



<b>Report Title:</b>	<b>Designing and implementing future arrangements for social investment</b>		
<b>Report No:</b>	<b>2024-0026</b>		
<b>Date:</b>	<b>12 February 2024</b>		
<b>To:</b>	<b>Hon Nicola Willis, Minister for Social Investment</b>		
<b>Action Sought:</b>	Discuss advice with officials	<b>Due Date</b>	At your convenience
<b>Contact Person:</b>	<b>Hannah Cameron, Deputy Commissioner Strategy and Policy</b>		
<b>Contact No:</b>	9(2)(a) privacy		
<b>Encl:</b>	No	<b>Priority:</b>	Medium
<b>Security Level:</b>	<b>IN CONFIDENCE</b>		

## Executive Summary

1. This report responds to your interest in further advice on institutional arrangements to support a social investment approach, building on advice we provided in December 2023, about the possible refocus and renaming of the current Social Wellbeing Agency [Report 2023-0310 refers]. It also responds to indications that you may be interested in establishing transitional arrangements, to provide you with advice and support you in coordinating work across agencies in the period before end-state institutional arrangements are implemented.
2. We understand you are interested in formalising institutional arrangements for social investment by the end of 2024, including implementing any necessary changes to agency functions and form. There are different organisational forms that could be adopted depending on your focus. These range from refocusing existing arrangements to establishing a new agency or agencies (within the Public Service or at arms-length). Different options have differing degrees of complexity; for example establishing a new government department can be achieved through Order in Council, while an arms-length entity requires primary legislation.
3. We are seeking your preferences for how advice on these future arrangements is developed and led across your finance, social investment and public service portfolios. This could involve a small team, comprised of officials from the Public Service Commission, The Treasury and the Social Wellbeing Agency (SWA). If a cross agency approach is taken it will need to be clear which agency is leading and hosting the work, and therefore which chief executive is ultimately accountable for the advice.
4. There is also an option to broaden the scope of the advice provided by a cross agency team or unit to other aspects of a social investment operating model (i.e. beyond agency form and functions). Your office has indicated you are interested in such a team or unit supporting you to establish an initial work programme, providing advice on funding and budgeting arrangements (including design of approach to Budget 25 and a Social Investment Fund), and working with other agencies (including the SWA and Stats NZ) to develop the evidence and tools necessary to support a social investment approach.

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5. A central unit with a broad role in coordinating the design of a system operating model has some precedent, including the Health Reform Transition Unit established in the Department of the Prime Minister and Cabinet (DPMC) to advise on recent reforms to the health system. Similarly, a 'Social Investment Transition Unit' could be established in a central agency to support you in designing the future operating model for social investment. Like the Health Reform Transition Unit, this could be time limited and have a director who works directly with you on a day-to-day basis (noting that the chief executive of the host agency would remain ultimately responsible for the advice). If this option is of interest, we have prepared a rough draft terms of reference for discussion, attached at **Appendix 1**.
6. Compared to a team advising on institutional arrangements only, such a transition unit would require access to a wider range of expertise and greater resource. This may be partially achieved via funded secondments from the relevant agencies (including the Public Service Commission, the Treasury and the Social Wellbeing Agency) but you will likely need to consider options for seeking dedicated time-limited funding for the unit.
7. If you choose to establish a transition unit with a broader role, there will be overlaps with the responsibilities that your other agencies – particularly the Treasury (budget design) and the Social Wellbeing Agency (developing tools and evidence to support a data driven approach to social policy). It will be important to be clear with these agencies how you expect them to contribute to the delivery of your priorities in the Social Investment portfolio in the immediate term, including how they will work with and support the transition unit.

### **Recommended Action**

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We recommend that you:

- a **discuss** this advice with officials.
- b **indicate** your preferences for leadership and resourcing of policy advice on social investment, including your interest in and preferred scope for a dedicated time-limited advisory team/unit.
- c **note** that depending on desired scope, there may be resource implications of a establishing a dedicated team/unit.
- d **note** that it will remain important to clearly communicate your expectations for how your respective agencies and chief executives support you in delivering your priorities for the social investment portfolio.
- e **agree** that Te Kawa Mataaho Public Service Commission release this briefing once it has been considered by you and following decisions on the final institutional arrangements for the Government's social investment approach.

*Agree/disagree.*

Hon Nicola Willis  
**Minister of Finance**  
**Minister for the Public Service**  
**Minister for Social Investment**

***IN CONFIDENCE***

## **Purpose of Report**

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8. This report seeks your preferences on the process for advancing the Government's social investment approach through advice and decisions on institutional arrangements. It builds on advice we provided in December 2023, about the refocusing and renaming of the current Social Wellbeing Agency (SWA) and Social Wellbeing Board [report 2023-0310 refers].
9. This report also responds to indications that you are interested in establishing transitional arrangements, to provide you with advice and support you in coordinating work across agencies in the period before end-state institutional arrangements are implemented.

## **Background**

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10. To achieve progress in your Social Investment Portfolio we understand your priorities are:
  - a. Refocusing the Social Wellbeing Agency to be the agency that sets standards, establishes the data and evidence infrastructure, and develops new ways of working to deliver social investment. The newly-focused agency will develop and implement tools to standardise value and impact measurement across government and have the mandate to give effect to social investment in practice at scale.
  - b. Rolling out a programme to evaluate areas of existing social sector spending to better understand the return New Zealanders are getting from current social sector spending. This will contribute to the process of redirecting lower-quality spending to areas where better outcomes are expected.
  - c. 9(2)(f)(iv) confidentiality of advice  
[REDACTED] This could include establishing a Social Investment Fund to directly invest in programmes likely to change the lives of New Zealanders with the greatest needs.
11. Officials are available to support you implement your priorities for social investment. Important steps will be:
  - a. determining the appropriate end-state institutional arrangements to match your vision and ambition; and
  - b. ensuring appropriate transitional arrangements are in place to support you in the period before end-state institutional arrangements are implemented.

## **Process for determining end-state institutional arrangements**

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12. Your priorities, noted above, signal a refocus and renaming of the current SWA and the Social Wellbeing Board. We provided initial advice on these matters in December 2023 [Report 2023-0310 refers]. And we understand The Treasury and SWA have provided advice on the detailed functions that could support an effective social investment approach.
13. Recent conversations with you and your office indicate you are interested in further advice that extends beyond adjustments to the functions of the existing SWA. This includes, for example, consideration of a new central agency to deliver system-wide impact. Other options for organisational form such as Crown entities, which operate with varying degrees of independence from ministers, could also be developed and assessed.
14. Advising on the appropriate agency form requires consideration of the nature of the role, functions, funding, and how the entity will interact with other agencies, Ministers and non-government organisations. If commissioning of services or initiatives (such as through a social investment fund) are involved, questions around the degree of policy and operational

separation should be considered. Depending on the functions identified, there may also be questions about whether these should be housed in a single agency or across multiple agencies with different forms. And questions remain around whether some form of cross-agency governance mechanism (i.e. Social Investment/Wellbeing Board) is required, and what its focus should be.

15. Decisions about agency form will affect the degree of implementation complexity and lead in time. For example, establishing a central agency can be achieved through a Cabinet process and Order in Council, while establishing an arms-length entity requires primary legislation and associated House time. Any new agency, once it is legally created, will take time to establish and to build to full capacity and capability.
16. You have choices about where you commission the policy advice from within your portfolios. This could be from:
  - a. The Public Service Commission
  - b. The Treasury
  - c. Social Wellbeing Agency.
17. Each agency has different areas of expertise. For example, The Public Service Commission supports the Commissioner in their statutory role to advise ministers on machinery of government arrangements, and often takes a leading role where changes affect the core public service or particularly chief executive roles. The Treasury has a key role and policy expertise in public finance and in establishing agencies with commercial interests on behalf of the government. And the Social Wellbeing Agency has a strong technical focus on social investment.
18. Advice could also be commissioned from a lead agency with the other agencies contributing. This could be supported by a small team (of seconded staff) hosted in the lead agency to prepare the advice. The core team could comprise officials from the Public Service Commission, The Treasury and the Social Wellbeing Agency. If such a cross agency approach is taken it will need to be clear which agency is leading and hosting the work, and therefore which chief executive is ultimately accountable for the advice.
19. It will be important to draw on expertise within the SWA, while also recognising the inherent objectivity challenge and potential conflict of interest that can arise in a situation when any agency is potentially being significantly reformed. Bringing specific individuals with the relevant expertise into a cross-agency team is one way of achieving this.
20. We understand you are interested in implementing changes to institutional arrangements for social investment by the end of 2024, 9(2)(f)(iv) confidentiality of advice  
To meet this timeframe, we propose establishing the project team (if necessary) and formally commissioning advice as soon as possible, and establishing a regular process for engaging you and your office as the work progresses.

### **Options for transitional arrangements**

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21. We also understand you are interested in discussing options for transitional arrangements, to provide you with advice and support you in coordinating work across agencies in the period before end-state institutional arrangements are implemented. This could include advice on establishment of an initial work programme, funding and budgeting arrangements (including design of approach to Budget 25 and a Social Investment Fund), and coordinating cross-agency work to develop the evidence and tools necessary to support a social investment approach (beginning with Budget 25).

22. One option is to allocate leadership of elements of this work to your existing agencies with roles in these areas; for example, directing the Treasury to lead advice on the approach to Budget 25 and a Social Investment Fund, and the Social Wellbeing Agency to coordinate work on a social investment work programme and/or the evidence and tools necessary to support a social investment approach.
23. The alternative is to expand the remit of the proposed cross agency team discussed above, to include advising on these other elements of the future operating model for social investment. A central unit with a broad role in coordinating the design of a system operating model has some precedent, including the Health Reform Transition Unit established in Department of the Prime Minister and Cabinet (DPMC) to advise on recent reforms to the health system. Similarly, a 'Social Investment Transition Unit' could be established in a central agency to support you in designing the future operating model for social investment.
24. Like the Health Reform Transition Unit, a Social Investment Transition Unit could be time limited and have a director who works directly with you on a day-to-day basis (noting that the chief executive of the host agency would remain ultimately responsible for the advice). If you are interested in establishing such a unit, we have prepared a rough draft terms of reference for discussion, attached at **Appendix 1**.
25. Compared to a team advising on institutional arrangements only, a transition unit would require access to a wider range of expertise and greater resource. While this may be partially achieved via funded secondments from the relevant agencies (including the Public Service Commission, the Treasury and the Social Wellbeing Agency) and would be mitigated by the unit working closely with and drawing support from these agencies in preparing its advice, you would likely need to consider options for seeking some dedicated time-limited funding for the unit. We recommend discussing options with the chief executive of the host department for the Unit once determined, as well as the Treasury (if you wish to consider options involving new funding).
26. A host agency for the unit would need to be determined. Given the need for the unit to coordinate streams of advice across agencies, including on budget and institutional arrangements, a central agency would likely be most appropriate. Both the Treasury and the Public Service Commission have the benefits of having functions and expertise relevant to aspects of the unit's proposed role (to which a hosting relationship may support the unit's ease of access) and already report to you in your Finance and Public Service portfolios respectively (meaning that existing institutional processes and relationships can be leveraged).
27. If you choose to establish a transition unit with a broader role, there will be overlaps with the responsibilities that your other agencies – particularly the Treasury (budget design) and the Social Wellbeing Agency (developing tools and evidence to support a data driven approach to social policy). It will be important to be clear with these agencies how you expect them to contribute to the delivery of your priorities in the Social Investment portfolio in the immediate term, including how they will work with and support the transition unit.
28. Establishing a unit within an existing department does not require Cabinet decisions, and can be progressed through discussion with relevant chief executives and ministers. This would include the chief executive of the host department, and the chief executives of any departments expected to contribute resource or otherwise support the work of the unit. As the work of a transition unit would have implications for social sector agencies you may wish to discuss proposals with relevant social sector ministers, with the Cabinet Social Outcomes Committee being a possible forum. If you wished to host the unit in or draw

resources from a department that does not already report to you in one of your portfolios, you would also need to discuss this with the relevant Minister(s) for those department(s).

### **Next Steps**

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29. We recommend you discuss this advice with officials and communicate your preferences for the leadership and resourcing of policy advice on social investment, including your interest in and preferred scope for a dedicated time-limited advisory team/unit.

## **Appendix 1 – Draft Terms of Reference for Social Investment Transition Unit**

### **Purpose**

The Social Investment Transition Unit (the Unit) will support the Minister for Social Investment in designing and implementing a system operating model that will enable a social investment approach. This includes but is not limited to advising on institutional arrangements, budgeting and financing arrangements, and the development of an implementation work programme.

### **Scope / Functions**

The role of the Unit will include advising and supporting the Minister to:

- Develop and obtain Cabinet agreement to a social investment work programme (covering both agencies with specific social investment functions, and social sector agencies who will need to apply a social investment approach);
- Make decisions on long-term institutional arrangements to support social investment; including role, size, mandate, powers and organisational form of a Social Investment Agency, and possible cross-agency governance arrangements;
- 9(2)(f)(iv) confidentiality of advice [redacted]
- 9(2)(f)(iv) confidentiality of advice [redacted]
- Consider preliminary analysis and options for the proposed Social Investment Fund; and
- Commission and coordinate advice from other parts of government (for example advice from Stats NZ on the state of the Integrated Data Infrastructure) necessary to effectively implement a social investment approach.

### **Structure**

The Unit will be hosted by *[insert preferred central agency]*, and will have a senior experienced official appointed as its Director. The Unit will have a small core team, and will therefore draw support from other agencies and from outside the public service (e.g. through an external advisory group) to support it in its work.

### **Relationship with ministers**

The chief executive of *[insert host department]* will be formally responsible for the work of the Unit and its advice. As the work of the Unit will need to progress at pace, it is expected that the Director of the Unit will report directly to the Minister for Social Investment (and engage with other relevant ministers) on a day-to-day basis.

### **Relationship with agencies**

The Unit's work will require it to work closely with central and social sector agencies. In particular, the Unit will need to work closely with the Treasury in developing its advice on budget and funding arrangements, and to ensure that the future Social Investment Agency is adequately funded.

### **Timing**

The Unit is intended to be temporary, to support the design of and transition to the future institutional arrangements and operating model. Once a Social Investment Agency is in place, residual functions of the Unit will transfer to this agency. The Unit will initially be established to 30 June 2024.