

In Confidence

Office of the Minister for Disability Issues

Cabinet Social Outcomes Committee

Action to stabilise Disability Support Services: assessments, allocations and flexible funding

Proposal

- 1 This paper seeks agreement to stabilise Disability Support Services (DSS) through amendments to assessments, allocations, and the use of flexible funding. It continues from Cabinet's earlier agreement to make changes [CAB-24-MIN-0301] and community consultation on options for the changes [SOU-24-MIN-0157].

Relation to government priorities

- 2 Relevant priorities are better public services, fiscal responsibility, and ensuring fairer, consistent and more sustainable access to services for people with the greatest need.

Executive Summary

- 3 In 2024, Cabinet accepted the recommendations of an independent review to better manage the increasing cost pressures faced by DSS. I have separated actions into two pieces of work: stabilising (improving budget management and service delivery) and strengthening (understanding the purpose of DSS, and what it needs to achieve for disabled New Zealanders, their families and carers). This paper relates to the stabilising phase and focuses assessments, allocations, and flexible funding.¹ It applies to regions with Needs Assessment and Service Coordination organisations (NASCs); Enabling Good Lives (EGL) sites are excluded.²
- 4 The current challenges with assessments, allocations, and flexible funding mean that disabled people may not be able to access the support that best meets their needs and circumstances, allocations to DSS users exceed available funding, and the system struggles to track, predict, or manage spending. Taking no action on the known challenges would continue the current unsustainability, inconsistency, fiscal risk, and lack of options for disabled people, which were found by the independent review.
- 5 I propose a “tight, loose, tight” approach to enable DSS to better manage spending and stay within budget, and improve how DSS users can use flexible funding:
 - 5.1 Tight: assessment and allocation processes – providing clarity on how and why funding allocated to an individual DSS user. This includes having a personal spending plan for each DSS user.
 - 5.2 Loose: delivery – providing DSS users greater choice and control to purchase supports and services that align with their personal spending plans.
 - 5.3 Tight: guidance and oversight – a tiered framework to provide proportionate levels of guidance to DSS users using flexible funding to achieve their plan, including data to help review whether the person's funding remains relevant

¹ This work relates to recommendations 5 and 6 of the independent review

² There are 14 regional NASCs. Three regions have Enabling Good Lives sites, which operate differently.

and appropriate, and that what is being spent is allowed, as well as the performance of spending plans on a system-level.

- 6 These changes are consistent with community feedback. Appendix 3 provides an A3 summarising the proposed changes, impact on DSS users and delivery of public services.
- 7 To do this with minimal impact on flexible funding users and minimal fiscal risk, all DSS flexible funding users will receive a new, capped flexible funding allocation³ based on their historic spend.⁴

Background

- 8 This paper is the next in a series relating to the Independent Review of DSS [CAB-24-MIN-0301 refers] and centres on:
 - 8.1 recommendation 5: update assessment and allocation settings for individuals based on level of need.
 - 8.2 recommendation 6: establish criteria for access to flexible funding and review the flexible funding guidelines to improve clarity and consistency.
- 9 The Independent Review and analysis over the past year has shown that we need to take action to ensure DSS spending does not exceed available funding, and to improve delivery of public services. A problem description is included in **Appendix 1**.
- 10 In February-March 2025, DSS consulted with the community on recommendations 5 and 6. Over 1,800 people took part, with nearly 1,000 attending workshops, over 600 online survey responses and 233 written submissions. A summary of feedback is included in **Appendix 2**.
- 11 For most DSS users, NASCs deliver assessment, allocation, and service coordination. DSS allocations are inconsistent, unaffordable, and out of sync with spending.
- 12 Not all DSS users use flexible funding. DSS users can receive services that have been coordinated on their behalf by their NASC, use flexible funding to purchase supports and services directly, or a combination of both.⁵ Of the 52,000 DSS users,⁶ approximately 36,000 are allocated flexible funding. Data shows around 75% of all allocated flexible funding is spent by DSS users. Challenges in accessing services, and confusion around how flexible funding can be used may explain part of the difference between allocations and spending, but it does not explain it all. This is why I want to address allocations and flexible funding at the same time.

³ Refers to the flexible funding portion of DSS users' current allocations only. Not all DSS users use flexible funding allocation. Direct service provision will not be affected by these changes.

⁴ Someone who has used all their allocation will be transitioned to the same allocation, whereas someone who has not used all their allocation will be transitioned based on their historic spend.

⁵ Flexible funding in this paper refers to Individualised Funding (Personal Care, Household Management, and Respite), Enhanced Individualised Funding, Carer Support, and Choice in Community Living

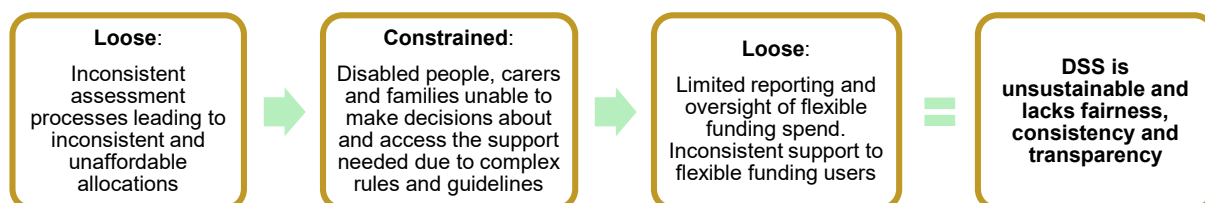
⁶ There are also approximately 100,000 environmental support services clients and approximately 20,000 child development services clients (these services have different eligibility requirements). For context, there are approximately 851,000 disabled people in New Zealand according to the 2023 Household Disability Survey.

Stabilising and strengthening DSS

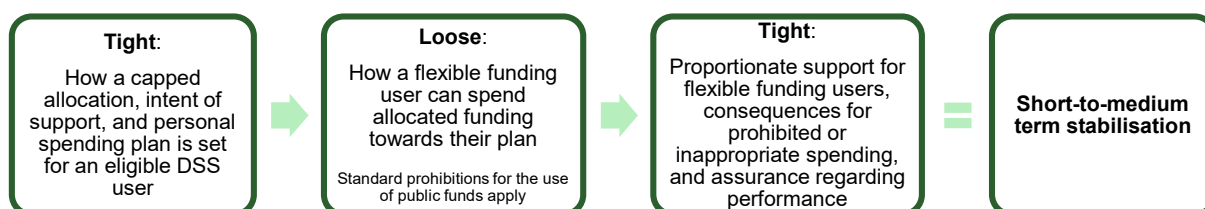
- 13 Following Cabinet's agreement to consult with the community [CAB-24-MIN-0493 refers], I decided to separate actions regarding stabilising and strengthening. The goal of stabilising DSS is to ensure it can operate within the budget and minimise disruption to current services. It is not a long-term solution. This depends on strengthening the system, which will address the overarching policy and regulatory frameworks to set what DSS needs to achieve for disabled New Zealanders, their families and carers. I will report back to the Cabinet Social Outcomes Committee on this strengthening work in October 2025.
- 14 We have made good progress in stabilising DSS. This includes better financial management by setting and monitoring NASC and EGL budgets. These changes have helped better manage spending and given DSS better visibility of how things are working. Updates to how DSS commissions and manages contracts are also improving how services are delivered.
- 15 EGL principles guide both phases. Developed by the disability community, these shift power to disabled people and their families, and applies across all government services, not just DSS. There are eight core principles: self-determination, beginning early, person-centred, ordinary life outcomes, mainstream first, mana enhancing, easy to use, and relationship building.

Proposal: tighten fiscal management of allocations, loosen the use of flexible funding, and tighten oversight of performance and delivery

- 16 The current state can be summarised as:



- 17 I propose packaging actions on recommendations 5 and 6 into a change of direction for DSS. This will improve fiscal management, improve delivery of services, support better outcomes for DSS users, and increase transparency on performance.



- 18 There are two aspects to recommendation 6: criteria to access flexible funding and reviewing the flexible funding guidelines. I propose that we do not progress the first aspect and focus on redesigning how flexible funding operates.
- 19 I have decided against establishing criteria for access to flexible funding per recommendation 6. Introducing criteria for accessing flexible funding is unlikely to

achieve any better control and safety beyond what is already in place. It would increase the complexity of the system when I want to simplify it. Community feedback strongly opposed the introduction of criteria for access to flexible funding.

Tightening assessment and allocation processes and introducing personal spending plans

- 20 Consultation feedback has confirmed my view that the system is often too focused on what DSS users cannot do, rather than aiming to increase independence and promote inclusion and participation in society. We can make changes now that will achieve better alignment with our approach to public services.
- 21 I propose a single, consistent and rigorous assessment tool and process, paired with a new allocation tool that re-establishes the link between the level of assessed need (including the significance of a person's impairment), what funding the government will make available to an individual, their family or carer, and what the support is intended to provide. These changes will improve transparency of performance by capturing better data on how funds are being spent, on what, and how it links to outcomes. This will support better financial management.
- 22 To achieve this, I propose that DSS will⁷:
 - 22.1 introduce a single, consistent assessment tool across all NASCs.⁸ This will have three stages: pre-assessment, assessment and post-assessment.
 - 22.2 mandate the use of a single allocation tool by NASCs.⁹
 - 22.3 make it clear that no additional funding is provided if a user exhausts their allocation early. Reassessments will only occur with significant changes in circumstances, such as increased health and safety risks.¹⁰
 - 22.4 require all DSS users to have a personal spending plan, developed with NASC support. These plans will define the intent of funding and reflect users' unique situation and life stage, from maintaining stability to pursuing specific goals. Plans will focus on what the user wants and needs to address the barriers linked to their disability, a shift from the current deficit-model.
 - 22.5 retain the option for users to receive some or all of their funding through flexible funding (details below).
- 23 The two big shifts toward stabilisation will be:
 - 23.1 improving services by focusing on personal spending plans within the current system. Outcomes will look different for DSS users with different impairments, life circumstances, and significance of impairment. This is consistent with the consultation feedback.

⁷ A summary of the changes and impact on user experience is attached in Appendix 3.

⁸ Reassessments currently occur on three-to-five-year cycle. I will also consider the frequency of reassessments.

⁹ The current allocation tool has not been updated since 2016.

¹⁰ Following agency feedback, I will consider whether there should be a different trigger for reassessment of children and young people.

- 23.2 improving fiscal management by capping allocations to ensure affordability, prioritise services for those with the greatest need, and address the future costs of DSS. This will help DSS better manage spending to stay within budget.
- 24 The assessment tool and personal spending plans will include families and carers, with a distinct component built into the disabled person's assessment. In situations where the needs of families and carers is relevant for the care of the disabled DSS user, this will ensure relevant and helpful support for families and carers that is more consistently allocated and helps everyone involved plan for situations where the family or carers can no longer provide care. Supporting carers is essential to sustaining their role and aligns with the EGL principles.
- 25 These changes for NASC regions will achieve greater national consistency and alignment with the EGL vision and principles. I will direct officials to consider the lessons from EGL sites when creating the new assessment process.

Loosening flexible funding that permits spending that aligns with the personal spending plan

- 26 I propose that existing flexible funding lines in NASCs are replaced with a single model based on the personal spending plan,¹¹ with standard prohibitions. I will:
 - 26.1 retract existing purchasing guidelines. Spending that aligns with a DSS user's plan, and is not prohibited, will be allowable spending.
 - 26.2 retain hosts' responsibility to monitor users' spending against allocation.
 - 26.3 establish a tiered framework to provide DSS users proportionate and appropriate levels of guidance to manage their flexible funding in line with their personal spending plans (detailed below).
- 27 Flexible funding users will get choice, flexibility, and discretion in how to spend their funding allocation, which will align with the EGL principles. The personal spending plans, tiered framework and reviews will ensure that spending matches the intended purpose.
- 28 I draw your attention to the commitment that will be required of us:
 - 28.1 By increasing flexibility, allowable spending might surprise people who have a narrow view of disability. This is justifiable because:
 - 28.1.1 my priority is to improve fairness, consistency, and transparency for DSS users – not to impose rigid rules that ignore the diversity of DSS users. What is allowable for one person may not be for another, in keeping with their different circumstances.
 - 28.1.2 consultation feedback highlighted that accessing respite remains too difficult, especially for families of children and young people. Oranga Tamariki officials note that a lack of respite is known to be a factor for families relinquishing care of their disabled child.

¹¹ Individualised Funding (Personal Care, Household Management, and Respite), Enhanced Individualised Funding, Carer Support, and Choice in Community Living

Currently, respite is narrowly defined which means that for some people respite is unavailable and/or does not suit their needs or circumstances. As a result, carers do not get a break.

- 28.1.3 DSS users say that flexible funding encourages innovation and early intervention. That is consistent with our approach to better public services.
- 28.2 DSS users will be able to purchase services and supports that are the equivalent of publicly available services, such as physiotherapy or counselling. This will have impacts:
 - 28.2.1 It could be seen as duplicative or unfair to ineligible people.
 - 28.2.2 It may also create unrealistic expectations that DSS will address all barriers faced by disabled people.
 - 28.2.3 Ministry of Health officials note that it may lead to some capacity constraints due to increased clinical demand on health services, which in turn could affect health service access, and exacerbate health inequities and outcomes for DSS users who do not have similar access to flexible funding.
 - 28.2.4 It may be perceived as departing from the EGL principle of “mainstream first” at a system-level. DSS users will still have the incentive to use the mainstream first in their spending decisions, and the change could also be viewed as providing more options for DSS users to access mainstream services.
- 28.3 I believe it is justifiable in the short to medium term. Strengthening work will clarify the boundaries between DSS and other public services. Tight allocation settings will ensure users make informed choices—if they use DSS funding for a service available elsewhere, they trade-off spending it on other supports.

Tightening support for flexible funding users and oversight regarding performance

Tiered framework for flexible funding users

- 29 The tiered framework to provide DSS users proportionate and appropriate levels of guidance to manage their flexible funding in line with their personal spending plans (tiered framework) will provide assurance of appropriate and proportionate oversight, while recognising that users are experts in their own lives.
- 30 The tier will be determined by the user’s experience level, previous actions, and circumstances. The highest tiers will include greater support (e.g. planning support, host and agent support, and more regular check-ins or pre-approval of spending), while lower tiers will have a lower level of support, focused on managing employer obligations, or budget and planning support only. I propose that most new flexible funding users receive one of the highest tiers of support for an initial period.

- 31 At the point of review and reassessment, users will progress up and down through these tiers based on factors such as demonstrated capability, breached guidelines, adherence of personal spending plan and change in circumstances or level of need.

Oversight regarding performance

- 32 No matter what tier a flexible funding user is on, the same processes for planning support and reviews will apply.
- 33 A very limited number of sensitive purchases will require pre-approval from hosts.¹² Pre-approval discussions will focus on how the purchase will impact the user's ability to stay within their allocation for the remainder of the year.
- 34 A flexible funding user's host will review spending against their personal spending plan annually and feedback to the NASCs.¹³ The purpose of this review will be to check whether funding has been used as agreed; the tier of support is appropriate, or whether there are any changes to the circumstances of the user.

Implementation

- 35 I seek authority to make decisions on the design of processes to support the agreed outcomes of these proposals.
- 36 Loosening flexible funding requires tighter allocations, or else spending could exceed available funding. To ensure existing DSS flexible funding users see the advantages that will be available for new users, as an interim step, all DSS flexible funding users will receive a new capped flexible funding allocation based on their historic spend.
- 37 I expect to start to see benefits of these changes by July 2026.

Milestones	Date
Design and development	July-December 2025
Pause reassessments unless urgent	February 2026
Implement new processes and tools for new DSS users	From February-September 2026
Phased transitioning of DSS users (flexible funding users only) to revised funding allocations for the flexible funding portion of their allocation (some exceptions)	April-September 2026
Commence monitoring the use of tools and guidelines	October 2026
Commence phased reassessments	October 2026 – October 2029

- 38 DSS users remain concerned that changes will be announced in the way they were in March 2024. That will not happen. I will have a deliberate communications approach that continually updates the community on what they can expect and when.

¹² This will include international travel and one-off purchases above a set value limit.

¹³ There will be triggers for earlier review, such as if a user spends most of their allocation early.

Risks

- 39 If strengthening work takes longer than expected, the stabilising steps (including moves to reduce allocations in many instances) will not be enough to withstand cost pressures on the appropriation in perpetuity. We must remain committed to the strengthening work.
- 40 Transitioning the flexible funding portion of existing DSS users' allocations based on their historic spend will be a blunt tool to improve financial management. There is a risk that we will continue existing inequities. Given the lack of data or explanation of the gap between allocation and spending, there is also a risk of unintended consequences. I expect officials to mitigate this risk in their planning through working closely with NASCs, hosts, and providers.
- 41 Assumptions will be required for the design of the allocation tool given the limits of existing data. The design will account for data needs, ensuring a streamlined transition to the strengthening phase and that future work will be data driven.
- 42 Implementation planning will need to minimise any negative impact on NASCs, hosts and users, limit disruption and create feedback loops for continuous improvement. The milestone plan and sequencing has been carefully considered to account for all dependencies and necessary time to accomplish successful implementation.

Cost-of-living Implications

- 43 There are no cost-of-living implications.

Financial Implications

- 44 Costs of designing the new process and implementing changes will be met from baselines. Tightening allocations will provide greater fiscal management. Tighter oversight will provide more robust and objective information to support decision-making and visibility of performance.

Legislative Implications

- 45 There are no direct legislative implications.

Impact Analysis

- 46 A Regulatory Impact Statement is not required.

Population Implications

- 47 Eligible disabled people will benefit from increased certainty, consistency, and transparency, which also contributes to the sustainability of DSS. Unpaid carers will also benefit from consideration in the assessment and flexible funding processes.

Human Rights

- 48 These proposals are not inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

- 49 External resources have informed these proposals, in particular the allocation tool.

Consultation

- 50 This paper has been informed by feedback from the disability community and sector.
- 51 Agencies consulted: Accident Compensation Corporation, Health New Zealand, Oranga Tamariki, Public Service Commission, Social Investment Agency, Te Arawhiti, The Treasury, Te Puni Kokiri, and the Ministries of Disabled People, Education, Ethnic Communities, Health, Housing and Urban Development, Social Development, Transport, Women, and Youth Development. The Department of the Prime Minister and Cabinet was informed.

Communications

- 52 I intend to announce these decisions before the end of the month. At the same time, I will explain the feedback received during community consultation, and direct officials to publish their analysis of the community consultation.

Proactive Release

- 53 I intend to proactively release this paper and the relevant minutes when I announce the decisions. Alternate formats will be published as they become available.

Recommendations

The Minister for Disability Issues recommends that the Committee:

- 1 **note** that the proposed actions relate to recommendations five and six of the Independent Review into Disability Support Services (DSS) [CAB-24-MIN-0301 refers], and follows community consultation [CAB-24-MIN-0943 refers]
- 2 **note** that the actions will further stabilise DSS and improve fairness, transparency, consistency, and sustainability for disabled New Zealanders
- 3 **note** that the Minister for Disability Issues intends to make further changes to DSS to strengthen the system to ensure the DSS is fair, transparent, consistent, and fair for the disabled community
- 4 **invite** the Minister for Disability Issues to report back to the Social Outcomes Committee in October 2025 on the future of the strengthening work
- 5 **note** that the actions to progress recommendations five and six will stabilise DSS through a “tight, loose, tight” approach, which are a short-to-medium term solution in advance of further strengthening work
- 6 **agree** to tighten fiscal management of allocations of DSS funding to eligible disabled people by:
 - 6.1 implementing a single, consistent assessment tool and processes that define the intent of supports (linked to need), for all NASCs

- 6.2 implementing a single allocation tool for all NASCs for setting new grouped “service packages” with capped allocations (which is a requirement for ensuring the affordability of greater flexibility)
 - 6.3 transferring the flexible funding portion of existing DSS users’¹⁴ allocations to new capped allocations based on historic spend, until all DSS users can be assessed using the new assessment and allocation tools
 - 6.4 establishing personal spending plans to determine what is anticipated from the DSS users capped flexible funding allocation
- 7 **agree** to change flexible funding by:
- 7.1 retracting current purchasing guidelines
 - 7.2 permitting all spending that aligns to a DSS user’s personal spending plan, subject to prohibitions that are publicly listed on the DSS website
 - 7.3 providing greater discretion for DSS users to make spending decisions that they consider best supports them in line with the spending plan and make trade-offs from their capped flexible funding allocation
 - 7.4 retaining the ability to publish guidelines in the future, as necessary to achieve the outcomes sought in these decisions, and consistent with the “tight, loose, tight” framework
- 8 **agree** to tighten oversight by:
- 8.1 establishing tiered framework for flexible funding users, to provide guidance in making spending decisions and managing the obligations that come with purchasing services or being an employer
 - 8.2 describing sensitive purchases that require pre-approval by hosts
 - 8.3 establishing a spending review process
 - 8.4 inform future flexible funding allocations with reference to the DSS user’s previous use of flexible funding
- 9 **authorise** the Minister for Disability Issues to make decisions on the design and implementation of policies, tools and processes required to give effect to the above recommendations 6 to 8.

Authorised for lodgement

Hon Louise Upston
Minister for Disability Issues

¹⁴ For those DSS Flexible Funding users who have had an allocation for one year or longer.