

Aide-Mémoire

Meeting with Alan Judge to discuss social bonds on 21 May 2024

Date due to MO: 20 May 2024 **Action required by:** 21 May 2024

Security level: IN CONFIDENCE **Health Report number:** H2024037933

To: Hon Matt Dooney, Minister for Mental Health

Consulted: Health New Zealand: Māori Health Authority:

Contact for telephone discussion

Name	Position	Telephone
Robyn Shearer	Deputy Director-General Clinical, Community and Mental Health Te Pou Whakakaha, Ministry of Health	s 9(2)(a)
Kiri Richards	Associate Deputy Director-General, Mental Health and Addiction Clinical, Community and Mental Health Te Pou Whakakaha, Ministry of Health	

Aide-Mémoire

Meeting with Alan Judge to discuss social bonds on 21 May 2024

Date due: 20 May 2024

To: Hon Matt Doocey, Minister for Mental Health

Security level: IN CONFIDENCE **Health Report number:** H2024037933

Details of meeting: Tuesday 21 May 2024

Purpose of meeting/proposal: On the recommendation of the Chief Executive of the New Zealand Initiative, you are meeting with Alan Judge, to discuss potential opportunities for social bonds and social investment approaches with respect to the mental health and addiction system. A biography for Mr Judge is attached at **Appendix 1**.

Comment: **Background information about social bonds**

- In February 2024, following a request from your office, we provided a weekly report item that outlined a high-level summary of evidence and information about social bonds.
- Social bonds (generally called “social impact bonds” overseas) are multi-sectoral contracts designed to provide the means and incentives for improving social outcomes.
- Social bonds fit within a broader social investment approach by providing an innovative funding mechanism that is outcomes focused and draws on private investor finance and expertise.
- The key actors in social bond contracts are:
 - Government – establishes the bond and, in the long run if specified outcomes are realised, repays the investor under the terms agreed in the contract. Governments sometimes employ an intermediary to set up and manage the contract.
 - Non-government provider – delivers the services designed to achieve specified outcomes.
 - Private (commercial or philanthropic) investor – who funds the provider to meet specified outcomes and is ultimately reimbursed by government if outcomes are met.
- Social bonds are used instead of usual public sector commissioning methods, to bring together the expertise and

experience of different sectors, under a mechanism giving incentives for improved performance.

- Bonds are designed to incentivise private investors to fund and work with providers to improve outcomes, in circumstances where third-party providers and private investors may be better placed to innovate. Most bonds do not aim for cost savings and do eventually require Government funding to reimburse the investor. Some bonds require that the Crown share the risk of under-performance.

Social bonds overseas

- In the mid-2010's a number of countries were trialling these bonds, notably the United Kingdom, as well as various parts of the United States.
- Social bonds continue to be explored overseas. For instance, across Australia there have been 17 social impact bonds. Social Ventures Australia (a leading non-profit organisation that invests in projects that deliver both social and financial returns) currently has one diversified fund and five bonds in motion. Problems being targeted include truancy, and reunifying children removed from their homes with their families.

Previous New Zealand trials

- In 2013, the New Zealand Government announced a series of social bonds trials coordinated by the Ministry of Health. From an initial shortlist of four, two social bonds progressed to procurement:
 - a bond supporting employment for people living with mental health issues
 - a bond designed to reduce youth reoffending (finished in 2023).
- The mental health initiative was focused on South Auckland. We understand it was wound up early (in 2018) because of low numbers of participant referrals.

Comments

- Social bonds potentially have benefits of attracting private sector finance and encouraging innovation in addressing social issues.
- However, social bonds are complex mechanisms to establish and manage. Challenges include the transaction costs of establishing partnerships and agreeing roles, determining measurable outputs and outcomes, and then managing and enforcing the agreement. Conflicting interests and organisational differences of social bond partners can make contracts hard to oversee.
- Agreeing and giving effect to allocation of risk between the parties is also key, with much at stake given government only

repays the investor when success is proven. Ensuring adequate data to access progress is important, and care must be taken to ensure providers don't "cherry pick" clients to maximise the chances of success.

- Further investigation would be needed to determine the lessons learnt with social bonds both overseas and in terms of the earlier trials in New Zealand.
- Potential talking points and questions for you to ask in the meeting are included in **Appendix 2**.
- This aide-mémoire discloses all relevant information.



Robyn Shearer
Deputy Director-General
**Clinical, Community and Mental Health |
Te Pou Whakakaha**
Date: 20/05/2024

PROACTIVELY RELEASED

Appendix 1: Biographical information



Alan Judge

Alan Judge is a former EY senior executive. He is a member of the Victoria University of Wellington Council, and has held various governance roles, including with the Wellington City Art Gallery. He is currently Non-Executive Chair of HabitHealth, a company providing wellness and rehabilitation services, including workplace support, physiotherapy and fitness centres.

This meeting with Alan Judge was suggested by Oliver Hartwich, Chief Executive of the New Zealand Initiative, who you met in earlier this year. Dr Hartwich described Mr Judge as an expert on social bonds.

PROACTIVELY RELEASED

PROACTIVELY RELEASED