

The Treasury

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Treasury Report: A regionally-focussed response to NEETs

Date:	28 March 2017	Report No:	T2017/802
		File Number:	DH-3

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Steven Joyce)	Note report Agree to recommendations.	Thursday 30 March 2017

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Francis van der Krogt	Senior Analyst, Labour Market & Welfare	[39] (wk)	N/A ✓
Kristie Carter	Team Leader, Labour Market & Welfare	[39] (wk)	[39] (mob)

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.
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Note any feedback on the quality of the report

Enclosure: [40]

Treasury Report: A regionally-focussed response to NEETs

Executive Summary

You have agreed to establish a regionally-focussed initiative to reduce the number of young people not in education, training, or employment (NEET). This report is intended to help crystallise the next steps for this initiative, and also provides Treasury advice on how to make the regional NEET initiative a success.

If set up well, a regional approach has the potential to make a significant contribution to reducing the number of young people who are NEET. This report identifies important factors to set up the initiative, including governance structures, and incentives and processes to encourage collaboration.

There are a number of options for structure and governance. It is important to leverage off current regional initiatives. You specifically asked us to summarise your expectations for a regionally-focussed response to NEETs based on the Regional Growth Programme. To provide this, we have drawn mainly from a draft Cabinet paper from last November.

The key elements of a regionally-focussed response to NEETs based on the Regional Growth Programme comprise:

- regional NEET plans, tailored to local needs and opportunities, and developed by central and local stakeholders working closely together
- senior officials reporting to a ministerial group (either RED Ministers, or NEET Ministers), leading regional engagement, and ensuring cross-agency collaboration. The ministerial group would set overall direction and approve investment proposals
- senior officials bringing investment proposals to Ministers for approval, supported by appropriate evidence

Another option is to leverage the existing place-based initiatives. These are located in the priority regions, with the exception of the Eastern Bay of Plenty, but including South Auckland. The place-based initiatives have a support structure which could, with some extra resourcing, also support the NEET programme governance.

We recommend that lead Ministers (Economic Development, Social Development, and Education) bring a paper to Cabinet seeking agreement to the key elements and next steps for the regional NEET initiative.

Annex: Background on the Regional Growth Programme and Place-based approaches

Recommended Action

We recommend that you:

- a **note** that this report includes a summary of your expectations for a regionally-focussed response to NEETs, as we understand them;
- b **agree** that a condition of any Budget 2017 NEET funding (including in a tagged contingency) is that lead NEET agencies (MBIE, MoE, and MSD) produce a Cabinet paper seeking agreement to the key elements and next steps for the regional NEET initiative;

Agree/disagree.

- c **agree** that the Cabinet paper should address and assess options for the following aspects of the regional NEET initiative:
 - clear governance structures that involve the relevant parties
 - support to enable stakeholders to collaborate and use data and evidence to make decisions
 - incentives and processes that encourage and support collaboration rather than siloed contributions
 - a partnership arrangement between the national level (providing some funding and data) and the local level (providing some resources and local knowledge)
 - clear feedback loops that meet accountability requirements and help build the evidence base of what works

Agree/disagree.

- d **confirm** whether you intend to announce the NEETs initiative and associated funding during or after the budget process:

During the budget process / after the budget process

- e **note** the Treasury's recommendation that the NEET regional initiative funding would be treated as a multi-year tagged contingency.

Kristie Carter
Team Leader, Labour Market & Welfare

Steven Joyce
Minister of Finance

Treasury Report: A regionally-focussed response to NEETs

Purpose of Report

1. You have agreed to establish a regionally-focussed initiative to reduce the number of young people not in education, training, or employment (NEET).
2. This report is intended to help crystallise the next steps for this initiative, and also provides Treasury advice on how to make the regional NEET initiative a success.
3. You specifically asked us to summarise your expectations for a regionally-focussed response to NEETs. We provide this summary directly below.

Reducing NEETs through regional approaches

4. You asked us to summarise your expectations for a regionally-focussed response to NEETs. This section draws mainly from a draft Cabinet paper from last November and guidance from recent Skilled and Safe Workplace Ministers' meetings.

Programme structure and action plans

5. A regional approach to NEETs that builds on the Regional Growth Programme would follow similar (if not use the same) structures, governance, and partnerships.
6. Senior officials would report to a ministerial group (either RED Ministers, or NEET Ministers Bridges, Tolley, and Goldsmith), lead regional engagement, and ensure cross-agency collaboration. The ministerial group would set overall direction and approve investment proposals.
7. Working across government and with local stakeholders, the senior officials would develop a regional NEET plan. Each plan would:
 - a. Identify challenging but realistic NEET reduction targets to focus local efforts, which would contribute to delivering a national NEETs-reduction target
 - b. Review current and potential employment opportunities in regions and current activity across government and in regions that could be leveraged or complemented through a regional approach. It would:
 - i. identify employment demand, linking with information through the RGP process
 - ii. identify what is working locally, and what government funding and services exist for the group such as education and training providers to ensure that current efforts are enhanced and not duplicated
 - iii. identify gaps in current approaches, and what effective approaches could be scaled up
 - iv. identify new approaches or gaps in support for existing approaches such as the availability of pastoral care and/or ongoing support for employers
 - c. Identify the capacity and capability already existing in regions and outline options for additional support to meet the NEET reduction targets proposed

- d. Allocate responsibility for actions identified under the plan, including any capacity building and support for initiatives that is required.
8. Lead NEET Ministers have agreed that Northland, Eastern Bay of Plenty and Tairāwhiti (East Cape to Gisborne) would be the initial focus regions.
9. South Auckland could also be included, but lacks an existing regional growth structure to build from. A place-based initiative is however operating in South Auckland.

Services to support young people into education, training, and employment

10. The regional approach to NEETs would target young people furthest from the labour market and who are the hardest to reach. More work is needed to understand this diverse population better, and the services they currently receive and their effectiveness.
11. Key services would comprise:
 - connecting NEETs with employment opportunities (especially those arising from RGP initiatives)
 - providing pre and post-employment training
 - providing intensive and tailored pastoral care (including support to reduce drug use and meet mental health needs)
12. Consistent with the Regional Growth Programme approach, Senior Regional Officials (SROs) would bring investment proposals to Ministers for approval, supported by appropriate evidence. SROs could also propose smarter use of existing resources, including reprioritisation of existing funding towards more effective initiatives.
13. The programme could top-up funding for effective existing local provision (such as Grow Kaikohe) and encourage the local development and ownership of new activation programmes. Programmes that have been shown to produce results locally could receive extra funding for pre-employment, pastoral care, and in-work training places.
14. Funding could also help grow local capability to identify and support local NEET youth and provide effective local governance and involvement in co-designing new initiatives and pilots.
15. [33]

Treasury advice on a regional approach to NEETs

16. If set up well, the Treasury considers a regional approach to NEETs has the potential to:
- help break-down agency silos to take an individual-centric approach which looks at both the demand and supply side of what is required to achieve results
 - leverage existing resources, both within and outside of government, to address the issue
 - trial new approaches to see what works for whom, building up our evidence base
 - help identify what is and isn't working and what could work better, making it easier to shift resources from what isn't working to what does.
17. Regional approaches also come with their own risks. ^[34]
To provide the best chance of success, we think the regional approach requires:
- clear governance structures that involve all the relevant parties
 - support that enables stakeholders to collaborate and use data and evidence to make decisions
 - incentives and processes that encourage and support collaboration rather than siloed contributions
 - a partnership arrangement between the national level (providing some funding and data) and the local level (providing some resources and local knowledge)
 - clear feedback loops that meet accountability requirements and help build the evidence base of what works
18. We recommend that Ministers commission a paper for Cabinet that fleshes out the regional NEET initiative by addressing the points above. It should also provide and evaluate options, including on governance and other arrangements. We comment further on governance structures and incentives and processes below.
19. A Cabinet paper for the NEET initiative would fulfil a similar function to the paper Ministers have commissioned for the mental health strategy.

Clear governance structures that involve the relevant parties

20. There are choices in how to structure a regional approach to NEETs.

21. ^[34]

22.

23. [34]

24.

25.

26. Whichever approach is chosen, the regional NEET programme should form strong connections with the place-based initiatives, and should learn from their experiences. The annex provides further information on the place-based initiatives.

27. The regional NEET programme should also make best use of the existing regional capability that resides in Work and Income offices, schools, and District Health Boards.

Incentives and processes that encourage and support collaboration rather than siloed contributions

28. [34]

29.

Coherent services are particularly important for vulnerable New Zealanders, such as young people who are NEET.

30. It will be important that any regional approach to NEETs addresses this by encouraging collaboration rather than competition. Experience informs us that this requires:

- bringing stakeholders together around a shared outcome, and giving them a say in the development of that
- establishing tight-loose-tight arrangements - tight about specifying success and target populations, loose on how local leaders will deliver, and tight on measuring achievement. This provides the regional arrangement with some flexibility within defined parameters

- providing national office support to enable agencies to work together
- any new funding proposal to be jointly agreed and clear on how it fits within the existing service landscape

Role of the Ministry of Social Development

31. The regional NEET approach proposes delivering services traditionally led by the Ministry of Social Development. [34]
32. We think that MSD and their regional Work and Income offices need to play an integral part in the regional approach to NEETs. MSD can bring a number strengths, including their regional presence, local labour market knowledge, population knowledge, NGO connections, and evaluative and analytical capability.
33. The regional approach to NEETs could be a useful opportunity for MSD and other key agencies (including the Ministry of Education) to trial innovative collaborative approaches to supporting young people. [34]

Funding amounts, funding sources, and access to funding

34. [34]
- 35.
- 36.
37. A further [34] over two years has been set aside in the BGA Budget package for the Regional Growth Programme. This would bring new Budget 2017 investment in both regional economic development and regional NEET programmes to around **\$50m over four years**.
38. We recommend that the funding for NEETs is held as a multi-year tagged contingency (like the Future Investment Fund), with disbursements to relevant appropriations as specific NEET proposals are approved. There are several reasons for this:
 - there is still a lot of work to do on the landscape for NEETs and ensuring an effective governance structure is in place to support the regional approach
 - holding funding in a tagged contingency would allow Ministers to make a post Budget announcement (which we understand is your preference) as the funding will not appear explicitly in Budget Day documents such as the Summary of Initiatives document and the Estimates
 - holding funding in a tagged contingency would encourage cross-agency cooperation since funding would not be tied to a particular agency.
39. If Ministers wish to announce the NEET initiative before or on Budget Day, we would still recommend this is held in a contingency but this can be included as a separate line item in the Budget documents for visibility.

Annex: Background on the Regional Economic Growth Programme and Place-based initiatives

1. The regional approach to NEETs is inspired by the Regional Economic Growth Programme (RGP). The RGP “works to identify potential growth opportunities in selected regions and help increase jobs, income and investment in regional New Zealand.”
2. Led by MBIE and MPI, the RGP began in 2014, and now covers 10 out of New Zealand’s 16 regions. The regions are divided along the 1989 regional boundaries based largely on drainage basins. Regions joining the programme initially produce a growth study identifying economic opportunities. Priority opportunities are then pursued through a regional action plan, developed jointly between local and central stakeholders. The initial five RGP regions were Northland, Bay of Plenty, Gisborne and Hawke’s Bay and Manawatū-Whanganui.
3. Meeting once a month, and chaired by the Minister for Economic Development, the Regional Economic Development (RED) Ministers oversee the RGP. Reporting to them are the 10 Senior Regional Officials (SROs), appointed from central government agencies to lead engagement with each region.
4. A typical SRO dedicates around one to two days a month on issues related to their region, perhaps more during the launch of a regional economic strategy or action plan. SROs meet together once a month, and are supported by two officials each in Wellington.
5. Regional governance groups oversee the development and implementation of regional economic studies and action plans. These groups do not contain central government representatives. They are typically comprised of business people, but may also include representatives of iwi, Māori, and local government. The SRO typically attends meetings of the regional governance groups, ex-officio.
6. Established through Budget 2016, the Regional Growth Initiatives multi-year appropriation provides \$44m over four years to co-fund initiatives arising from regional action plans.
7. SROs have access to some funding that can be used for feasibility studies for initiatives that could be contenders for regional action plans. In Budget 2017, MBIE and MPI are seeking a further \$2 million per annum for this purpose.
8. The multi-year appropriation is available to fund any initiative that is included in a regional action plan, and which, for contributions over \$100,000, has the approval of RED Ministers following a Single-Stage Light Business case or equivalent and an explanation about why funding could not be accessed elsewhere.
9. The programme is an innovative way of improving the links of communication both within regions and between regions and central government. Nevertheless, the RGP is in its early days and has not been formally reviewed as a whole. MBIE is currently evaluating the programme, with its first-stage report due September 2017.

Place-based initiatives

10. In July 2016 Cabinet agreed to establish three place-based initiatives in Northland, Gisborne and South Auckland along with a national support function. The three place-based initiatives aim to improve outcomes for at-risk people and their families by giving local social sector leaders the flexibility and support to collectively tailor responses to what works in their specific communities. They are taking a social investment approach, where the knowledge and judgment of local decision-makers is combined with national level data and analytics tools to inform a better understanding of local needs and improved targeting of investment.
11. While the three initiatives are aiming for similar end structures, each region started with a different local leadership model: a Cabinet endorsed Social Investment Board in South Auckland, an existing inter-agency Social Wellbeing Governance Group in Te Tai Tokerau, and the creation of a new single governance group in Tairāwhiti; and have different timelines due to different levels of local social investment knowledge.
12. All three initiatives are based on a tight-loose-tight framework: tight about specifying success and target populations, loose on how local leaders will deliver, and tight on measuring achievement. The national support function provides tools and guidance; helps build social investment knowledge; provides access to useable data and evidence; maps where decision rights for social services currently sit in each initiative; provides policy and evaluation support and a way to share lessons.