

Social Sector Providers Association Conference - 27 October

Speech by Fiona Ross, The Treasury

Innovation, Intervention and Investment

Applying an investment approach to social issues.

An important part of the Treasury's role is to look at New Zealand's social and economic landscape and identify emerging issues and trends.

Cultural, global and technological changes are driving us to think about and plan for the future in new and innovative ways and are enabling people centred approaches to be developed. But while disruption to the status quo can be akin to standing on shifting sands, the Treasury's vision to raise living standards for New Zealanders remains firm.

In her session, Fiona Ross will highlight where potential gains for social and economic prosperity can be made and what that means for those delivering social services – be it at the coal face, or in strategic planning. Painting a picture of what of what an investment approach looks like in practice, Fiona will highlight the opportunities its application offers. She'll showcase recent examples that are influencing new thinking as government explores the creation of a social ecosystem – one which works collaboratively to support all New Zealanders to live the lives they value.

1. Intro – Treasury's role
2. Living Standards Framework – taking a holistic view
3. Current context - Cultural, global and technological changes – the big picture
4. What is an Investment Approach?
5. Investment approach in practice - recent examples
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1. Intro – Treasury’s role – who we are and what we do

Let me start by explaining a little about the Treasury’s different roles. The potted version is we are the government's lead advisor on economic, financial and regulatory issues. We advise the government on its macroeconomic and fiscal policy frameworks. We help manage the financial affairs of the Crown, and we monitor the performance of state sector agencies and work with them to improve performance.

We’re focused on delivering three outcomes: improved economic performance, a stable and sustainable macroeconomic environment and a more efficient and effective State sector.

Our vision is a world leading Treasury working towards higher living standards for New Zealanders.

We see raising living standards as critical.

When we talk about living standards, it’s not all about the almighty dollar – we see income as only one of many important factors. People don’t live in an economy – they live in communities.

A single income number can’t measure our standard of living. For the Treasury, living standards are affected by physical and financial resources like infrastructure, housing and savings; people’s health, education and skills; social institutions and conventions; and natural resources such as quality water, stable climate and biodiversity.

This thinking is at the heart of our Living Standards Framework, a tool we use (and encourage others to use) to assess both material and non-material factors that impact on people’s lives when we develop policy advice.

It’s also a clear demonstration of how the Treasury’s world view is far broader than many people realise.

Let me pause here a minute and de - bunk some popular perceptions about Treasury. Let’s start by looking at who we are.

Well we're not – as this recent cartoon depicted us, a bunch of white middle aged men in suits with beige mind sets, focused on finding new sources of tax revenue.

No. These days we're more diverse and representative of NZ.

And it's something we've worked at over the past decade and will keep working on.

That's why we also see inclusiveness as important as prosperity. Why we see diversity as valuable as economic dividends.

Taking a broader view of people, their lives and wellbeing – beyond simply what people earn - is why we developed the Living Standards Framework.

2. Living Standards Framework – taking a holistic view

There are a number of things that affect New Zealander's living standards – health, education, the environment and freedom are a few examples. Combined – these contribute to more than simply material or financial wellbeing.

The Treasury's Living Standards Framework is based on 'capitals'

- Human Capital – which includes things like health and skills and knowledge
- Social capital –covering trust and faith in institutions
- Natural capital – so that's the environment; things like air and water quality
- and lastly, Economic capital – which is the financial and physical

To grow and protect these capitals we consider 5 dimensions when designing policy.

These are the outer circles - sustainability, equity, resilience, cohesion and growth.

When designing policy we consider how each of these relate to each other and ask - are the capitals sustainable for future generations? Are they shared fairly? Do they contribute to a cohesive society? Are they resilient to shocks? And do they contribute to economic growth?

Now we know quite a lot about Economic and human capital, but less about natural and social capital - how we measure these and importantly how we can improve them is in part integral to an investment approach.

3. Current context - Cultural, global and technological changes – the big picture

So in applying the LSF it allows us to factor in some of the big things that can and are occurring around us. And these things are happening at pace.-

Technology and information are catalysing disruption and change and pertinent to today's discussion – innovation.

Technology is driving change in almost every facet of life - the economy, the environment, our neighbourhoods - even the way we raise our children.

In fact, whole industries have been born or dramatically re-born within the 'disruptive' environment we find ourselves in – Uber being a topical example.

Disruption is driven by technology and information but here in NZ there are other unique factors at play.

In the last decade New Zealand society has changed dramatically.

We're a nation that's more urbanised, tech savvy, mobile, connected and diverse.

Over two hundred ethnic groups now live in New Zealand. One in seven New Zealanders is Māori. One in eight is Asian. By global standards, Auckland is now 'super diverse' with over 40 percent of people living in Auckland, born in another country.

The kinds of families we have has changed, our age structure, our aspirations have shifted, and critically our expectations of government and public services has shifted.

A critical opportunity that disruption and innovation offers, is the ability to better understand what's working, and what's not, for people. It's not

In essence - that's what we mean by an investment approach.

When we talk about an 'investment approach' we're not talking about what works for institutions, we're talking about the institutions and everything they do being centered around peoples' lives.

4. What is an Investment Approach?

At its simplest it's about knowing what you're getting for investment (and that you actually got them!)

In other words - what works, for whom, where, at what cost and what benefit?

OK - so that's not exactly rocket science or something that's new.

But technology is enabling government to put more emphasis on key areas.

- Increasing value for people - not just managing a service line
- The ability to look at key drivers of cost, outcomes and risks across agencies and across time.

It doesn't mean just looking at what we call fiscal liabilities – which essentially means future costs to the government. It means looking at the outcomes we really want to achieve.

An investment approach is creating a way for us to remove a historical division between 'social' and 'economic' and allow us to think about them as intrinsically interconnected.

So as I said an investment approach is not rocket science – it sounds like a common sense approach.

But embedding across the state isn't going to be straightforward.

Within the current context of how the state works we've got some challenges.

We're constrained by funding which is focused on agency or service silos – this model tells us where and how it was spent but not what it achieved – across everything -as depicted in the Living Standards Framework that I profiled earlier.

What we want and need to do is move to a system which puts the customer at the heart of everything.

I need to stress – what you see here is aspirational and long term. And it's also not just about how government goes about its business.

Embedding an investment approach – across the system – be it social or economic– means all the players need to work together.

5. Investment approach in practice - recent examples

This is high level view of how an investment approach works as a process.

The process includes

- Identifying population groups – not necessarily the most vulnerable
- Developing metrics to assess performance
- Building an understanding of services and their effectiveness, and then
- Identifying changes that need to be made to improve effectiveness of those services.

Data sharing is critical to all of this.

I need to highlight here that this is not an approach that's focused purely on groups that aren't doing well and viewing them as 'future liabilities'.

An investment approach takes a broader approach but one that enables us (for example) to view services at a local or regional level and know how effective they are. It's a way of building and growing assets through investment.

This is not a linear process. There's a constant feedback loop of learning and iterating going on between each 'step'.

The digital revolution is opening up a world of possibilities in terms of the ability to harness the power of data and information. Innovative, but safe, use of data and technology means organisations are able to ask - did this service or policy deliver the intended results?

Social investment, which is a sub-set of an investment approach enables taking a view that's focused on people's life course or trajectory by following people through the system from birth to adulthood.

It means we can look back at common features for people who have certain types of outcome and see to what extent these 'risk factors' could 'predict' the observed outcome.

But this isn't about standing by and watching – by predicting poor outcomes at early ages we can look at how we can improve the impact of services on the outcomes for individuals over their lives.

It's about improving the lives of New Zealanders by applying rigorous and evidence-based investment practices to services being delivered.

It means using information and technology to better understand the people who use public services and whether those services are delivering the intended results.

A key aspect to this approach involves identifying where early investment in people and communities (i.e. rungs 1 and 2) can produce better long-term results.

An investment approach is about people not agencies, organisations or even sectors.

It's about understanding whether public services to New Zealanders are delivering the right results – for individuals and for the country.

For the Treasury this isn't a new concept. We've been applying an investment approach to our analysis, our policy advice and indeed budget processes for a number of years and has already been applied by ACC, Welfare Reform and Pharmac.

And it's within the social sphere, from an investment approach perspective, that we're starting to gain traction and learn.

The Ministry for Social Development, for example is measuring the future cost of people receiving benefits which means they can now quantify the success of interventions that get people back into employment and off benefits.

Treasury is also helping to design and implement other improvements through the application of investment approaches.

The establishment of Oranga Tamariki / The Ministry for Vulnerable Children, is one example of an agency being built around the customer – not the other way round.

Education is another example of where providing additional support to those learners at risk of not achieving can bring big economic and social payoffs.

People with higher levels of education tend to do better on a range of economic and social outcomes. They are more likely to be employed, have higher earnings, and less likely to be receiving a benefit. They are less likely to spend time on benefits or to receive a custodial or community sentence.

And there is a lot of evidence about the importance of education and skills to overall economic performance.

While the education system works well for most Kiwis, too many young New Zealanders, especially young Māori, still leave school without NCEA.

While problems become more visible at NCEA level, the solutions need to start much earlier. The first three years of life are crucial for the development of the foundations that underpin cognitive, language, social and emotional functions.

Applying the investment approach principles in education is about a learner-focused system that is committed to all children reaching their potential and early identification and intervention of child that are 'at risk' of not achieving.

Increasingly, sophisticated data analytics can provide system insights to better target those students who would benefit from additional support.

But one of the most important factors for all students' educational success is their daily interactions with their teacher.

So it is important to keep a focus on how education policy settings are encouraging and enabling teachers and other education providers to use data and evidence, use it collaboratively and constantly evaluate impact.

Communities of Learning are one way of supporting educators to understand and improve their impact. These are voluntary groups of educators

collaborating to understand their data, agree goals, test new practices and evaluate impacts.

There are now 148 Communities of Learning around the country representing more than 50% of all schools.

The Justice sector are also applying an investment approach to crime reduction.

As an example, they conducted predictive modelling on a cohort of 14 -16 year olds.

What they identified through this process means funds can be targeted into specific areas that will have the greatest impact on steering this cohort away from a life of crime.

We believe that in order to effectively apply an investment approach, opportunities and barriers will also have to be identified and understood through regional and local lenses. The issues faced will be different from the national perspective.

So the Treasury has taken a lead government role in partnership with the Tamaki Regeneration Company to create a thriving, attractive, sustainable and self-reliant community.

Working with regional offices, local providers, and leaders, the Tamaki Social and Economic Regeneration Programme is a 10- to 15-year urban regeneration programme which is the first of its kind in New Zealand.

Another example is the Treasury's Long-Term Fiscal Statement, which will be launched in a couple of weeks on 15 November.

This might sound like a pretty dry document but it embodies an investment approach by looking ahead 40 years and modelling the fiscal and non-fiscal impacts of initiatives aimed at improving people's lives.

We're also building on new approaches incorporated in Budget 2016 where we used an Investment Panel made up of non- government individuals who help assessed budget proposals.

Lastly, in the formation of The Social Investment Unit. This unit has been established to embed a social investment approach across agencies and organisations working in the social sector.

They're gearing up as we speak to help give practical guidance for NGO's and government agencies to develop social investment practices.

What it means to you – the nidus of an ecosystem

So what does all of this mean to you?

First and foremost it's going to bring about better outcomes for people.

But it's also going to mean new ways of working - irrespective of what area you're in. In fact, I'm going to make a plea that we stop using the word 'sector' all together.

All it does is put lines and divisions in place that under an investment approach are neither helpful or indeed, needed.

By taking out mind set out of the 'sector divide' we can collaboratively build an ecosystem that puts people (or customers) at the heart of what we do - irrespective of who's footing the bill.

That's the big opportunity here for you.

Now you might well sit here and say - well, that's OK for a big government agency with large resources at its disposal and the ability to get its hands on massive amounts of data and the capability at hand to make use of it.

But that's the beauty of an Investment Approach – it's scalable – up or down.

And, there are tools freely available for you to use.

There's CBAX, a practical tool to evaluate and compare the long-term impacts – to the individual and society – of different initiatives ('apples to oranges to ... feijoas').

It's a tool that includes a database of dollar values for a wide range of social impacts. The value of these impacts are applied to quantify the costs and benefits for an initiative. And, there's Treasury support is available for its use.

Access to and capability to use sophisticated analytics isn't a given.

So working with Statistics NZ, Treasury created an online tool with information on children and youth who are at higher risk of poor outcomes.

The tool presents the analysis by detailed geographical location to enable a regional and local view of communities.

This complex data is provided in a format that's easy to use, fast, free, and interactive.

By gaining a clearer understanding of the things that are associated with poor outcomes, it's possible to identify where best to place resources to address problems early, rather than after they emerge.

Conclusion – Takeaways

To conclude - Here's what I hope you 'Takeaway' from my talk today.

First – the Beige Buster. I hope I've broadened your understanding about the Treasury – who we are and what we do as we work to raise living standards for New Zealanders.

Second – We can and need to bridge the social and economic divide. Applying an investment approach enables us to do that.

This isn't a big bang approach. It's iterative and importantly, scalable. So my final message to you is one of encouragement to (as we are) trial, test iterate and collaborate.

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