



Report

Date: 4 April 2016

Security Level: IN CONFIDENCE

To: Hon Bill English, Minister of Finance
Hon Anne Tolley, Minister for Social Development
Hon Jo Goodhew, Associate Minister for Social Development

Briefing for the Minister of Finance on the budgeting services redesign for increasing financial capability

Purpose of the report

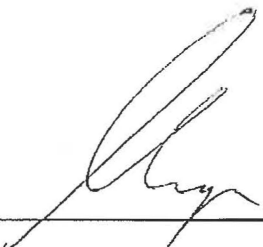
- 1 This report provides an overview of the 'Increasing Financial Capability for New Zealanders Experiencing Hardship' co-design of the budgeting services sector and seeks to supplement this information with a walk-through meeting at the Co-design Hub.

Recommended actions

It is recommended that you:

- | | | |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 1 | Note the Increasing Financial Capability for New Zealanders Experiencing Hardship co-design is being undertaken to redesign budgeting services and shift the sector to support increased financial capability for New Zealanders experiencing hardship. | Yes / No |
| 2 | Note that this approach is consistent with and aligns to the Community Investment Strategy and the National Strategy for Financial Capability. | Yes / No |
| 3 | Note that the customers are at the core of the redesign, and the budgeting services sector (advisers, managers and umbrella groups), Government agencies, and the financial sector as appropriate have been fully involved in the development of the new service model. | Yes / No |
| 4 | Note that delivery of the first phase of the new financial capability service model will commence on 1 November 2016. | Yes / No |
| 5 | Note that service components will be implemented using a phased approach to assist sector adjustment, with a full suite in place from 1 July 2017. | Yes / No |

- 6 **Note** that Community Investment plans a national service design roadshow in May 2016 for current MSD-funded providers, the wider budgeting sector, and those who deliver financial capability services. This will communicate the new service approach and its roll-out to the sector. **Yes / No**
- 7 **Agree** to walk through the Co-design Hub room (see Appendix Three) to gain an understanding our customers and their experiences, and the work to develop the concepts that could have the most impact on improving their financial capability. **Yes / No**



Murray Edridge
Deputy Chief Executive
Community Investment

4 April 2016
Date

Hon Bill English
Minister of Finance

Date

Hon Ann Tolley
Minister for Social Development

Date

Hon Jo Goodhew
Associate Minister for Social Development

Date

File ref: REP/16/3/318

Background

- 2 The Ministry of Social Development (MSD) currently allocates §(2)(b)(ii) per annum to budgeting services across New Zealand. The 2009 welfare reforms led to increased demand for services and points of contact, with an increase in customers referred by Work and Income.
- 3 The 2012 Evaluation of the Future Focus reforms identified customers who were accessing hardship assistance very frequently, indicating continuous problems with their financial situation. It found that budgeting activities were not beneficial for all people facing financial problems - particularly those with impaired capacity - and were not able to address complex client needs.
- 4 Simultaneously, feedback from the budgeting services sector identified that the current funding model did not account for different levels and intensity required to meet customer needs. Along with other factors, this led to the 2013 MSD Funding Review of Budgeting Services.
- 5 The 2013 Review found that the community budgeting providers were struggling to meet the on-going levels of demand resulting in long waiting lists and bottlenecks but also service gaps. Working families seeking support were impacted as they were crowded out by other users.
- 6 The Review also noted a range of reasons to improve general financial capability including a desire to improve general standards of living and alleviate financial strain and hardship. It is also an investment to prevent poor outcomes in childhood.

An inclusive co-design was chosen by MSD as the best way to build on the Review

- 7 Co-design principles put customers' experiences at the heart of the process and enable re-imagining of the future alongside those who will be using the service. Concepts are developed with partners, then prototyped and tested with customers to ensure the developed services work for them. It has been shown to reduce risk because all perspectives of 'success' (including the customers') are integral to the design process.
- 8 A Core Design Team comprising members from MSD, the Auckland Co-Design Lab and the Ministry for Business, Innovation and Employment will continue to work throughout the project to ensure a balance of voices, expertise and perspectives is incorporated.

A shift in focus toward financial capability is needed

- 9 Many people referred to budgeting services face overwhelming crises across multiple facets of their lives or have reduced capacity to make decisions. They are unlikely to make significant changes in their lives until their immediate needs are met. A percentage of clients only access budget services to meet Work and Income requirements and are less likely to be engaged.
- 10 MSD currently funds budgeting services to focus on improving customers' financial *literacy*, but to really help people experiencing hardship, the focus needs to be on improving their financial *capability*.

Financial capability is the ability to act combined with the opportunity to act and involves the recognition that there are environmental and structural factors that affect the ability of vulnerable people to improve their circumstances.

This approach aligns with the widespread work on building financial capability

- 11 The National Strategy for Financial Capability was developed by the Commission for Financial Capability [CFFC] and endorsed by Cabinet in July 2015. Its vision is

"Everyone getting ahead financially," i.e. to improve the financial capability of the whole of New Zealand's population. The strategy is about working collaboratively with agencies and other sectors to bring about sustainable behaviour change.

- 12 Our approach aligns with the work of CFFC, particularly the emphasis on financial capability building supported by the development of online tools and social campaigns. We will work with CFFC to share the voices of our customers experiencing hardship.
- 13 Our aim is to develop a new service delivery model to move people experiencing hardship toward financial independence. The model will take account of the variable progress that customers (some showing 'two steps forward, three steps back' behaviour) make on this path.

We have involved all stakeholders by using a comprehensive co-design approach

- 14 Co-design involves all key stakeholders in the design process. They, along with other key sector partners, have been critical in informing the design of the new approach, testing assumptions and validating what will work.
- 15 The first workshop was held in September 2015 to introduce providers to the co-design approach. Since then, Community Investment has held co-design workshops around the country with service providers and their customers to determine what the new services should look like. We have engaged with approximately 300 people.
- 16 The approach and design for how the new MSD-funded services will look has been co-designed alongside providers currently delivering budgeting services, and with the customers receiving those services.
- 17 Engaging Work and Income staff, from managers to case workers, and recording their experiences and insights was a priority. This has been achieved and a standardised Work and Income referral practice is being developed as the fourth service concept; we will aim for its early implementation.
- 18 The Ministry of Business Innovation and Employment is also fully engaged in the co-design and the Auckland Co-lab has been instrumental in the design and prototyping. Organisations involved in the wider financial capability sector including microfinance lenders and Good Shepherd New Zealand are also included.
- 19 A Design Hub room has been established at MSD's Bowen State Building in Wellington to enable the visual display of all stakeholders' input. The visual and interpersonal connections in this room have greatly strengthened the co-design. A walk-through visit to the Hub is highly recommended and an invitation for this is attached as Appendix Three.

Approximately two-thirds of the total service requirement is ready for tender

- 20 We plan that delivery of the new financial capability service model will commence on 1 November 2016. We propose taking a phased approach with three core service components needed for successful delivery scheduled for immediate introduction. Additional components will be added as they are completed.
- 21 The full suite of redesigned services will be in place from 1 July 2017.

The transition to the new services will be funded from the current appropriation

- 22 It is anticipated that the 2016/17 budgeting services appropriation 9(2)(b)(ii) will be invested as follows:
 - 9(2)(b)(ii) for the rollover of existing contracts until 31 October 2016

- 9(2)(b)(i) to fully develop and then deliver three core services from 1 November 2016
- 9(2)(b)(ii) to develop, test and gradually introduce eight other service components as required.

The new service model includes eleven key components

23 The new service model has been designed to address the complex lives and needs of customers experiencing hardship. This model comprises three core services (numbers 1 -3, in bold). Approximately eight additional components will be developed over the coming year (some components may be merged or expanded as part of the on-going development process and depending on their viability):

- 1 Strengths-based financial plan**
- 2 Financial mentors**
- 3 Group and peer-led support**
- 4 Standardised Work and Income referral practice
- 5 Income and resource generation strategies
- 6 Ethical money management
- 7 Financially Inclusive products
- 8 Mobile, online or after-hours service accessibility
- 9 Financial capability training programme and products
- 10 On-line tool to measure outcomes and progress
- 11 Systematic social change programme to achieve community-level learning.

Additional information on each component is attached in Appendix Two.

New financial products and opportunities have also arisen through the co-design

- 24 Increased alignment between the financial and budget services sectors has been explored, specifically:
- we understand that Westpac Bank representatives are keen to view the Design Hub room and to discuss involvement within the seventh service component, Financially Inclusive products, possibly by using the Banking Innovation Fund
 - a much better understanding of the microfinance sector in New Zealand has been gained, including with the Community Finance initiative
 - a proposal to deliver microfinance lending through selected budget advisors/financial mentors is being discussed.

Risks involved in moving to the new model will be managed

- 25 As with the introduction of any new service or programme, there are risks involved in the transition. We are confident that we can manage these risks. Our use of the co-design process has meant that we have a very good understanding of the budgeting services sector and good relationships with key players.
- 26 Communication and relationship management will be key to successful implementation and minimising risk during the transition. We will provide regular updates to the sector and a national service design road show is planned for 9 – 20 May. This will provide an overview of the service model and an understanding of the new frontline services. We will host approximately ten sessions across the country for current MSD-funded providers, the wider budgeting sector, and those who deliver financial capability services.

- 27 Many providers are already using part or most of the new approach and are ready for change. We know that some providers offer less effective services producing 'tick box' type budgeting advice that fails to engage with customers or assist their move to financial capability. We will assist them to transition, or exit the funded sector, as part of the development process.

We are confident the new service model will improve sector performance and build financial capability

- 28 The use of the co-design process will ensure the new financial capability-building products and services are fit for purpose, endorsed by the sector, and responsive to the real needs of customers, across a continuum of complexity of need and financial capability.
- 29 Improved alignment with microfinance providers and the broader financial sector will be encouraged, with the aim of moving customers experiencing hardship to a position of increased financial capability where they can be assisted towards financial growth.

File ref: REP/16/3/318

Appendix One

"Tina's story" – showing a current customer's experience and the improved future state – is attached as an A3 fold-out.

Source:

Co-design "Blueprint" document, ThinkPlace and Ministry of Social Development March 2015.

Appendix Two

Key service components

1 Strengths-based financial plan	An online or paper tool that enables meaningful and action-oriented discussion between the customer and their mentor (and Work and Income case manager where relevant). It will show the step-change towards financial control.
2 Financial mentors	These workers will replace budget advisors, taking a much wider role by helping customers to connect and work with the local financial and support systems. Financial mentors will work with customers to develop their financial plans and empower them to engage with the types of activities that will suit them and their situation as they work towards financial capability.
3 Group and peer-led programmes	Group and peer-led support sessions to share and learn about money and influence positive behaviour change. This service has the potential to be more cost-effective and appropriate for several types of customer who do not necessarily need or want 1:1 services.
4 Standardised Work and Income referral practice	A simple practice that will enable Work and Income case managers to have conversations with their customers about what a budgeting activity is and why it's important. Through these conversations customers will be motivated to choose the best-fit financial capability building activity for them and their situation. This component has links with the MSD Simplification Project, and we are working to ensure cohesion with that workstream.
5 Income and resource generation strategies	A practical and aspirational programme of income and resource generation options that helps a customer live better and ideally grow their means.
6 Ethical money management	A centralised service platform and suite of programmes that help control a customer's money and transactions. It is brokered by their financial mentor, reviewed regularly and is offered alongside a suite of educational support and tailored for people in financial hardship.
7 Financially inclusive products	Five foundation financial products which can be a catalyst for customers to build their financial capability and move on to a path of growth
8 Mobile, online or after-hours service accessibility	A consistent financial support service delivered through a range of channels, including smartphone and online, and at a time that works best for the customer (including outside normal business hours)
9 Financial capability training programme and products	A financial capability training programme and resources for the workforce who work with people experiencing hardship.
10 On-line tool to measure outcomes and progress	This software-based tool allows clients and those supporting them to track progress around key financial capability outcomes (reducing debt, increase awareness, support family etc.) The software is computer and smartphone based, so users can capture on-the-spot feedback and track customers' progress.
11 Systematic social change programme to achieve community-level learning	Resources, systems and co-ordination practices that support strongly connected local communities that understand the nuances and needs of people experiencing hardship.

Appendix Three

Invitation

Hon Bill English
is cordially invited to visit

The Design Hub room

Financial Capability (Budgeting Services) Co-design

An opportunity to view the input from customers, providers, and stakeholders as it has been received and to gain an overview of the connections and design decisions made

Location:

Ministry of Social Development, Te Anau Room, Bowen State Building Level 3, Wellington

Time:

Any time between 8.00am and 7.00pm

Date:

The room has been reserved till 14 April 2016

Appendix One

The design work proposed for the Increasing Financial Capability service model

	Proposed suite of activities and projects	Funding 15/16 (\$m)
Phase One – support the implementation of the core service components	Support implementation of the Strengths Based Financial Plan Through the commissioning of suitable expertise, develop and design the strengths based Financial Plan ready for paper and explore viability of an online tool for the sector by 1 November. The online aspects may include application, website tool and exploring whether it can be interactive with Work & Income's MyMSD.	9(2)(b)(ii)
	Develop the tools and resources to support group and peer led support Developing competencies, tools and resources, and documentation to support successful peer and group led service delivery. This will be supported by and align with the training item 3. The funding will be used to partner with NGOs already working in group and peer-led / community-led space who target beneficiaries and low income to explore the outcomes from their innovative programmes and long term sustainability of these.	9(2)(b)(ii)
Sector capability - build capability of the sector in preparation for implementation	Build sector capability and the role of the national entity Develop an external facing information pack and resources in non-design jargon to build sector capability to implement the new service model in a way that is culturally appropriate and accessible to the sector. This will include undertaking a literature review on the service components, data analysis to help the sector understand the client population being targeted. Development of the intervention logic and outcomes will also demonstrate to providers the theory of change and outcomes we are seeking.	9(2)(b)(ii)
	Develop core competencies for national training and support entity Conduct independent research on effectiveness to develop a core competency framework for a national entity charged with supplying training and networking support to the sector. This will support the overall sector capability work programme and the service delivery against the new service model from 1 November. Further funding will be sourced from 1 July for workforce training.	9(2)(b)(ii)
Phase two service components – prototyping, testing and refinement to make the full service model	Progress five more service components through a 'sprint' based in the Auckland Co-design Lab Progress five more service components to round out the new service model (if tested as viable) in preparation for sign off 30 June 2016: <ul style="list-style-type: none"> • Online tool to measure outcomes and progress • Income and resource generation strategies 	9(2)(b)(ii)

	<ul style="list-style-type: none"> • FC 5 – banking products (Community Finance included below) • Mobile, online accessibility (including afterhours service) • Systematic and strong social change work programme – community level learning <p>The Auckland Co-design Lab and key organisations will form a core design team in Auckland for a time limited period to refine and prototype those concepts post 31 March.</p>	
	<p>Ethical Money Management – sixth component developed in Wellington</p> <p>Exploration is required to understand the practical, legal and ethical implications of money management for those unable to manage their money because of mental health, illness and vulnerability issues. The funding would be utilised to work with key providers who are already working within a standardised total money management service. The work will involve partnering with the Federation and engaging a coach to lead this work.</p>	
Procurement	<p>External probity audit of procurement process</p> <p>Advice from Risk & Assurance is that an external audit in real time alongside the procurement process will:</p> <ul style="list-style-type: none"> • Ensure the criteria and methodology used for the evaluation of tender responses is consistently applied. • Assess processes to ensure the confidentiality and security of commercially sensitive information. • Assess compliance with Ministry's policies and procedures, applicable MBIE procurement rules and principles, OAG's good practice guide for procurement, and other good probity practice, at the key stages of each EOI/RFP process. • Checking for quality, accuracy and completeness of key documentation. 	9(2)(b)(ii)
	TOTAL FUNDING	9(2)(b)(ii)

We have been advised that the following work item can be funded from Budgeting Services NDOE:

Community Finance	<p>Testing interest free loans with a NGO provider</p> <p>Work with an NGO provider to test the service concept of provision of interest free loans to people experiencing hardship. The testing will provide evidence to inform the debate on the alignment of financial capability services with microfinance which may include an evaluation to gather lessons for further refinement the concept and implementation needs.</p>	9(2)(b)(ii)
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Memo

To: Murray Edridge, DCE Community Investment

CC Bruce Simpson, MSD Chief Financial Officer 

From: Ruth Palmer, General Manager, Service Development and Innovation


Date: 13 April 2016

Security level: IN CONFIDENCE



Funding service design of Increasing Financial Capability by using underspent Community Investment DOE funding




Action: For approval before 18 April 2016


Purpose

Your agreement is sought to funding the design of seven service components of the Increasing Financial Capability service model, by using underspent Community Investment DOE funding, and consequentially offsetting  of the forecast NDOE deficit in Strong Families and Connected Communities.

Background

Budgeting Services has an annual NDOE appropriation of  under Strong Families and Connected Communities. In August 2015, Minister Goodhew agreed that  of this appropriation be used to redesign and reconfigure these services in partnership with the sector (REP/15/08/836 refers).

The co-design work that has been done to date has been funded from the  that was set aside. A further  will be used to test NGO provision of interest free loans to people experiencing hardship. There are a further seven service components that require design and development work. These are set out in Appendix One and have been costed at  in 2015/16.

There are differences in interpretation re whether the use of NDOE for development of these seven service components is appropriate. However, there is also pressure on the NDOE Strong Families and Connected Communities appropriation (currently forecast at 

The proposed approach

We propose using underspent Community Investment DOE to fund the design of the seven service components, and using the consequentially unspent Budgeting Services NDOE to help offset the forecast NDOE deficit in Strong Families and Connected Communities.

Community Investment is currently forecasting an underspend in DOE in the Investing in Communities appropriation in 2015/16. Legal have advised that this underspent DOE could be used to fund the design of the seven service components for Increasing Financial Capability services as it is within the scope statement for that appropriation. MSD's Chief Financial Officer agrees with this approach.

As you are aware, there is an NDOE overspend in the Strong Families and Connected Communities appropriation (currently forecast [REDACTED] as a result of the Social Sector Trials. [REDACTED] of the Budgeting Services NDOE could be used towards offsetting this overspend.

Ministerial agreement is not required for this approach.

Recommendations

It is recommended that you:

1. **Agree** that [REDACTED] of the forecast underspend in DOE funding in the Investing in Communities appropriation (2015/16) be used to fund the design of seven service components of the Increasing Financial Capability service model.
2. **Agree** that [REDACTED] of the NDOE funding in the 2015/16 Budgeting Services appropriation be used to offset the overspend that has been forecasted in the 2015/16 Strong Families and Connected Communities appropriation.



Murray Edridge
Deputy Chief Executive
Community Investment

18 April 2016
Date



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Increasing financial capability for people experiencing hardship

Date: 18 April 2016

Report no.: REP/16/3/309

Security level: IN CONFIDENCE

Priority: HIGH

Action Sought

Hon Jo Goodhew
Associate Minister for Social Development

Note and agree

Contact for telephone discussion

Name	Position	Telephone	1st Contact
Murray Edridge	Deputy Chief Executive, Community Investment	[REDACTED]	<input checked="" type="checkbox"/>

Report prepared by: [REDACTED] Senior Analyst, Operational Policy and Innovation

Minister's office comments

- ☐ Noted
- ☐ Seen
- ☒ Approved
- ☐ Needs change
- ☐ Withdrawn
- ☐ Not seen by Minister
- ☐ Overtaken by events
- ☐ Referred to (specify)

Comments

Sign off was subject to Minister Goodhew presenting an oral update to SOC, which took place on 11/5.

Date received from MSD

Date returned to MSD

12/5/2016



Report

Date: 21 April 2016 **Security Level:** IN CONFIDENCE
TO: Hon Jo Goodhew, Associate Minister for Social Development
CC: Hon Anne Tolley, Minister for Social Development

Increasing financial capability for people experiencing hardship

Purpose of the report

- 1 Your agreement is sought for the implementation from 1 November 2016 of three core components of the new building financial capability service: Strengths-Based Financial Plans, Financial Mentors, and Group Learning and Peer-Led Supports.

Recommended actions

It is recommended that you:

- 1 **Agree** that frontline delivery of Strengths-Based Financial Plans, Financial Mentors, and Group Learning and Peer-Led Supports will begin 1 November 2016. Yes / No
- 2 **Note** that Work and Income referral practice guidelines will commence from 1 November 2016. Yes / No
- 3 **Note** that it is anticipated that the 2016/17 budgeting services appropriation of §(2)(b)(ii) will be invested as follows: Yes / No
 - §(2)(b)(ii) for front-line delivery of services
 - §(2)(b)(ii) for delivery of seven other service components and transitional funding for providers (if required)
- 4 **Note** that we are working with the sector to identify the workforce training and sector capacity-building that will be required to fully implement the new financial capability service. Yes / No
- 5 **Note** that current provider contracts will be rolled over until 31 October 2016 to ensure continuity of service provision. Yes / No
- 6 **Note** that if you agree to recommendation 1 (above) the open tender for the delivery of the new Financial Plans, Financial Mentors, and Group Learning and Peer-led Supports will open in June 2016. Yes / No
- 7 **Note** that the Communications Plan will be provided to you on 27 April 2016. Yes / No
as soon as possible

- 8 **Note** that speaking notes are being prepared for you to present an oral ☒ **Yes** / **No** item at an upcoming Cabinet Social Policy Committee meeting (date to be confirmed).

Completed 11/5/16



PP Murray Edridge
Deputy Chief Executive
Community Investment

21 / 4 / 16

Date



Hon Jo Goodhew
Associate Minister for Social Development

11/5/16

Date

Background

- 2 The Ministry of Social Development (MSD) allocates §(2)(b)(ii) to budgeting services across New Zealand.
- 3 Community Investment is leading a thorough re-design of MSD-funded budgeting services to assist them to make a shift in focus toward increasing financial capability for people experiencing hardship.

A shift in focus toward financial capability is needed

- 4 Many people referred to budgeting services face overwhelming crises across multiple facets of their lives or have reduced capacity to make decisions. They are unlikely to make significant changes in their lives until their immediate needs are met. A percentage of customers only access budget services to meet Work and Income requirements and are less likely to be engaged.
- 5 MSD currently funds budgeting services to focus on improving customers' financial *literacy*, but to really help people experiencing hardship; the focus needs to be on improving their financial *capability*.
- 6 Financial capability is the ability to act combined with the opportunity to act and involves the recognition that there are environmental and structural factors that affect the ability of vulnerable people to improve their circumstances.
- 7 A Core Design Team comprising members from MSD, the Auckland Co-Design Lab and the Ministry for Business, Innovation and Employment was formed in 2015 and will continue to work throughout the project to ensure that a balance of voices, expertise and perspectives is incorporated.

We have involved stakeholders by using a comprehensive co-design approach

- 8 We have used a co-design approach to design the proposed new service components. This has involved consulting with a wide range of stakeholders, including:
 - Providers of budgeting services – those that currently receive Government funding as well as those that are in the non-funded sector
 - The financial sector
 - Representatives of relevant umbrella groups including the NZ Federation of Family Budgeting Services and the Associated Budgeting Consultants' Network
 - The Commission for Financial Capability
 - Work and Income
 - Maori and Pasifika providers of budgeting services
- 9 A co-design approach puts customers' experiences at the heart of the process and enables re-imagining the future with those who will be using the service. Concepts are developed with partners, then prototyped and tested with customers to ensure the developed services work for them. It has been shown to reduce risk because all perspectives of 'success' (including the customers') are integral to the design process.
- 10 The initial workshop was held in Manukau City in September 2015 to introduce providers to the co-design approach. Since then, Community Investment has held co-design workshops around the country with service providers and their customers to determine what the new services should look like. To date we have engaged with 337 different stakeholders, including design workshops with 75 providers (45% of current providers). There have also been 6 sector updates, provided electronically.
- 11 Engaging Work and Income staff, from managers to case workers, and recording their experiences and insights was a priority. Work and Income referral practice guidelines are being developed for commencement on 1 November 2016.

This approach aligns with the widespread work on building financial capability

- 12 The National Strategy for Financial Capability was developed by the Commission for Financial Capability (CFFC) and endorsed by Cabinet in July 2015. Its vision is "Everyone getting ahead financially," i.e. to improve the financial capability of the whole of New Zealand's population.
- 13 The co-design fits with the work of the CFFC, in that the emphasis is on financial capability building supported by the development of tools, education and campaigns. We are working with the CFFC and other partners to share the voices of our customers experiencing hardship and to ensure products and tools work for the shared customer base. We will enable other agencies to utilise our insights and products to assist their customers.
- 14 The aim is to move people experiencing hardship toward financial independence through education, support and advice. It will also work towards removing some of the structural and systemic barriers to improving their financial situation. The model will take account these wider issues, their impacts and the variable progress that some customers make (sometimes taking 'two steps forward, three steps back') and build on these behavioural insights.
- 15 Four illustrations of the difference for customers between what is available now and what could be available in the future are attached at Appendix One.

There are eleven key service components

- 16 The new service model has been co-designed to address the complex lives and needs of people experiencing hardship. This model comprises four core services (numbers 1-4 below). Up to seven additional components will be developed over the coming year. Some components may be merged, expanded or removed as part of the on-going development process and depending on their viability and suitability for our target customers:

- 1 Strengths-based financial plan**
- 2 Financial mentors**
- 3 Group learning and peer-led supports**
- 4 Commence using Work and Income referral practice guidelines**
- 5 Income and resource generation strategies
- 6 Ethical money management
- 7 Financially Inclusive products
- 8 Mobile, online or after-hours service accessibility
- 9 Financial capability training programme and products
- 10 On-line tool to measure outcomes and progress
- 11 Systematic social change programme to achieve community-level learning.

Additional information on these is attached in Appendix Two.

We proposed taking a phased approach

- 17 We plan that delivery of the new financial capability service model will start on 1 November 2016. We propose taking a phased approach, with the four core service components scheduled for immediate introduction.
- 18 This phased approach will give us the time necessary to complete the other seven components which will be integrated into the new service model over time. It will also help the budgeting services sector make a phased transition to the new way of working with customers.

The transition to the new services will be funded from the current appropriation

- 19 The 2016/17 appropriation for budgeting services is 9(2)(b)(ii) Table One (below) shows how we anticipate using this funding.

Table One: 2016/17 Allocation of Budgeting Services appropriation

Allocation of Budgeting Services appropriation	2016/17
Front-line delivery of core services	9(2)(b)(ii)
<ul style="list-style-type: none"> 1 July – 31 October 2016: Provision of Budgeting Services by current providers 1 November 2016 – 30 June 2017: Provision of Strengths-Based Financial Plans, Financial Mentors, and Group Learning and Peer-Led Supports 	
Subtotal	
Delivery of other service components and transitional funding	
<ul style="list-style-type: none"> Delivery of seven Financial Capability service components Transitional funding for unsuccessful providers (if required) 	
TOTAL	

- 20 Strengths-Based Financial Plans, Financial Mentors, and Group Learning and Peer-Led Support are the services that will be accessed by the majority of the customers and will make up a large proportion of the overall financial capability service model once it is fully implemented. The standardised Work and Income referral practices do not require funding as they are part of Work and Income's "business as usual" work.
- 21 9(2)(b)(ii) of the appropriation will be used to deliver the other seven service components. We will be introducing the service components as they are completed, with the full suite being delivered from 1 July 2017.
- 22 We are investigating making transitional funding available and this will also be funded from the 9(2)(b)(ii). This funding would help any currently funded providers who are not successful in getting contracts for service delivery from 1 November 2016. This transitional funding would provide for continuation of service delivery until 31 December 2016 and help providers to transition their clients to other services.

Opportunities to link with parts of the finance sector have arisen

- 23 Alignment with the broader financial sector including microfinance providers (including Community Finance) has been explored in the co-design. Progress within the seventh service component Financially Inclusive Products includes:
- design and prototyping of bank products that will work within users' cultural frameworks and support their cultural obligations
 - possible use of the Banking Innovation Fund; Westpac Bank representatives are ready to discuss possible involvement
 - discussions on a pilot to test delivery of microfinance lending through selected budget advisors/financial mentors.