costs to the Crown.
- 22 The services required to address the underlying issues of clients with multiple and complex needs often sit with agencies other than those the client is interacting with at a particular point in time. In many cases services are unconnected and remedial in focus. Such cases require a coordinated approach which acknowledges the need to look across agencies for the services that will be most effective and not just those within the remit of a single agency.
- 23 Improvements in data and analytics enables government to better identify which New Zealanders need what kind of help and when; and allows us to understand much more clearly how specific government (and non-government) services impact on the outcomes

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that matter to a person, over their lifetime. These tools and techniques can also start to tell us the overall impacts for clients and the long term cost to the social sector as a whole of not addressing the underlying causes of problems.

- 24 Data and analytics alone is not sufficient however. To make quality investment decisions Ministers require policy advice, from the perspective of the social sector as a whole, underpinned by data and analytics.
- 25 The greatest gains will come from a specific focus on determining what type of collective action across social sector agencies will have the greatest impact for priority groups with multiple and complex needs. To achieve this we need to ensure that:
 - 25.1 the various components of the social investment approach are aligned coherently;
 - 25.2 expertise in social sector policy and data and analytics is consolidated and co-located for maximum impact;
 - 25.3 social investment is driven by a tighter collective focus to target clients with multiple and complex needs that require a collective approach;
 - 25.4 there is direct Cabinet and Ministerial oversight to ensure the social investment work programme reflects and is responsive to government priorities;
 - 25.5 governance arrangements and reporting lines reflect the system responsibility of the Minister Responsible for Social Investment and the interests of social sector Ministers.
- 26 The establishment of the Social Investment Board and a new Departmental Agency is an important step towards this. They will 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, backed by collective accountability for delivering results.

The Social Investment Board

Mandate, remit and terms of reference

- 27 To establish the Social Investment Board Cabinet must agree the Terms of Reference for the Board and a commencement date.
- 28 Cabinet agreed that the purpose of the Social Investment Board is to:
 - 28.1 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;
 - 28.2 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. [CAB-Min-16-0664].
- 29 Cabinet also noted that the Social Investment Board will focus on priority groups and issues that are beyond the remit of any single agency and where better results cannot be achieved without a collective approach. In relation to these priority groups the Board will:
 - 29.1 identify the priority areas with largest potential benefit from investment where better results require a collective approach;
 - 29.2 recommend to the Cabinet Social Policy Committee a work programme focused on these priorities;
 - 29.3 deploy agencies' resources in a joined up way to deliver the results required;
 - 29.4 oversee and report on the achievement of results.

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- 30 A Terms of Reference is attached at **Appendix 1** for agreement. The Terms of Reference outline the purpose, scope, functions, membership, remit, and accountabilities of the Board. The proposed commencement date is 1 July 2017.
- 31 Neither the Social Investment Board nor the Departmental Agency would set investment priorities in areas covered by the mandate of the Ministry for Vulnerable Children, Oranga Tamariki [CAB-Min-16-0664]. The membership of the Social Investment Board and the Vulnerable Children's Board overlap. We expect the Boards to remain aware of the potential for, and proactively manage, any overlap in the target client populations within their respective scopes. The proposed arrangements will continue to evolve and mature. Some adjustments to the model may be needed in future, for example, on how the operations of the Boards are working in relation to each other and what if any improvements can be made.

Minister Responsible for the Social Investment Board

- 32 In December Cabinet agreed that the Social Investment Board will provide advice to SOC on priorities and a forward-looking work programme [CAB-Min-16-0664]. This makes clear that decisions on the Board's work programme, including the reallocation or prioritisation of resources within or across social sector agencies, remain with Cabinet Ministers. In practice, the development of the Board's advice would be overseen and presented by the Minister designated as responsible for the Board, in consultation with social sector Ministers.
- 33 Subject to Cabinet agreement to establish the Social Investment Board, under the Terms of Reference in **Appendix 1**, designation of Ministerial responsibility for the Social Investment Board is a matter for the Prime Minister. The role of the Board aligns with the Social Investment Portfolio, and would sit appropriately with the Minister Responsible for Social Investment. This has been confirmed with the Prime Minister.
- 34 The designation of a Minister responsible for the Board clarifies to whom chief executive Board members owe their responsibilities under the State Sector Act for the functions of the Board.

The final composition of the Social Investment Board

- 35 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.
- 36 The appropriate size and composition of the Social Investment Board is a matter for the State Services Commissioner [CAB-Min-12-10/14 refers]. The Commissioner's view is that Board members will include the chief executives of the Ministries of Health, Education, Justice and Social Development. These chief executives have been chosen given their system leadership responsibilities. Each have sector leadership roles and are suitably placed to work with sector agencies to advise Government on best investments, and also drive the delivery of its priorities. They will be responsible for working with their respective sectors to deliver results.
- 37 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 State Services Commissioner will hold chief executive Board members collectively accountable for delivery of results agreed by Cabinet.
- 38 The State Services Commissioner is also responsible for appointing an Independent Chair. An Independent Chair will help establish the Social Investment Board as an agency-neutral forum, reinforcing the collective ownership and joint responsibilities of chief executive members. The role of the Chair will be to provide leadership to the Board, and facilitate collective decision making that is responsive to collective interests of

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Government. The State Services Commissioner will consult on a list of suitable candidates with the Minister responsible for the Board prior to the appointment of the Chair.

- 39 The remit of the Board is the social sector. This is defined in reference to the operational responsibilities, customer groups and State sector agencies within the ambit of the member agencies of the current Social Sector Board.
- 40 Chief executives of agencies listed in the Terms of Reference as being within the Board's remit are responsible for providing through their respective departments the outputs necessary to operationalise policies and strategies agreed by the Cabinet Social Policy Committee in the Board's work programme. The designated Board members will work with chief executives in their respective sectors to coordinate implementation to deliver results.

How the interests of Te Puni Kōkiri and the population agencies in the working of the Social Investment Board will be met

- 41 Te Puni Kōkiri and the Ministries for Pacific Peoples and Women have a strong and legitimate interest in the social investment approach. These agencies have expertise and knowledge about their respective populations and in particular with regards to policy design and the design of services.
- 42 They will have the greatest impact by having a mandated hands-on role, working with the Departmental Agency to provide a system perspective on specific populations, and to ensure that the interests of the populations these agencies serve is accounted for as the Departmental Agency develops its advice on investment priorities.
- 43 To mandate this, the State Services Commissioner will consider options to formalise the population agencies' role, for example:
 - 43.1 in the governance of the departmental agency (e.g. at executive team level); and/or
 - 43.2 through joint strategic planning documents (e.g. four year plan, statement of intent).
- 44 To ensure the relevant interests are recognised, these agencies will have an important role bringing a system level perspective on specific populations. We envisage this role to include:
 - 44.1 specialist advice to the Departmental Agency to inform its advice to the Social Investment Board;
 - 44.2 advice on the work programme to be recommended to the Cabinet Social Policy Committee;
 - 44.3 contestable advice to Ministers on proposed priorities and results;
 - 44.4 assessment of progress towards results.
- 45 Across government there are other important perspectives that will need to be considered (e.g. as represented through the Offices for Disability Issues, Senior Citizens, and Ethnic Affairs). The Terms of Reference of the Social Investment Board includes a requirement that the Social Investment Board must consult with all agencies within the Board's remit when developing its advice.

How the Social Investment Board will differ from the current Social Sector Board

- 46 Key structural and operational differences between the Social Sector Board and the Social Investment Board include:
 - 46.1 a smaller membership with a tighter focus on managing prioritised investments;
 - 46.2 an Independent Chair appointed by the State Services Commissioner;
 - 46.3 board members held accountable by the State Services Commissioner for delivering results;

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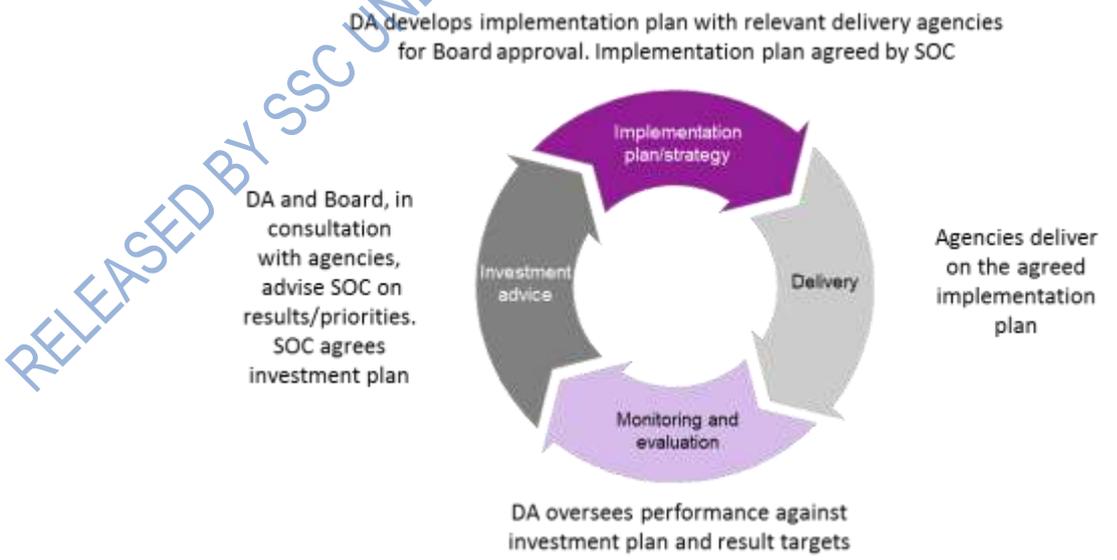
46.4 chief executive Board members owe responsibility under the State Sector Act to the Minister responsible for the Board, for the functions of the Board;

46.5 support from an agency providing integrated policy and analytical advice (Departmental Agency) from the perspective of the social sector as a whole.

47 The following table outlines the key shifts in focus and operating model from the Social Sector Board and broader status quo.

From...	To...
<p>Poor outcomes for clients with complex needs</p> <ul style="list-style-type: none"> A small group of clients with multiple and complex needs continue to experience poor outcomes A variety of agencies are involved with these clients but their work tends to be unconnected and remedial in focus We have known this for some time and we are struggling to gain traction 	<p>Better results through collective action focused on defined population groups</p> <ul style="list-style-type: none"> Addressing the needs of these clients requires early intervention and a client-centric approach This requires tighter collective action by agencies focused on defined priority groups, clearly defined results and holding CEs collectively accountable for results achieved
<p>Social Sector Board</p> <ul style="list-style-type: none"> Focus is diffuse and role has expanded over time Oversees almost all social sector coordination issues Large Board (10+ members) Reports to SOC CE of MSD is the chair 	<p>New Social Investment Board</p> <ul style="list-style-type: none"> Tightly focused on the results Ministers are seeking Smaller Board (4 members) Made up of CEs who can drive action on results Reports to SOC with a forward looking work programme Independent chair mandated to lead by the State Services Commissioner
<p>Fragmented capability</p> <ul style="list-style-type: none"> Capability fragmented and in different places (i.e. Sector Strategy, SII, Superu) No critical mass or unifying role 	<p>New Departmental Agency</p> <ul style="list-style-type: none"> Capability brought together within a Departmental Agency under the leadership of a Chief Executive Clear role, mandate and critical mass of strategic and analytical expertise
<p>No clear operating model</p> <ul style="list-style-type: none"> Based on voluntary collaboration and consensus Diffuse focus High transaction costs Lack of transparency of collective performance 	<p>Social Investment operating model</p> <ul style="list-style-type: none"> Clearly defined populations Clearly specified results Translation of insights into practical action Robust measurement of performance
<p>CEs accountable for collaboration</p> <ul style="list-style-type: none"> CEs individually accountable for the performance of their departments CEs individually accountable for contribution to sector collaboration 	<p>CEs held collectively accountable for results</p> <ul style="list-style-type: none"> CEs remain individually accountable for the performance of their departments A new performance regime that holds CEs collectively accountable for results achieved

48 The following diagram indicates how the Social Investment Board will operate. It focuses on different roles that the Board, Departmental Agency and supporting agencies have in delivering advice to Ministers and implementing and monitoring investments.



49 In practice, any funding implications of the Board's work programme would be considered by Cabinet Social Policy Committee on their merits on a case by case basis, with final funding decisions remaining with Cabinet.

Departmental Agency

- 50 In December Cabinet agreed in principle to establish a Departmental Agency subject to a report back on the appropriate host department. The Departmental Agency will bring together in one place separate components of data and policy capability in the social sector and provide the critical mass needed. The new Departmental Agency, to be called the Social Investment Agency, will provide a whole-of-sector view that is independent of the interests of any particular agency.
- 51 The core functions of the Departmental Agency are: advice on direction setting, supporting stewardship, enabling investment management, strengthening implementation and commissioning, coordination of common functions and the assessment of investment performance. The Departmental Agency will exercise these functions by:
- 51.1 providing policy advice to the Social Investment Board, informed by data and analytics, to help determine investment priorities for the Government's social investment approach;
 - 51.2 developing investment and implementation plans with relevant social sector agencies to deliver results against the investment priorities;
 - 51.3 monitoring the performance of investments over time;
 - 51.4 assisting social sector agencies to develop the capability to implement the social investment approach within their agencies and assess progress and maturity;
 - 51.5 providing the appropriate Minister for the Departmental Agency with independent advice on social investment.
- 52 The chief executive of a Departmental Agency reports directly to its own Minister, who determines its work programme. The work of the Departmental Agency therefore cannot be directed by the Social Investment Board. Equally, the Departmental Agency cannot direct the activities of Social Investment Board. A Memorandum of Understanding will be agreed between the Chair of the Social Investment Board and the chief executive of the Departmental Agency to formalise the relationships and expectations of both parties.
- 53 Given the dual role the Departmental Agency will have in providing support and advice to the Social Investment Board as well as providing a direct line of advice to its responsible Minister strong alignment is required. An effective arrangement would be for the Minister responsible for the Departmental Agency to also be the Minister responsible for the Board, i.e. the Minister Responsible for Social Investment. This has been confirmed with the Prime Minister.

Location for the Departmental Agency

- 54 Although the Departmental Agency must be located in a host department the Departmental Agency model provides a high level of autonomy, being one step removed from a stand-alone department. It has its own chief executive, appointed by the State Services Commissioner and reporting directly to a Minister. This amounts to a significant level of structural separation from the host department, while still allowing for the provision of back-office support.
- 55 For this reason, the December Cabinet paper noted that 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).
- 56 Cabinet sought further advice on the location of the Departmental Agency. **Appendix 2** provides an assessment of these options against the following criteria: independence from

¹ Unless otherwise agreed by the Minister responsible for the Social Investment Agency. Further, the scope of the work undertaken by the departmental agency may extend beyond matters required to effectively support the Board perform its functions.

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individual agency interests; sector ownership; access to information and resources; ease of implementation; cost.

- 57 In assessing the options we considered the key trade-off between the perception of sector ownership and pragmatic considerations such as ease of implementation (e.g. hosting within the Ministry of Social Development) against having stronger perceived independence and access to resource (central agency). Of the two central agency options, the Department of Prime Minister and Cabinet has the benefit of being the designated system policy agency with direct lines to Ministers, while the State Services Commission has access to cross-system agency context and established regular links to Chief Executives and top-tier officials within agencies. There is no material difference, in terms of implementation, in setting up the Departmental Agency within either the State Services Commission or the Department of Prime Minister and Cabinet.
- 58 On balance, we propose the State Services Commission as the host department. This will situate the Departmental Agency at the heart of the public service, and the centre of ongoing work on state sector reform, and provide a strong signal for a social sector neutral system view, independent of individual agency interests.
- 59 As the host department chief executive is also the State Services Commissioner it will be important to ensure roles and responsibilities are clearly delineated. However, officials have confirmed that there is no legislative or other impediment to the State Services Commission being the host department of a Departmental Agency. Under the State Sector Act the chief executive of the host department is not responsible for the performance of the Departmental Agency's functions, duties or powers (State Sector Act s32(2)(a)). Further, if the Departmental Agency incurs departmental expenses or departmental capital expenditure at the direction of the appropriation Minister, then the chief executive of the Departmental Agency is responsible to that Minister for what is achieved (Public Finance Act s34(3)).
- 60 We propose that the Departmental Agency is named the Social Investment Agency and is established on 1 July 2017.

Feasibility of including Superu functions in the Departmental Agency

- 61 Cabinet requested advice on the feasibility of including the functions of Superu in the Departmental Agency. We have assessed several options to determine the feasibility of including the relevant functions including non-structural approaches.
- 62 The Families Commission, trading as Superu, is an Autonomous Crown entity (ACE) monitored by the Ministry of Social Development and operating 'at arms-length' from Ministers. The legislative functions of Superu are set out in the Families Commission Act.
- 63 The Families Commission Act was changed in March 2014 to include additional functions of monitoring and evaluating programmes and interventions in the social sector, and to provide social science research into key issues, programmes and interventions. Research and evaluation capability from the Ministry of Social Development was transferred to the Families Commission to support these new functions. It is these functions and associated resources that are relevant to the Social Investment approach, and therefore are being considered for transfer to the Departmental Agency.
- 64 As an Autonomous Crown entity, any change to Superu to incorporate its relevant functions in the Departmental Agency would require legislative change. The change in 2014 to move Ministry of Social Development resources into Superu took approximately 1 year to complete.
- 65 The research and evaluation function currently in Superu is distinct from the insights, analytics and monitoring function which will be established in the Departmental Agency. Superu has a standard setting and outcomes/programme evaluation role for the social sector. In contrast, the Departmental Agency function will provide data and analytics to

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support investment advice and the capability to undertake an impact evaluation role, tracking metrics and providing fast feedback on progress against result targets.

- 66 These functions do not overlap. Our view is that they are complementary and a necessary component of a social investment system that supports good advice, monitors impacts and can tell whether an intervention has been effective (social science research). It will therefore be important to ensure coherence and strong alignment between these functions. Ultimately, we believe there is a case for bringing the leadership functions for data, analytics, social science and evaluation together in one place.
- 67 As a first step we consider the immediate focus should be on formalising links between, and strengthening the alignment of functions of, Superu, the Departmental Agency and the Social Investment Board. This could be achieved by way of more direct working arrangements formalised through a Memorandum of Understanding. This would help to strengthen the Departmental Agency's access to Superu's information, and better align Superu's work programme with Ministerial priorities in social investment in the first instance.
- 68 The Minister with responsibility for the Social Investment Board and the Departmental Agency will work with the Minister responsible for Superu to strengthen alignment between Superu and the Social Investment Board and the Departmental Agency.

Further option for consideration – transfer of functions

- 69 There is an opportunity to drive alignment more strongly by transferring the functions of Superu into the Departmental Agency. In our view, transferring Superu's functions into the Departmental Agency has the potential to create the most value for the social investment system.
- 70 Consolidating functions within the Departmental Agency has the potential to provide a single point of leadership for data, analytics, research and evaluation within the social sector and provide economies of scale. This supports improved capability across agencies and strengthens the evidence base that is critical to support a high-performing social investment system. It would reduce the current fragmentation of functions by bringing together social science and evaluation functions and locating them alongside data and analytics and policy capability.
- 71 Options for transfer from Superu include:
- 71.1 Option 1: transferring Superu's social science functions into the Social Investment Agency, while retaining other functions (e.g. family and whānau report); or
 - 71.2 Option 2: disestablishing Superu, and transferring family and whānau report functions to another agency (e.g. MSD) and social science functions to the Social Investment Agency, potentially with modification; or
 - 71.3 Option 3: disestablishing Superu, reassessing what appropriate functions are required for the Social Investment Agency to fulfil its role and reassessing the remaining functions and possible allocation to another agency (e.g. MSD).
- 72 Officials' have not assessed the relative merits of each option in detail. An initial assessment suggests that there are employment implications for each of the three options above (including redundancies – option 1: low, option 2: medium, option 3: high).

Approach to report back for discussion

- 73 Transferring functions and/or disestablishing Superu will require legislative change, but we believe there is a case for initiating change now. We therefore propose that this Committee agree in principle to one of the three options above (71.1-71.3) subject to a further report back on the selected option by 31 July 2017.

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- 74 Under any option, report-backs would cover functions to transfer, funding, employment implications, implementation timeframes and decisions needed to enable legislative change.

An implementation plan including the commencement date

- 75 An implementation plan for the establishment of the Social Investment Agency is attached at **Appendix 3**. The timeframes are subject to existing Individual Employment Agreements and any relevant Collective Agreements. The key points to note are:
- 75.1 an acting chief executive, responsible for the transition phase of the Social Investment Agency, will be appointed by the State Services Commissioner as soon as practicable (once the Order in Council has been made);
 - 75.2 before the Social Investment Agency and the Social Investment Board come into existence, the acting chief executive will be responsible for arranging the transfer of staff and funding to the Social Investment Agency, and establishing a working relationship between the Social Investment Agency and the host department;
 - 75.3 in July, once the Social Investment Agency comes into legal existence, staff will transfer to the Agency.
- 76 The State Services Commissioner intends to appoint a substantive chief executive as soon as practicable after the Social Investment Agency comes into legal existence.

Consultation

- 77 All departments represented on the Social Sector Board were consulted on these proposals. Treasury has been consulted, and DPMC informed. The chief executive and board chair of Superu have been informed.

Financial implications

- 78 The financial implications of establishing the Social Investment Board and the Departmental Agency are:
- 78.1 the Independent Chair of the Board;
 - 78.2 the chief executive of the Departmental Agency;
 - 78.3 the ongoing operational costs of the Departmental Agency inclusive of staff remuneration, shared services, and property costs.
- 79 The cost of these proposals will be met by:
- 79.1 the cost neutral transfer of existing resources between baselines (Vote Social Development to Vote State Services);
 - 79.2 a budget proposal for the ongoing operational costs of the Social Investment Unit in Budget 2017.
- 80 We propose to establish an appropriation, within Vote State Services, and administered by the State Services Commission as the host department of the Departmental Agency. This will fund the ongoing costs of the Departmental Agency with the Minister responsible for the Departmental Agency being the appropriation Minister.
- 81 The scope of this appropriation will be “This appropriation is limited to identifying where and how to implement a social investment approach, assessing how well a social investment approach is being delivered in these areas, and providing tools and support to agencies to assist them in implementing a social investment approach”. This appropriation is intended to achieve the co-development of investment and implementation plans with relevant agencies and to improve the capability of agencies to implement a social investment approach in order to improve the lives of New Zealanders.

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- 82 The chief executive of the Ministry for Social Development, working with the State Services Commissioner, has identified the appropriate resources to transfer to the Departmental Agency as the Social Sector Strategy team and the national support function for place-based initiatives. These resources are currently fully funded by Vote Social Development and the associated funding, including overhead costs, will transfer to Vote State Services. This incorporates a total of 16 FTE for the Social Sector Strategy team, with a total cost of \$1.808m per annum (including overheads); and \$1.020m for the national support function for place-based initiatives.
- 83 In December Cabinet agreed in principle that the functions and resources currently comprising the Social Investment Unit would transfer to the Departmental Agency on establishment [CAB-Min-16-0664]. The Social Investment Unit is currently funded with time limited funding administered through Vote Social Development. This funding ceases at the end of the 2016/17 financial year. A budget proposal has been submitted in Budget 2017 for the ongoing costs (\$6.4m per annum) of the Social Investment Unit, and for the data and exchange project (approx. \$6.2m per annum operating and \$4.8m capital).
- 84 Funding received through the budget process for the operational costs of the Social Investment Unit will be part of the operating budget for the Departmental Agency, and appropriated in Vote State Services. Any funding for the data exchange project will be similarly appropriated in Vote State Services but will not be re-deployable resource for the Departmental Agency as it will be appropriated for the specific purpose of that project. Note that if the budget proposal is not successful the Departmental Agency will not have any funding to support the current costs of the Social Investment Unit function.
- 85 Chief executive remuneration is accounted for in a capped appropriation (\$14m) managed by the State Services Commission with costs recovered from Departments. The expense to be incurred for the remuneration of the chief executive of the Departmental Agency can be accommodated within the appropriation limit. Out of Scope

Human rights implications

- 86 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

- 87 The establishment of a Departmental Agency requires an Order in Council. The Order in Council will:

87.1 bring the new Departmental Agency into legal existence on a specified date by naming it in Schedule 1A of the State Sector Act 1988;

87.2 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.

- 88 The Minister of State Services will issue drafting instructions to establish a new Departmental Agency that will be named the Social Investment Agency with a commencement date of 1 July 2017.

- 89 The Departmental Agency will come into legal existence when it appears in the Schedule.

Regulatory impact analysis

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

Gender implications

91 None.

Disability perspective

92 The populations who will be the focus of these new arrangements will include a significant number of disabled people. The social investment approach is an important vehicle for realising equal opportunities for disabled people. The proposals in this paper provide an opportunity to support a shift in emphasis from a rights based approach to disability issues to a stronger focus on achieving better outcomes.

Publicity

93 Following Cabinet decisions the Minister of State Services and Minister Responsible for Social Investment intend to make public announcements regarding the establishment of the Social Investment Board and Social Investment Agency.

Recommendations

1 We recommend that the Committee:

1 **note** that Cabinet commissioned a report back from the Minister of State Services 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 on 5 December 2016, following reference from the Cabinet Social Policy Committee, Cabinet:

2.1 **agreed in principle**, subject to this report-back, 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

2.2 **agreed in principle**, subject to this report-back, to establish a new Departmental Agency

2.3 **invited** the Minister of State Services to report back to SOC by 31 March 2017 on:

2.3.1 the mandate, remit and terms of reference for the Social Investment Board

2.3.2 the 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

2.3.3 how the Social Investment Board will differ from the current Social Sector Board

2.3.4 an implementation plan including the commencement date

2.3.5 the location for the Departmental Agency

2.3.6 the financial costs of the proposals

2.4 **invited** the Minister of State Services to also explore the feasibility of including the functions of Superu in the Departmental Agency and to provide advice in this report-back

Social Investment Board

3 **agree** to establish the Social Investment Board

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- 4 **agree** the Terms of Reference for the Social Investment Board attached at appendix 1, setting out the purpose, scope, functions, membership, remit, accountabilities of the Board
- 5 **note** that the State Services Commissioner intends to designate the chief executives of the Ministries of Education, Social Development, Health and Justice as the members of the Social Investment Board
- 6 **note** that, as set out in the Terms of Reference, the Board will report to Cabinet Social Policy Committee through the Minister responsible for the Board
- 7 **note** that the State Services Commissioner will appoint an Independent Chair for the Board following consultation on candidates with the Minister responsible for the Board

Departmental Agency

- 8 **agree** to establish a Departmental Agency, effective from 1 July 2017, and that the host department for the Departmental Agency will be the State Services Commission
- 9 **note** that the following resources will transfer to the Departmental Agency from 1 July 2017:
 - 9.1 the Social Investment Unit
 - 9.2 the Social Sector Strategy group from MSD
 - 9.3 the national support function for place-based initiatives
- 10 **note** that funding received through the budget process for the Social Investment Unit will be appropriated in Vote State Services as part of the operating budget for the Departmental Agency
- 11 **note** that the expense incurred for the remuneration of the chief executive of the Departmental Agency can be accommodated within the appropriation for chief executive remuneration
- 12 **agree** to establish the following new appropriations:

Vote	Appropriation Minister	Title	Type	Scope
State Services	Minister Responsible for Social Investment	Designing and Implementing Social Investment	Departmental Output Expense	This appropriation is limited to identifying where and how to implement a social investment approach, assessing how well a social investment approach is being delivered in these areas, and providing tools and support to agencies to assist them in implementing a social investment approach
State Services	Minister Responsible for Social Investment	Place-based initiatives – national support	Departmental output expense	This appropriation is limited to providing support and evaluation across place-based initiatives

- 13 **note** that \$2.828m will transfer from Vote Social Development to Vote State Services
- 14 **approve** the following fiscally neutral adjustment to transfer the Social Sector Strategy team from the Ministry of Social Development to the Departmental Agency, with no impact on the operating balance

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	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Vote Social Development Minister of Social Development Departmental Output Expense: Policy Advice (funded by revenue Crown)	-	(1.808)	(1.808)	(1.808)	(1.808)
Vote State Services Minister Responsible for Social Investment Designing and Implementing Social Investment (funded by revenue Crown)	-	1.808	1.808	1.808	1.808

- 15 **approve** the following fiscally neutral adjustment to transfer responsibility for national support of place based initiatives from the Ministry of Social Development to the new Departmental Agency within the State Services Commission, with no impact on the operating balance:

	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Vote Social Development Minister for Social Development Departmental Output Expense: Place-based initiatives – national support (funded by revenue Crown)	-	(1.020)	-	-	-
Vote State Services Minister Responsible for Social Investment Departmental Output Expense: Place-based initiatives – national support (funded by revenue Crown)	-	1.020	-	-	-

- 16 **note** that we envisage that the population agencies will have a mandated, hands-on role including:
- 16.1 specific input and advice to the Departmental Agency to inform advice on social investment priorities
 - 16.2 advice on the work programme to be recommended to the Social Policy Committee
 - 16.3 contestable advice to Ministers on proposed priorities and results
 - 16.4 independent assessment of progress towards results
- 17 **note** that the State Services Commissioner will work with the chief executive of the Departmental Agency to set formal expectations on how this will work in practice
- 18 **agree** that the name of the new Departmental Agency will be the Social Investment Agency
- 19 **invite** the Minister of State Services to instruct Parliamentary Counsel Office to draft Orders in Council to establish a new Departmental Agency named the Social Investment Agency to Schedule 1A of the State Sector Act 1988

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Appointing a chief executive to the departmental agency

- 20 **note** the impending vacancy for the position of chief executive for the Social Investment Agency
- 21 **note** that the State Services Commissioner intends to appoint an acting chief executive as soon as is practicable once the Order in Council has been made
- 22 **note** that the State Services Commissioner intends to appoint a substantive chief executive as soon as practicable after the Social Investment Agency comes into legal existence

Feasibility of including functions of Superu in the departmental agency

- 23 **note** that the functions of the Families Commission, an Autonomous Crown entity currently trading as Superu, include monitoring and evaluation of social services
- 24 **note** that transferring Superu functions to the Social Investment Agency requires amendment to the Families Commission Act
- 25 **note** that the immediate focus is to strengthen the alignment of functions for the social investment system between Superu, the Social Investment Agency and the Social Investment Board
- 26 **invite** the Minister with responsibility for the Social Investment Board and the Departmental Agency to work with the Minister responsible for Superu to determine the most effective arrangements for formalising links between, and aligning the functions of, Superu, the Social Investment Agency and the Social Investment Board

Further option for decision – transfer of Superu functions

- 27 **note** that integrating the functions of Superu through transfer into the Social Investment Agency has the potential to provide a single point of leadership and accountability, create a critical mass of expertise, allow greater flexibility to shift resource between functions, and facilitate advice to Ministers that is based on a more comprehensive evidence base
- 28 **agree in principle**, subject to a report back by 31 July 2017, to:
 - EITHER**
 - 28.1 transfer Superu's social science functions into the Social Investment Agency, while retaining other functions (e.g. family and whānau report)
 - OR**
 - 28.2 disestablish Superu, and transfer family and whānau report functions to another agency (e.g. MSD) and social science functions to the Social Investment Agency, potentially with modification
 - OR**
 - 28.3 disestablish Superu, reassess what appropriate functions are required for the Social Investment Agency to fulfil its role and reassess the remaining functions and possible allocation to another agency (e.g. MSD)
- 29 **note** that officials' initial assessment suggests that there are employment implications for each of the three options above (including redundancies – option 1: low, option 2: medium, option 3: high)
- 30 **invite** the Minister of State Services and Minister Responsible for Social Investment to report back by 31 July on the functions to transfer, funding, employment implications, implementation timeframes and decisions needed to enable legislative change.

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Hon Paula Bennett
Minister of State Services

____/____/____

Hon Amy Adams
Minister Responsible for Social Investment

____/____/____

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Appendix 1: Terms of Reference

Social Investment Board: Terms of Reference

Purpose

The purpose of the Social Investment Board (the Board) is to:

- 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;
- 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;
- oversee the implementation of any investment plans agreed by SOC working with social sector agencies to deliver demonstrable results.

Scope

The Board will focus on identifying and targeting defined populations with high and complex needs that are beyond the remit of any single agency and where better results require a client centric, cross social sector, approach.

Priorities chosen should be expressible as clear and measurable result targets. To be effective, the Board should remain focused on a select few priorities where chief executives' collective action will make the biggest difference for New Zealanders.

Functions

The Board achieves its purpose through the following functions:

- identify the priority areas with largest potential benefit from investment to deliver better results for defined populations with high and complex needs
- recommend to the Cabinet Social Policy Committee an annual work programme focused on these priorities;
- coordinate sector efforts to drive the delivery of the results required based on an agreed implementation plan;
- oversee and report on the achievement of results.

The Board will also provide advice on resource and budget allocations and reprioritisation within and between departments (including a requirement to prepare or amend a four year plan, where appropriate) and reprioritisation across time to fulfil the Board's purposes.

Governance Features

The Board follows the Specific Purpose Board model developed as part of the Better Public Services Reforms [CAB Min (12) 10/16 refers].

Remit

The remit of the Board is the social sector. This is defined in reference to the operational responsibilities, customer groups and State sector agencies within the ambit of the member agencies of the current Social Sector Board as at 31 March 2017. Further additions to the remit of the Board can be agreed by the Minister responsible for the Board, and the Minister responsible for the agency to be included in the remit.

Board membership

In line with the Specific Purpose Board model the members of the Social Investment Board are designated by the State Services Commissioner, and will be drawn from the chief executives of the departments within the Board's remit [CAB MIN (12) 16/10 refers]. The Board will have an independent Chair, who is appointed by the State Services Commissioner. The Chair is not

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required to be a state servant. The role of the Chair will be specified by the State Services Commissioner.

Consultation

The Board will consult all agencies within the Board's remit in the development of the Board's work programme and any other advice that it intends to recommend to the Cabinet Social Policy Committee.

Responsibilities

The designated Board members will be collectively responsible for carrying out the specified functions of the Board.

Chief executives of agencies within the Board's remit are responsible for providing through their respective departments the outputs necessary to operationalise policies and strategies agreed by the Cabinet Social Policy Committee in the Board's work plan. The designated Board members will work with chief executives in their respective sectors to coordinate implementation to deliver results.

The Board will request such information relating to or held by departments as is necessary to enable the Board to carry out its functions and duties.

Accountabilities

The Board will have an appropriate Minister to whom the designated Board member chief executives are responsible under the State Sector Act for the functions of the Board. The Board reports through its responsible Minister to the Cabinet Social Policy Committee.

The State Services Commissioner will review the performance of chief executive Board members with regard to the responsibilities set out in these terms of reference, and for the delivery of results agreed by the Cabinet Social Policy Committee.

For the avoidance of doubt, nothing in these Terms of Reference should be read as affecting or altering any responsibility or accountability for any statutorily independent function, duty, or power to be performed or exercised by any chief executive or department represented on the Board, or by any other chief executive or department within the remit of the Board.

Departmental Agency

The chief executive of the Social Investment Agency reports directly to its own Minister, who determines its work programme. At the same time, Social Investment Agency's role includes provision of support and advice to the Social Investment Board in discharging its functions. The work of the Social Investment Agency cannot be directed by the Board nor can the Departmental Agency direct the activities of Board. This relationship and expectations of the parties will be agreed and documented in a Memorandum of Understanding between the Board and Social Investment Agency.

Operating procedures

The Board is required to document and publish its operating procedures.

Public availability

These Terms of Reference will be made publically available, and will identify the appropriate Minister for the Board as designated by the Prime Minister. The State Services Commissioner will attach a list of the full designated Board membership and independent chair.

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Appendix 2: Host Department Options Analysis

Criteria	MSD	SSC	DPMC
Independence	<ul style="list-style-type: none"> Perception of organisational capture Weak signal of change 	<ul style="list-style-type: none"> Perceived and actual separation from social sector Stronger signal of change in role* 	<ul style="list-style-type: none"> Perceived and actual separation from social sector Stronger signal of change in role
Sector ownership	<ul style="list-style-type: none"> Remains close to sector as it is in a social sector agency Potentially higher levels of trust with other social sector agencies 	<ul style="list-style-type: none"> Potential reduced sector ownership by location in central agency Strengthened perception of a social sector neutral view 	<ul style="list-style-type: none"> Potential reduced sector ownership by location in central agency Strengthened perception of a social sector neutral view
Access to information and resources	<ul style="list-style-type: none"> Informal access and interchange to social sector expertise within the host department Ease of formal secondments and interchange of capability 	<ul style="list-style-type: none"> Governance and machinery of government expertise within the host department Informal access and interchange to system view, 	<ul style="list-style-type: none"> Designated system policy agency Informal access and interchange to policy expertise within the host department
Ease of implementation	<ul style="list-style-type: none"> Likely that implementation would be more efficient as resources to be included in Departmental Agency (SIU and Social Sector Strategy) already based in MSD 	<ul style="list-style-type: none"> Implementation may take longer as resources must be moved between agencies 	<ul style="list-style-type: none"> Implementation may take longer as resources must be moved between agencies
Cost	<ul style="list-style-type: none"> Cost-neutral, as resources are already based in MSD 	<ul style="list-style-type: none"> Cost-neutral, as overhead costs would be transferred from MSD to new host agency 	<ul style="list-style-type: none"> Cost-neutral, as overhead costs would be transferred from MSD to new host agency

* There is no legislative or other impediment to the State Services Commission being the host department of a Departmental Agency. Under this option the host department chief executive is also the State Services Commissioner and it will therefore be important to ensure roles and responsibilities are clearly delineated.

Appendix 3: Indicative Implementation Plan

