Empowering tomorrow
Social investment in action

Deloitte New Zealand
2024 summary

Contents

The landscape today

New Zealand is a great place to live, work and play. However, we face significant economic and social challenges that need urgent attention.

A combination of the ageing population, low productivity and revenue growth, and the need to reduce government debt will impose immense fiscal pressures in coming decades. More importantly, we know too many people in our society are experiencing poor life outcomes and many children are at risk.

The current cost of living crisis highlights the complexity of balancing short-term interventions with investing today to lower the cost base of the future. It is therefore incredibly timely to revisit the idea of social investment. A refreshed understanding of this approach is likely to prove valuable in managing our future fiscal challenges and supporting better outcomes for all Kiwis.

The importance of social investment

While many New Zealanders are flourishing, an unacceptable number of our children, young people, and adults experience poor outcomes.

They often require multiple social services, but the existing provision does not always address their needs, which can lead to long-term – sometimes intergenerational – negative impacts. Social investment is a vital step forward, but there are barriers preventing its full potential being reached.

The foundational concept underpinning social investment is that if the government intervenes earlier and more effectively, for our most underserved citizens, their outcomes could be improved. It represents a commitment to allocate resources, both financial and human, toward initiatives addressing pressing social challenges and improve the overall quality of life for individuals and communities. Placing social investment at the forefront of policy allows investment to be more joined up and effective in improving wellbeing in Aotearoa New Zealand.

Applying evidence-informed, outcomes-focussed targeted investment in education, healthcare, affordable housing, job training programmes, and other social infrastructure can uplift underserved populations, reduce inequality, and enhance social cohesion. This investment can yield long-term benefits for New Zealand by creating a more skilled and healthier workforce, reducing crime rates, and fostering innovation and economic growth. In essence, it is not just a moral imperative but also an astute economic strategy that nurtures a sustainable and equitable future for all members of society.

In this report, we:

1. Revisit the Treasury's five principles for successful social investment and consider what holds true, what are the persistent challenges and what do we need to do next.
2. Look to New Zealand and global experience to refresh and reframe social investment as a whole population framework.
3. Set out the architecture for successful social investment approaches for New Zealanders with the most complex needs.

The goal is to help create the conditions that mitigate risk factors and enable people to lead happy and fulfilling lives.

How does social investment work?

Social investment is an approach to policy and resource allocation that aims to improve social outcomes while being fiscally responsible. It involves using data, evidence, and analysis to make strategic decisions about where to allocate resources in the social sector. Here's how it typically works:

Throughout the system, it is key to evaluate programmes to identify what works and what does not using a range of evaluation methods, publish the results openly, and create learning and improvement.

Revisiting key principles

Our inaugural State of the State report discussed social investment in 2016 using the Treasury's five principles for successful social investment and, in 2024, we are revisiting these.

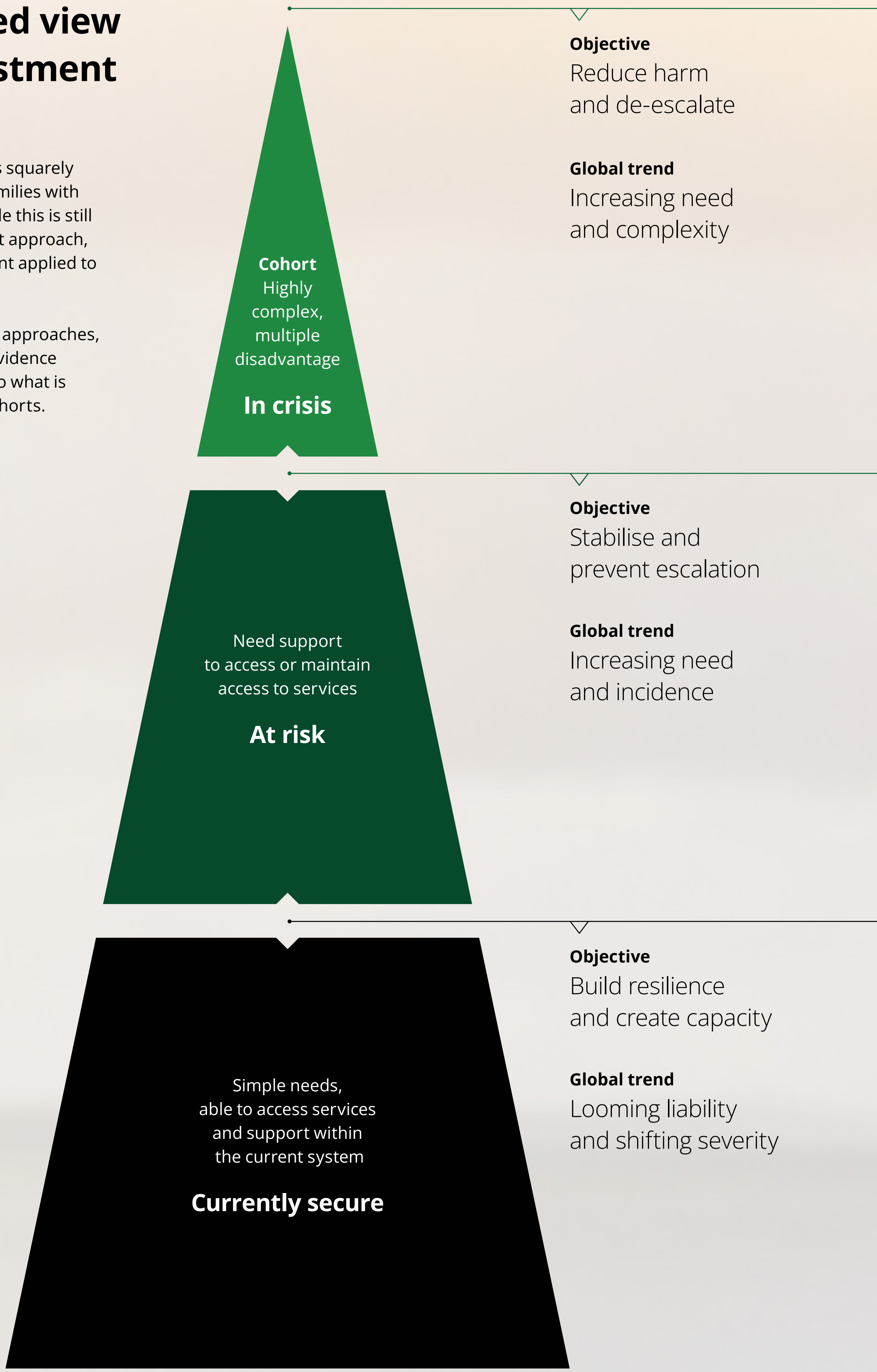
Principles	**Clarity on the key measurable outcomes**	**Better use of evidence, data and population information**	**Clear institutional incentives and accountability mechanisms**	**Financial and delivery flexibility**	**Evaluation and evidence-based feedback loops**
What ideas are timeless?	Outcome level measures that sit at sector or cross-agency levels. Human-centred wellbeing measurement. Ability to quantify the lifetime cost of system inaction.	Taking a place-based and whānau-based approach to understanding and serving needs. Using evidence and data to inform what works. Using consistent data sets at a sector and cross-agency level.	Putting in place transparency of reporting and accountability for measures. Aligning incentives across multiple agencies. Enabling the public to hold government to account.	Recognising the power of community and non-government entities in delivering outcomes. Long term and cross-agency/sector level funding to reflect that costs and benefits are incurred in different parts of the system.	Creating learning and feedback loops across the system. A robust pathway from prototypes to pilots to scaled change. Longitudinal and long-term capture of social return on investments.
What are the persistent challenges?	There is a proliferation of outcomes frameworks, and a lack of consistent and agreed methods for measurement of outcomes. Outcomes are challenging to measure. In the absence of clear outcomes, it is difficult to measure progress and understand where we are heading.	Data analytic capabilities have matured in the public sector, but are still a constrained workforce. The (mis)use of 'big data' worries people, due to perception of dehumanisation and privacy risks. Business decision makers need capability, confidence and incentives in order to apply investment approaches. Evidence and solutions are not easily available.	The public sector is set up to deliver efficiently, effectively and separately. Cost-cutting initiatives hit a wall where needs are complex and solutions are niche and highly tailored. Cross-sector collaboration needs to have a stronger mandate for action and push into delivery for wider populations – not just the most challenging to serve.	Commissioning cross-agency interventions are difficult. Currently, there are few incentives for policy teams to focus beyond their own agency and Ministers priorities. Providers bear the burden of meeting the needs of multiple funders while joining up delivery for individuals and families. Devolution of services were envisioned but have not been realised to the extent originally thought.	The system's conditions provide insufficient incentives to test, fail, learn and adapt. Evaluation is an under-invested capability. Learning and feedback loops are not systemised. There is a lack of incentives to measure and report on performance. There are challenges to scale, evaluate and move forward with pilots – this is a result of both insufficient incentives to test and learn, but also the missing knowledge of how to scale.

Principles	**Clarity on the key measurable outcomes**	**Better use of evidence, data and population information**	**Clear institutional incentives and accountability mechanisms**	**Financial and delivery flexibility**	**Evaluation and evidence-based feedback loops**
What do we need to do?	We need clearly accountable agencies for the macro outcomes – and a method for creating public transparency around these. Sector leadership roles need to be strengthened through accountability for key measurable outcomes.	Step up the use of digital and data enablers to operationalise social investment approaches. Increasing the focus on analytics capabilities, particularly in AI, data ethics and governance. Establish how AI can be utilised to achieve investment outcomes, and understand any implications of the use of AI and other data on New Zealanders.	The climate joint venture exemplifies the benefits of public and private investment to drive outcomes – this approach can be applied to social investment. It is key to provide avenues to bring the private sector to the table to focus on one outcome. Requiring the development of a social investment strategy for key sectors or challenges (e.g. housing affordability).	Progressing toward collaborative commissioning and partnerships, yet there remains further groundwork to be accomplished. Incentives for collaboration needs to be established, and barriers to collaboration and joint policy creation reduced.	Committing to deliver at scale and with an enduring authorising context that will provide sufficient time to show progress towards long-term outcomes. Establishing a risk appetite: if 100% of innovations work we have set the bar for trying something too high.

A cohort-based view of social investment

In 2016, social investment was squarely focused on individuals and families with the most complex needs. While this is still the core of a social investment approach, we are seeing social investment applied to whole populations.

A decade of social investment approaches, locally and globally, provide evidence on what works and insight into what is possible across population cohorts.



Lessons learned (global and local) and shifts required

Promising practice from other jurisdictions

Multi-agency interventions are ineffective

Collaboration across organisations hits a wall at this level of intensity and tailoring. A more robust and more transparent mandate and accountability are required.

Single accountability and funding stream necessary

A single point of accountability and investment budget is required. The public sector is set up to deliver efficiently, effectively and separately.

Niche community-based provision works

Specific and localised service provision effectively provides integrated responses for those with highly complex needs.

Changing Futures (UK)

This four-year programme aims to improve the outcome for adults impacted by multiple disadvantages - including homelessness, substance misuse, mental health issues, and family harm. The programme is funded by the UK Government's Shared Outcomes Fund and The National Lottery Community Fund, delivered through the Department of Levelling Up, Housing and Communities. It is running in 15 areas across England, and each location has developed its delivery models aligned to programme principles with consistent support to define outcomes, theories of change and evaluation.

Harmonising how agencies prioritise, serve and commission

Individual agencies identify and respond to additional needs and risks differently. Commissioning and contracting priorities, and service delivery models, are incoherent.

Urgent intervention trumps prevention

Agencies struggle to invest in longer-term outcomes in the face of near-term issues, even where the escalation patterns and prevention opportunities are well-understood (if hard to measure).

Variable maturity in outcomes-based commissioning

There are varying levels of experience in providing support that follow outcomes for people vs agency.

Birmingham Children's Partnership (UK)

The Birmingham Children's Partnership (BCP) was formed to manage early intervention in families to minimise problems that statistically become more complicated and more expensive to solve. They rapidly stood up a SaaS case management solution to allow family support professionals, mental health workers, schools, police & NGOs to work together.

Capacity creation through modernising services

Capacity will need to be created through overall efficiency of services.

Equity cohorts may represent 'under the radar' risk

People underserved by each agency represent an 'under the radar risk' with increased likelihood of escalating into at-risk.

Long term liability necessitates sustained prevention and resilience investments

Significant long-term, slow- burn demographic trends – including ageing, chronic health conditions and future of work – will dominate public sector spending without major investment.

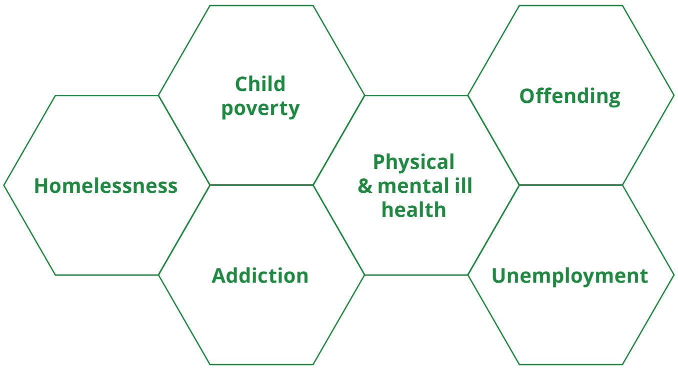
Early Intervention Investment Framework (Victoria, Australia)

The Government introduced the EIIF in the 2021-22 Budget. EIIF has rigorous quantification requirements, calling for departments seeking funding to (1) set both outcome measures and expected outcomes and (2) estimate the avoided cost to the Government from the reduction in the use of acute services.

The architecture of social investment for multiple disadvantage

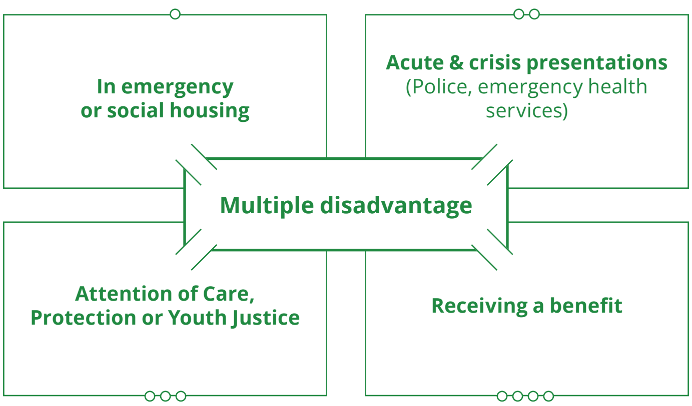
For individuals and families with highly complex needs, and experiencing multiple disadvantages, a common architecture emerges across social investment responses.

Multiple disadvantage is commonly defined as children, young people, and adults experiencing two or more of these issues. Evidence shows that these compound into long-term and intergenerational cycles of disadvantage.



Our current systems of support – which are often issue-based – are not effective for people experiencing multiple barriers

Individuals and families tend to be well-known to one or more agencies. Service access can serve as a simple proxy for identifying people experiencing multiple disadvantage.



A cohort approach based on service access creates simple "front doors" for referral to social investment approaches

Evidence supports a small set of core interventions that – delivered in a coordinated and sustained way – stabilise and improve the outcomes of those with multiple and complex issues.

Joined up service commissioning and delivery across core interventions

There are key characteristics – grounded in evidence – of successful social investment programmes, in order to successfully deliver social and economic benefit for underserved populations.

Place-based
Culturally responsive approaches that build local capability and decision mechanisms

Family-by-Family
Identify and support the needs, risk factors, aspirations and outcomes of whole families

Integrated multi-service response
Multiple agencies, lead professional, one plan, one budget

Community commissioning
Provision devolved to communities

Feedback loops
Learning loops and evaluating social return across portfolios

Digitally & data enabled
Investment, evidence, insights and delivery tools in the hands of case workers as well as policy and investment decision-makers

Social investment programmes founded in what the evidence shows works

Get in touch

Adithi Pandit
Partner
Government & Public Sector Lead Partner
Deloitte Consulting
apandit@deloitte.co.nz

Jane Fraser-Jones
Partner
Financial Advisory Services
jfraserjones@deloitte.co.nz

Cassandra Favager
Director
Health & Human Services Lead Director
Deloitte Consulting
cfavager@deloitte.co.nz

Rory Matthews
Partner
Health Strategy & Operations
Deloitte Consulting
rmatthews@deloitte.co.nz

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organisation"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.

Deloitte New Zealand brings together more than 1800 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch, Queenstown and Dunedin, serving clients that range from New Zealand's largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz.

© 2024. Deloitte Limited (as trustee for the Deloitte Trading Trust).