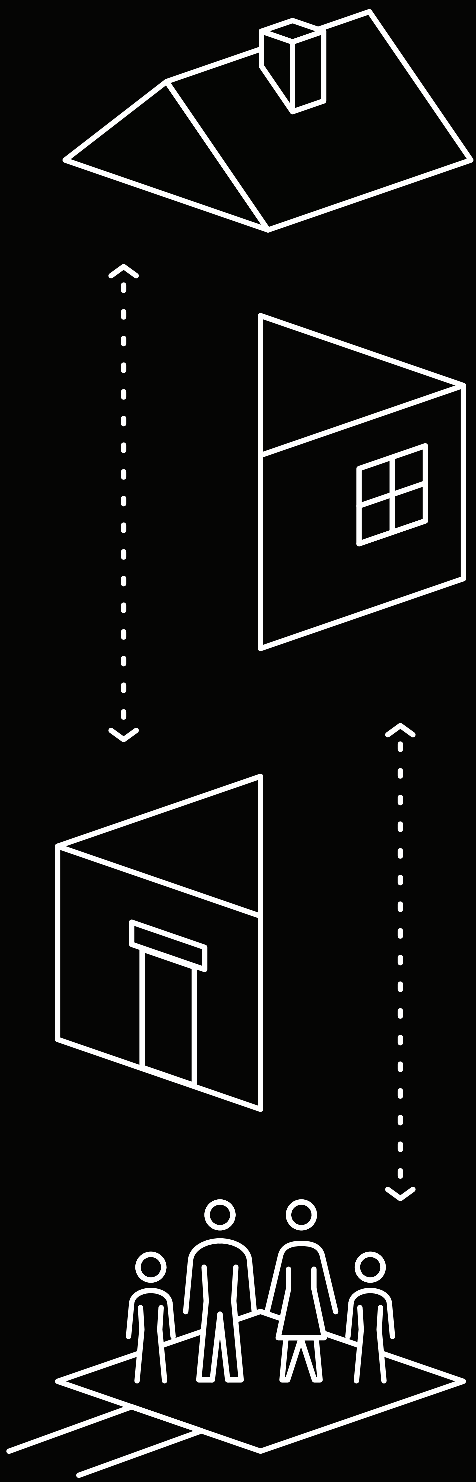
A model for social investment



1

Set the direction and targets for people with poor outcomes

Release, every four years, a government-wide statement that establishes the outcomes and targets for at-risk New Zealanders

2

Set up a single agency to focus on people with poor life outcomes

Establish a new agency to commission specialist social services for people at risk of poor life outcomes

3

Run the new agency according to social investment principles

Empower the new agency to 'own' the liability, and automatically retain a share of the savings for re-investment in new programmes

4

Enable access to data

Share information on what works and what doesn't, and link up agencies and service providers with the data they need to deliver better services

A model for social investment

Today, social investment is like a start-up. Tomorrow, social investment needs to become a mainstream way of working.

We propose a package of reforms the government should work towards to realise the aspiration for social investment in New Zealand. Our proposed package of reforms represents a clear departure from today's operating environment for the social sector. We suggest a structural reconfiguration some may find challenging, while acknowledging that we don't yet have all the answers. We have cast out five years ahead, in part, because there is so much current activity in relation to social investment, and in part, because there are multiple pathways to realise our end point.

To make social investment a mainstream way of working, we recommend the government:

1. Release, every four years, a government-wide statement to define the outcomes and targets for at-risk New Zealanders
2. Establish a new agency to commission specialist social services for people at risk of poor life outcomes
3. Embed the social investment approach to funding quality and sustainability in the new agency's operating model
4. Enable better access to government-held data and detailed evaluation reports

Recommendation 1

Release, every four years, a government-wide statement to define the outcomes and targets for at-risk New Zealanders

Government agencies often have to perform to a range of outcomes frameworks and targets, with varying results expected and timeframes to report against. When coupled with the fact that each Minister has their own agenda for their agency, and each agency works to its own priorities, reaching agreement on what a cross-agency outcome should be, is difficult. There is also resistance to being measured on performance. Often, agencies cannot control all the factors that will deliver success, and failure, when it is perceived to have occurred, is quickly castigated. This means government can't always tell whether social agencies are doing the right thing, or whether they are doing them well.

Measurement can be hard. It can difficult to be held to account for outcomes. It can also be difficult to choose exactly the right measure of success. But for social investment to achieve its aspirations, then progress needs to be measured to provide focus and feedback. Focus comes from an awareness that outcomes will be examined and the success, or lack of it noted, which is a motivator towards excellence. Feedback means expected outcomes can be compared with actual outcomes.

The government should establish the key outcomes for at-risk New Zealanders across the social sector. Ministers would need to collaborate in developing the outcomes, and agree on prioritisation. The outcomes would be made public, and the performance of government set targets would be reported on regularly. The outcomes would be reviewed and refreshed on a four-yearly basis, so they are responsive to the government's direction without being exactly aligned with parliamentary terms. The outcomes should remain static between updates to enable a certainty of direction that is not always currently present.

It would be mandatory for social sector agencies to adopt and prioritise the outcomes set and to align their activities, in whole or part, with this framework. Where any inconsistencies exist, the government-wide outcomes framework would prevail.

This will mean:

- Clear goals for government agencies and service providers to help them deliver the best services to New Zealanders who need them
- Rigorous monitoring and feedback against performance measures so services can be adjusted accordingly
- Existing outcomes, including the BPS results, may continue to run: after all, not all the BPS results relate to at-risk New Zealanders. For simplicity and clear direction-setting, we would recommend one set of outcomes to specifically help those at risk of poor life outcomes.

Recommendation 2

Establish a new agency to commission specialist social services for people at risk of poor life outcomes

With a budget and a mandate in hand, agencies currently deliver both universal and targeted services, with their own processes, systems, and single-point accountabilities.

These arrangements work well for the vast bulk of universal services. They work because the state sector was designed to effectively and efficiently deliver services, and because universal services don't always need to be integrated at the point of delivery to make a difference for customers.

However, the same arrangements do not work for specialist services delivered to those experiencing poor life outcomes or who are at risk of doing so. Specialist services need to be integrated to meet this target population's needs. But with funds and accountability tagged against individual Ministers and agencies, the system does not reward agencies that support another agency's outputs ahead of their own - even if this drives better outcomes.

To address these issues, we support the Productivity Commission's (2015) call for the consideration of the establishment of a Better Lives agency. The new agency would have New Zealand's most vulnerable people at its core, rather than services or programmes.

Today, we don't yet definitively know who the most vulnerable people in New Zealand are. To define the scope of the agency, detailed analysis is required to identify people in society who warrant investment, where early intervention can improve their life outcomes, while also reducing overall sector spending. This would not be a trivial exercise and would need to bring together data and expertise from across the social sector to identify, define and prioritise the target population. A common 'screen' might need to be developed to define the scope of the population that this agency will have responsibility for. Not all will have health issues, not all will show educational under performance, and not all will have had engagement with justice or mental health institutions; but there will be a large crossover.

The scope of the new agency's resources and remit, would then need to be determined by a thorough stocktake of existing services for this target population including health and mental health, education, child protection, housing and homelessness, justice, disability, welfare, and more.

We propose that this new agency would be funded by amalgamating resources currently allocated to existing agencies for specialist services for the target population. It would assume responsibility for existing targeted social programmes and the commissioning of new ones.

With strong competition for scarce resources, agencies are not known for voluntarily giving up their services to another agency. While agencies may agree to integrate their services in-situ, with little or no agreement on best practice and because agencies have different performance measures, systems, and accountabilities, these efforts rarely stick. Our investigations have shown that despite years of trying, governments in New Zealand and abroad have not successfully managed to make large-scale, deeply-integrated and sustained collaboration work across agencies. A new organisation focused on the target population is the best way forward. It would establish a single point of accountability for the integration, delivery and benefits realisation of services. It would also create a single point of control for cost and quality drivers. The focus would not be on enforcing collaboration between agencies, which have their own agendas, but allowing one agency to make decisions across the social sector for the target population.

The new agency would have the freedom to commission from government providers (such as public schools), non-government providers (such as charities), commercial entities (including social enterprises) or any mix of the three. It would be responsible for co-designing specialist services with customers and linking in with universal services across the social sectors to deliver a seamless experience. The boundaries with universal services would need to be defined on a programme-by-programme or service-by-service basis, and might change over time. Care is needed to avoid simply shifting from one form of silo to another.

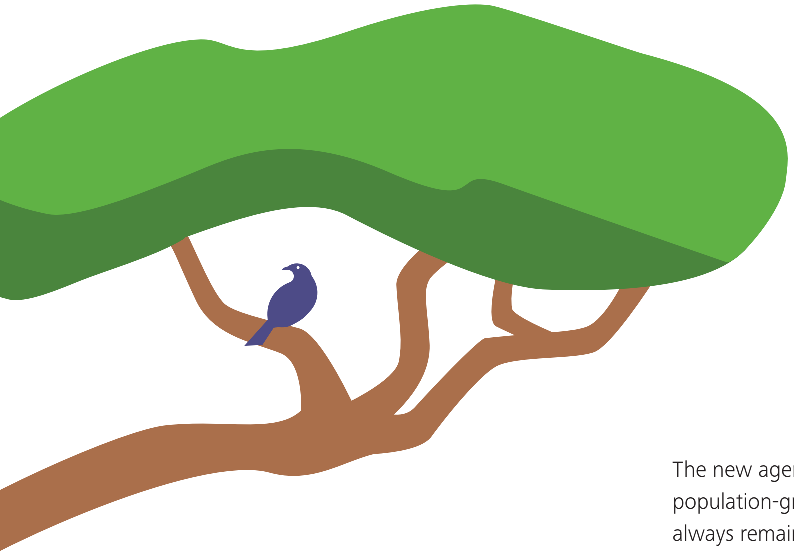
Modernising Child, Youth and Family (CYF)

In April 2016 – less than a month prior to the public release of this report – the Expert Advisory Panel (EAP) on Modernising CYF delivered their final report to the Minister for Social Development. The EAP recommended the creation of a new, unnamed department which would expand the current scope of CYF from its current focus on children in care to also commission and deliver youth justice services, and early intervention services relating to children in care, their parents and family (including some education and health services).

Many of the EAP's findings are in line with our own research, including the fact that current social services are often not meeting the needs of the target group, and that current fragmentation of responsibilities in the social sector is a challenge to be addressed. Further, the bulk of its recommendations align with our proposed model, including the need for an investment approach, putting the client (and family) at the centre of intervention design and the use of evaluations and evidence to track 'what works.'

Given our intention was to cast recommendations out five to seven years, it is not surprising that our model goes further than the Modernising CYF report in many key ways, including a focus on all people in need, rather than just children, while encompassing all social services rather than those related to the care and youth justice systems.

When layered upon the reforms to the welfare system announced in 2012, the reforms to CYF are an important step in realising the ambitions for the application of the investment approach in the social sector. We welcome the EAP's report and support the government's endorsement of its findings. We also look forward to seeing similar reforms to tackle the needs of our most disadvantaged in education, health, justice, housing and homelessness, disability and the rest of the social sector in due course.



It would monitor outcomes achieved through service providers using the most rigorous approaches possible, including randomised control trials. The new agency would operate on a portfolio approach, commissioning, decommissioning and adjusting services and moving funds between services on the basis of demonstrated outcomes and public value. In doing this, service providers would be encouraged to innovate and take risks, with flexibility in their service delivery – including the flexibility to tailor on a regional or cohort basis as required.

Transformation requires more than creating a single entity to fund specialist services for people facing poor life outcomes. To do this, it needs to be unencumbered from having to make decisions about investing in its own provider arm, and it needs to have the freedom to implement, modify or cut programmes on the basis of evidence and objective performance measurement alone. Consideration should be given to the right form of government agency – from department, to Crown entity to Crown agent – to achieve this way of operating.

The new agency would become a centre of excellence in data analytics to support specialist social policy development, making the best use of existing public sector capability. It would create a critical mass to draw in talent from new sources - academia, business, non-government organisations or outside New Zealand. With better information and analytics from more consistent data, it could then make stronger, evidence-based decisions about the suite of interventions needed to improve overall life outcomes. While not precluding its application elsewhere, the new agency would also serve as the government's centre of expertise on social investment.

The new agency would have both a strong regional and population-group focus, while ensuring clients would always remain free to choose between schemes run by their local region and other regions. National-level reach would ensure issues manifesting more widely than in a given region did not become problematic; such as ensuring assistive technology for those with special educational needs was not limited to that which could be purchased locally.

The new agency needs to be unencumbered from having to make decisions about investing in its own provider arm. It also needs to have the freedom to implement, modify, or cut programmes on the basis of evidence and objective performance measurement alone.

Further, the new agency should grow the ethnographic understanding of those most in need. Rather than only knowing people by their demographics or administrative data – age, ethnicity, where they live or whether they are on benefits – the agency should investigate cultural and behavioural segmentation approaches. These are likely to demonstrate differences and commonalities that we cannot see today, but might be imperative in actively addressing disadvantage. Hidden Millennials might be good place to start.

Existing agencies would remain responsible for the delivery of efficient and effective universal services such as schools, hospitals and family supports under existing governance and accountability structures. Furthermore, where existing bodies are also delivering a specialist service, they would continue to do so – albeit they would be subject to rigorous monitoring by the new agency and would have their programme funding linked to performance. Further work is required to detail the new agency's operating model in relation to establishing and maintaining strong working links to mainstream agencies, and how the agency and its commissioned service providers would work on the ground with individuals and families in need.

Recommendation 3

Embed the social investment approach to funding quality and sustainability in the new agency's operating model

Existing financial incentives for agencies – and executives – are significant contributors to the current state of social services in which cost growth is not always linked to improved outcomes for those most in need. Success in public services is associated with more funding, rather than less.

However, to address future fiscal challenges, the new agency must deliver both substantially improved outcomes for at-risk people and deliver a more sustainable cost-base for social services. Failure to address both challenges should be seen as a failure of the investment approach and of the new entity.

The new agency would 'own' the liability for the target population. It should operate under a new financial incentive structure so a portion of any demonstrated wider savings it makes through the effect of its commissioned services (such as a reduction in costs of incarceration) are returned to the agency rather than kept for redistribution to other government agencies. Additionally, it would also receive a prescribed portion of any revenue growth directly attributable to its activities (such as increased taxation from additional employment), perhaps using approaches borrowed from the 'City Deal' that Greater Manchester Combined Authority has struck with the UK Government. Treasury would need to verify all such payments against actual performance and targets and build expertise in oversight of the agency and the operation of the social investment approach.

Additionally, the new agency would be expected to operate largely within its initial budget envelope – aside from the cost impacts of wider factors, such as population changes and inflation. In order to achieve better sustainability of social sector spending and avoid the need for 'hump funding' to establish new programmes, the new agency would primarily generate funding for new initiatives by:

- ceasing programmes that deliver the lowest improvement in outcomes for those at risk
- realising efficiencies by removing duplication and fragmentation in programmes and improving the customer experience
- demonstrating its actions have directly led to reductions in future government costs or improved government revenues, a by-product of improving life outcomes for those most at risk.

In turn, the new agency would be responsible for ensuring that appropriate incentives – including financial incentives – are in place for the service providers it commissions. Consideration should be given to adopting incentive payments, linked to risk and performance as seen in the many 'payment by results' or social investment bond programmes in operation in the UK, USA and Australia. These payments would apply to government service providers too. To ensure the new agency's staff are aligned to this way of working, consideration may also need to be given to linking the agency's executive staff remuneration to performance, as has been seen in Jobcentre Plus, a UK Government employment and benefits agency (G. Prentice; S. Burgess; C. Propper, 2007). New Zealand would not be the first government to wade through the challenges of measurement and attribution relevant to both service provider and executive incentive payments.

The new agency would receive establishment funding for the first two years of operation to continue work to define, systematise and operationalise social investment at a detailed level – including work currently being undertaken by the MSD, the new Social Investment Unit and likely by the reformed CYF. Establishment funding would ensure resources for service delivery are not spent on important back-office functions including developing crucial operational skills; refining the tools of the social investment approach; establishing the necessary data infrastructure, analysis and decision-making aids; building world-class commissioning expertise; and establishing its investment portfolio management systems and approach.

Recommendation 4

Enable access to data and detailed performance and evaluation information by all service providers to assist in reducing costs and improving impact

New Zealand holds world-class repositories of data about our most vulnerable people, but access to that data is often held up by bureaucracy, fears of stigmatisation of certain groups, or fears of data insecurity. Further, given the weak incentives for formal evaluation of social programmes today, there is a gap in the evidence of what works that prohibits the most effective design of interventions, and limits the confidence of government to invest.

Combined, these two data issues prevent the application of social investment from proceeding at full pace. The government is currently exploring ways to make data sharing easier, so there is a greater degree of transparency in social spending.

To address these issues, government should work towards building the programme design capacity of social service providers – non-government, private and government – to better enable them to understand what works (and what doesn't), and sharing information across all parts of the service system.

The new agency would be responsible for working with Statistics New Zealand to shape and refine the business rules for sharing existing and new data about New Zealand's vulnerable population in an anonymised form with all accredited social service providers (including other government agencies) – and, where appropriate, potential new providers – to enable them to understand, plan and engage on the design of innovative interventions that could make the biggest difference. Concerns about potential stigmatisation of groups should be taken seriously, but they shouldn't inhibit efforts to make a real difference in the lives of at-risk New Zealanders.

As a condition of providing services on behalf of the new agency, all trials and commissioned programmes would be subject to rigorous evaluation of performance outcomes, and the new agency would be responsible for maintaining a public repository of performance information about individual programmes - the United Kingdom's 'What Works Network' or the United States 'Results First Clearinghouse' are good models. Importantly, all providers – government, non-government and private – would be subject to the appropriate level of scrutiny.

The new agency would be responsible for ensuring results are tracked over time, to ensure a complete picture of the cost-benefit of a given intervention or service provider is understood. In many cases, this evaluation would continue after the intervention itself has ceased, which might take some years or even decades of monitoring.

The government is currently exploring ways to make data sharing easier, so there is a greater degree of transparency in social spending

Conclusion

Our proposed model puts a lot of faith in the operation of the investment approach, and a lot of power in the new agency. Adopting our proposed model is not without risk, both in transition and in operation, but we think the risks are calculated, and worth it. We propose this approach not because of any political or institutional position, but because we think this model would deliver the best results for those New Zealanders most in need and, as a by-product, for the government and New Zealand as a whole.

We're also agnostic on the best way to transition to these new arrangements, but all paths have some challenges. Time and further analysis will tell whether a 'big-bang' new agency, a gradual extension of the recently announced evolution of CYF, amalgamations of targeted units in District Health Boards and education or another model will be the best approach.

The challenge that social investment seeks to address – the growing number of people among us for whom poor life outcomes are almost inevitable, and the rising costs of supporting those outcomes – remains compelling. A new way of thinking has been established and now a new way of working is required. We cannot ask today's institutions to do more than they were designed for. Under such conditions, boldness might be the safest path.