We are working with the sector to identify the workforce training and capacity building that will be required to support the new services

24 On 24 February 2016 we ran a providers' workshop in Christchurch. The focus was on identifying key issues and insights around sector capability, primarily workforce development.

25 The workshop identified several key issues consistent with other co-design feedback:

- that effective budget advisors require a diverse range of skills
- the need for national standardised training and strong sector leadership and networks
- the need for nationally-accessible resources and training
- the importance of keeping what is currently working in workforce development.

26 We will be further consulting the sector on these issues to develop workforce training to support the re-design proposals. The results of this work will be included in our final report to you.

The way funding is invested is consistent with Government's social investment approach

27 The social investment approach that Government is taking aims to improve the lives of New Zealanders by applying rigorous and evidence-based investment practices to the development and delivery of social services. The new financial capability service delivery model that we are developing is based on this social investment approach.

28 Consistent with this, when we implement the new financial capability service, a major focus will be to make sure we are purchasing the right services from the right providers in each region to meet the needs of vulnerable customers.

29 Through the co-design process, we have worked closely with the budgeting services sector to identify what does and doesn't work to help people experiencing hardship. The rigour in the design process will be matched up with funding decisions based on data on the needs of vulnerable people at the regional level.

We are targeting the most vulnerable customers

30 We know that our current service provision is reactive, and primarily responds to those who are referred by Work and Income or who self-refer. The co-design work has shown that there are many people who would benefit from financial capability services who do not currently engage with budgeting services.

31 Under the new service model, we are aiming to be more responsive to customer need and to make services much more attractive to the working poor and groups that are not currently accessing services.

32 We have used a range of indicators to build a comprehensive understanding of the need for financial capability services regionally. These indicators include the number of families earning less than $50,000 per annum, the number of families receiving Working for Families and the number of clients given the Hardship Emergency Grant[1]. This will enable us to distribute funding fairly, and to the areas of greatest need.

Providers will be affected in different ways

33 Our analysis is that many current providers will get contracts to deliver the new services from 1 November 2016. This is because many providers are already

[1] Other indicators of need are: Number of clients receiving the Accommodation Supplement; Number of single parents with dependent children, Maori population, Pasifika population and the number of people aged 20-24.

delivering to vulnerable customers and are using part or most of the new approach to building financial capability.

34 However, we expect that there will be some providers who will not receive funding, for example because they are not providing services to the target customers or are duplicating service provision. At the same time, there are likely to be providers who don't currently receive Government funding, but are successful in tendering for the new contracts. Until providers go through the tendering process, we are unable to say which, or how many providers are likely to be affected.

35 The timeline for the tendering process is as follows:

Week beginning 23 May 2016	Providers briefed
1 – 30 June	RFP open
25 July – 5 August	Assessment panels held
9 September	Noting paper to you
12 – 23 September	Sector advised of outcomes (unsuccessful providers prioritised and transition funding offered)
26 September – 31 October	Contract development
1 November 2016	Delivery of new services start
1 November 2016 – 31 January 2017	Unsuccessful providers transitioned to non-funded sector

36 The co-design process means that we have engaged and worked closely with the budgeting services sector and other key partners. We are therefore confident that any change for providers will be to achieve benefits for people experiencing financial hardship.

There are risks involved with the transition

37 As with the introduction of any new service or programme, there are risks involved in the move to the new model. We have identified two major categories of risk:

- Risks associated with the range of new service components; and
- Risks associated with contract changes in the short term.

Risks with the new service components

38 We are confident that we can manage the risks from the range of new service components. 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.

39 We know that 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 (e.g. 'tick box' type budgeting advice) that don't properly engage with customers or help them move to financial capability.

40 A significant proportion of the sector does not receive MSD budgeting services funding. We will work with any current providers who are not successful in the tendering process to help them make the transition to the non-funded sector.

41 Examples of these types of risks that we have identified and the way we intend to manage them are shown in Appendix Four.

Risks with contract changes in the short term

42 We currently have contracts with 164 providers to deliver budgeting services. In order to start delivering the new services from 1 November 2016, all current provider contracts for delivery of budgeting services will need to cease on 31 October 2016.

43 Those providers whose current contracts finish on 30 June 2016 will have their contracts rolled over until 31 October 2016 in order to ensure service continuity. There are 72 providers which have current contracts which end on 30 June 2017. The introduction of the new services and new contracts will mean that their current contracts will finish eight months early.

44 There are no legal ramifications arising from this. All provider contracts contain clauses to allow for contract variations provided 90 days' notice is given. We have met this requirement as all providers have been informed of the change in contract and have confirmed in writing that they have accepted the contract variation.

45 We are aware that some of the affected providers are expressing concern that their contracts will be shortened. It is to be expected that providers will be concerned that their contracts will finish earlier than they initially anticipated. All of the affected providers will be able to tender for the new contracts, but it is not possible to forecast which will be successful.

46 These concerns are likely to be exacerbated by the fact that they have little information on the new services we propose contracting for from 1 November 2016.

47 If you agree to the three new service components (Strengths-Based Financial Plans, Financial Mentors, and Group Learning and Peer-Led Supports), we will be able to provide the sector with this information.

48 This will enable providers to assess their alignment with the new services and whether they will tender for the new contracts. It will also enable us to progress the development of the tender documents and ensure the best possible procurement process before service delivery begins on 1 November 2016.

We will support the sector in the transition to the new service model

49 Following your agreement to the proposed Strengths-Based Financial Plans, Financial Mentors, and Group Learning and Peer-Led Supports, the tender for delivery of these services will open in June 2016 on the Government Electronic Tendering Services (GETS).

50 We will continue to provide regular updates to the sector. In addition we will provide service design information via video and a comprehensive information pack. This is to ensure providers get an understanding of the "why, how, what, when", the frontline services to be tendered. Providers will be able to see how the new design fits with what they are currently doing and what they may have to change. This approach replaces the roadshow that was originally proposed but which is no longer considered feasible given the timeframe available.

51 Any questions and answers will be posted on the Community Investment website to ensure that all interested parties are able to easily access updated information.

52 We intend to be as responsive as possible to the needs of providers during the transition to the new service model. As noted earlier, we are working with the sector on the training and support providers will need to deliver the new services.

53 We anticipate being able to tell providers in late September 2016 whether or not their tenders have been successful. As noted in paragraph 22 (above), in order to help unsuccessful providers to transition their clients to other services, and to smooth their exit from the funded sector, we are investigating providing transitional funding. This would provide for continuation of service delivery until 31 December 2016 and

would be funded from the $3.8m set aside for delivery of the seven service components.

54 Until the tender process is completed, we will not know how many providers will need the transitional funding. Any transitional funding provided would be released in November 2016.

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

55 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.

56 More information on the 'Increasing Financial Capability for New Zealanders Experiencing Hardship' services will be provided in a final report to you for your approval.

File ref: REP/16/3/309

Appendices

1 Customers' stories

2 Key service components

3 Risks and mitigations

Appendix One

Customers' stories

Four stories showing current customers' experience and the improved future state are attached as A3 fold-outs.

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

Appendix Two

Key service components

1 Strengths-based financial plan	A tool (available either on paper or electronically) 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 learning and peer-led supports	Group and peer-led support sessions to share and learn about money and influence positive behaviour change. Most service providers offer some form of customer learning group/peer support but there is currently no consistent approach to how and what is delivered. 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 Commencing standardised Work and Income referral practice guidelines	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 suite 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 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 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 will allow customers 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 local communities that understand the needs of people experiencing hardship.

Appendix Three

Risks and mitigations

Some examples of the risks that we have identified, and the way we intend to manage them are as follows:

Risk	Mitigations
Providers won't be able to deliver the new services properly	We are working with the sector on the workforce training and capability-building that will be needed to deliver the new service design model. We expect that there are providers who are already providing some or most aspects of the financial mentor approach. Many have told us that they already do more than budgeting
Current providers will resist the new approach	The co-design process has shown that there are providers have been working with their customers in ways that are consistent with the new service design. The proposed new services have been discussed with providers and customers who have given positive feedback on them.
Current providers will exit the sector	There will be some providers who cannot or do not want to deliver the new services and they may leave the funded sector. However, there are likely to be individuals or NGOs that aren't currently providing budgeting services but who apply to become providers because they are excited by the new approach.
Customers won't like the new services offered	We think this is a relatively small risk. As part of the co-design process, we have talked to customers and have incorporated what we heard from them. They have told us that they want to be empowered, learn to manage their finances, set goals and make long-term, sustainable changes. They want to be able to access the right support, knowledge and tools at the right time. We consider that these needs will be met through the new services.
The new services won't achieve the results that we think they will	We are taking a continuous improvement approach in development and implementation. Changes will be made if we find the results that we want aren't being achieved. For this reason, we will be setting up an evaluation process to monitor whether the desired results are being achieved and customers' financial capability is improving.
The volunteers who help to provide budgeting services will be alienated and leave the sector	We know that volunteers are an important part of the budgeting services sector, particularly in rural areas. As part of our work on workforce training and capability-building, we will look at the needs of volunteers in transitioning to the new financial capability service model. During the co-design process there were volunteers who told us that they wouldn't be able to deliver the new services, but who changed their minds once they understood the benefits for customers and that for many providers, it was building on existing practice.

Aide-mémoire

Meeting

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Date: 2 June 2016 **Security Level:** IN CONFIDENCE

For: Hon Jo Goodhew, Associate Minister for Social Development

File Reference: REP/16/6/643

Building Financial Capability Funding Allocation Model

Meeting details

5pm, Tuesday 7th June 2016

Expected attendees

Murray Edridge

Purpose of meeting

To brief Minister Goodhew on the funding allocation model for Building Financial Capability (BFC) services.

Background

Historically, Budget Services did not have an overarching, targeted funding allocation approach. This created:

- inconsistency in the level of investment in each region,
- duplication of services in some regions, and
- inconsistencies in the reported data.

The co-design process has created the opportunity to redistribute the funding fairly and transparently across New Zealand.

Building Financial Capability

F2017 will act as a transition year as four of the eleven BFC service delivery components will be implemented from 1 November 2016. These are the core face-to-face service delivery components (face-to-face services), and includes Financial Mentors, MoneyMates, a Strengths-Based Financial Plan and the implementation of Work and Income referral practice guidelines.

The allocation of funding for these face-to-face services is impacted by two factors:

- The re-distribution of face-to-face services funding based on the funding allocation model.
- Increased investment in specialist services which aim to improve the targeting and effectiveness of face-to-face services. This leads to reduced funding available to local providers delivering the face-to-face services.

The current baseline for Budget Services is 9(2)(b)(ii) In the new model, 9(2)(b)(ii) will be used to fund the face-to-face services, with the remaining 9(2)(b)(ii) to fund the development and provision of the specialist services. For more details, see Appendix One.

Key Points

The proposed new funding allocation model will ensure that the Ministry is investing in the areas of greatest need for BFC services. It is consistent with Government's social investment approach, as it is an evidence-based investment model developed in conjunction with sector representatives. PricewaterhouseCoopers (PWC) have endorsed the model as data-driven and transparent.

Under the BFC model:

- Christchurch, Auckland Central and Auckland West Community Response Forums (CRFs) will receive increases in face-to-face services allocation.
- The remaining 11 CRFs will have reductions in their their face-to-face services allocation. For more details, see Appendix Two.

9(2)(b)(ii) [redacted]

- However, both of these areas will continue to have among the highest rates of investment per capita, reflecting their high levels of need. For more details, see Appendix Three.

The allocation model is derived from:

- Nine data indicators that reflect the need for BFC services, including income levels, emergency hardship grants, single parent families and Māori and Pacifica populations.
- Weightings which are applied to each factor to express its relative importance in determining the need for BFC in each CRF region. For more details, see Appendix Four.

Significant quality assurance, sensitivity analysis and testing was completed to ensure the model is robust.

The methodology was approved by PWC who stated that 'the highest quality available data appears to be used in all cases and the proposed model captures the widest picture of demand when compared with the alternatives'.

Ensuring local distribution

Providers for the delivery of the face-to-face services will be selected through a series of regional open, competitive tenders. The tender process will ensure small communities, with high need, within the CRFs are targeted by ensuring:

- local representation on the panels, to provide localised knowledge and expertise in the decision making. This includes Work and Income representatives to ensure the availability of services to support hardship grant referrals
- that supporting information illustrates pockets of high need determined through the analysis of the needs indicators
- the final distribution of funding covers the areas of greatest need, through a national moderation process.

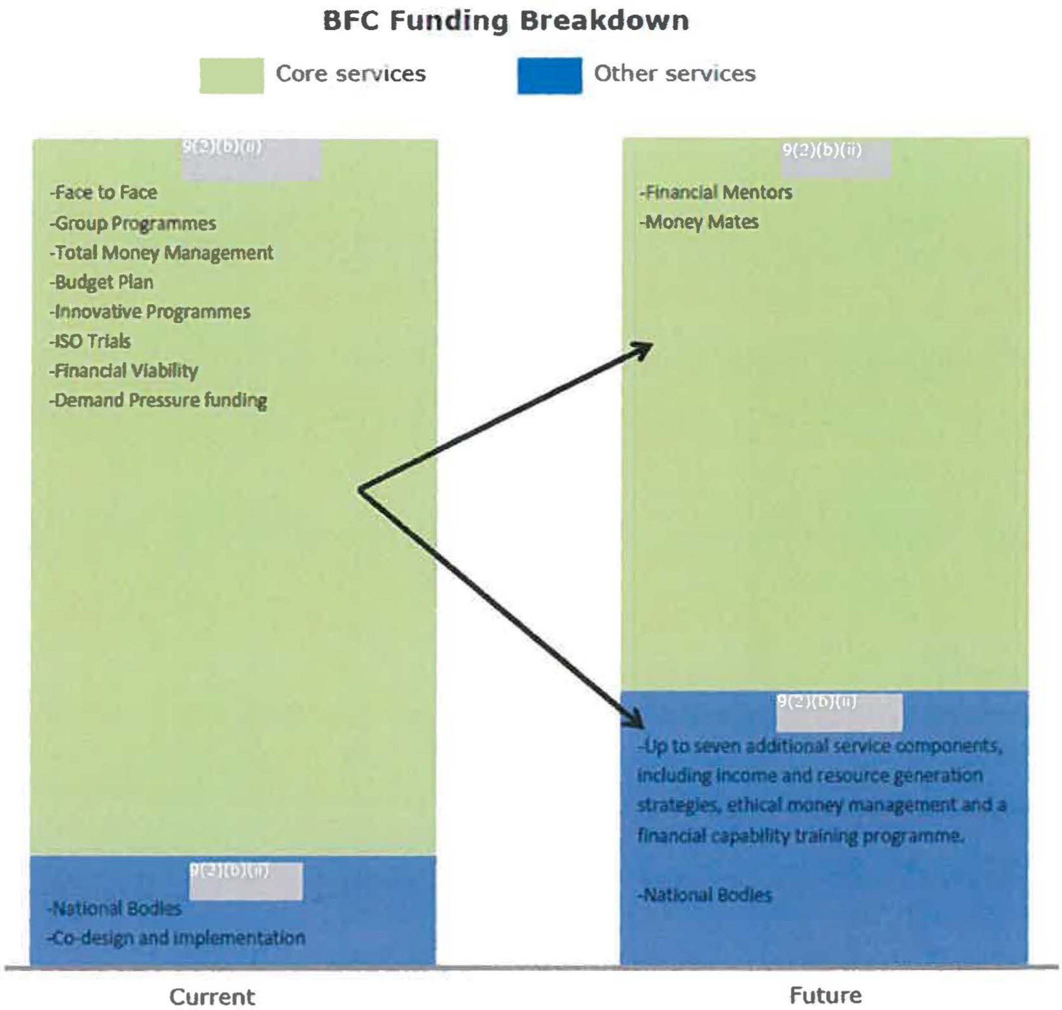
Appendix One - Current versus future funding for services

The current appropriation for Budget Services is 9(2)(b)(ii). In the current financial year (2015/16), 9(2)(b)(ii) has funded frontline service delivery and 9(2)(b)(ii) has been used to facilitate the co-design process, implement the new service delivery model, and provide support for national bodies.

In the first full year of operation for the BFC service (2017/18), we anticipate that 9(2)(b)(ii) will be used to fund the face-to-face services. This will be distributed using the new funding allocation model.

The remaining 9(2)(b)(ii) of the appropriation will be used to transition any providers who are unsuccessful in the tender process, and also fund the development and provision of the specialist service components. It is possible that once the specialist service components are developed, we will be able to purchase some of them from local providers in each CRF region. In these cases, we would apply the allocation model to the relevant funding.

High-level breakdown of current versus future funding for BFC service components



Under the BFC service, there will be more purposeful engagement with clients and those most at need will be more accurately targeted. In addition, the standardised non-frontline service components will improve the ability of frontline providers to focus on provision of the face-to-face services.

Appendix Two - Regional implications of the Funding Allocation

The new funding allocation model will change the regional distribution of funding for face-to-face services. This is because funding will be allocated based on need rather than historical contracting decisions. The table below shows the regional distribution of funding under the new funding allocation in the first full year of operation (2017/18), as compared to the current distribution of funding.

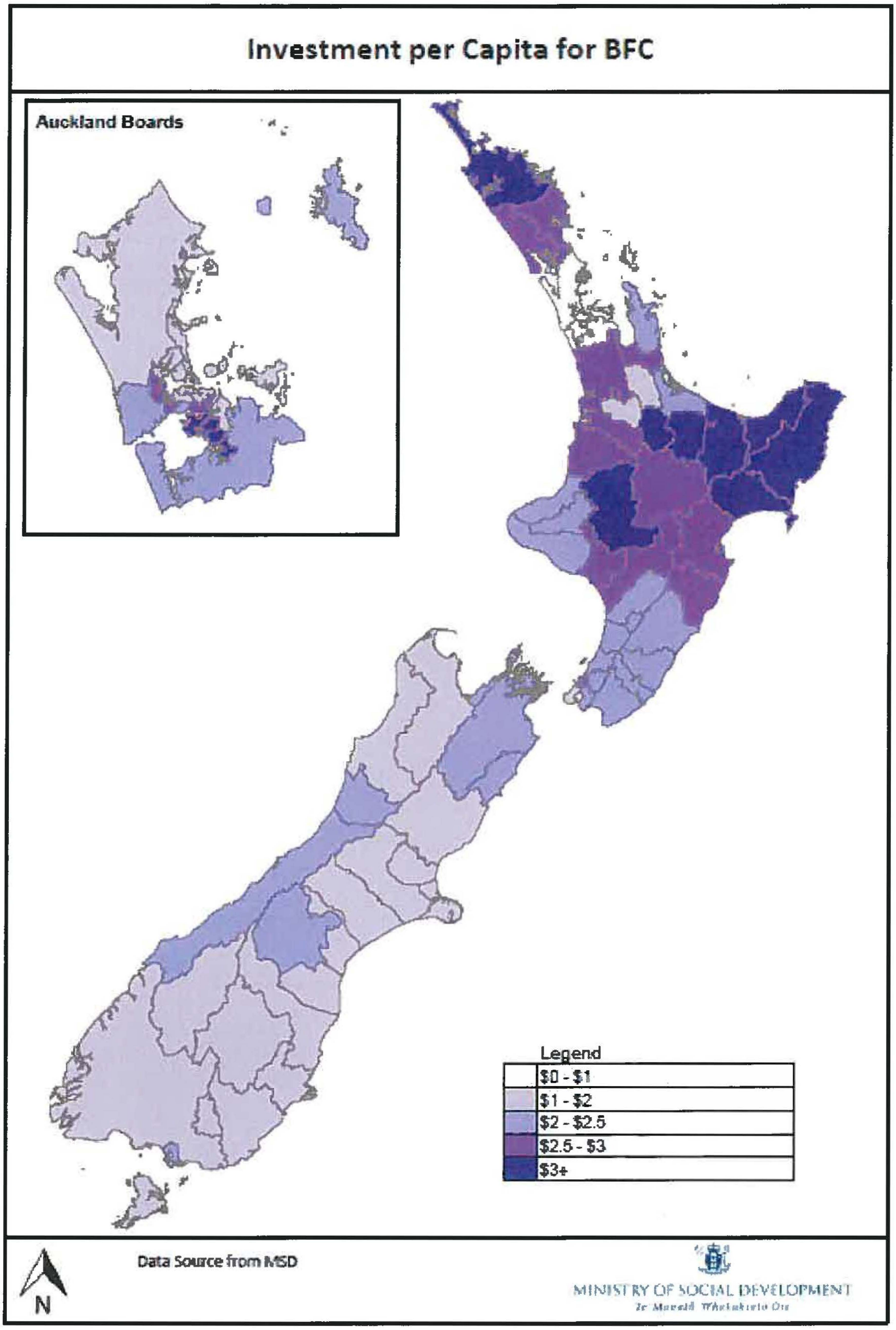
'Total funding for other services' incorporates the specialist, which includes services such as national bodies and financial capability training. More service components have been shifted into this form of purchasing to enable improved targeting and effective service provision.

9(2)(b)(ii)

[redacted]

While there are significant reductions in the levels of allocation for some regions, the levels of Investment per Capita still remain some of the highest, reflecting their high levels of need.

Appendix Three 9(2)(b)(ii)



Appendix Four - The Allocation Model

The new model will distribute the funding for face-to-face services based on nine population indicators. These indicators measure the key factors that underlie the need for BFC services in each CRF. Weightings have been given to each indicator to express their relative importance in determining demand for BFC services. The indicators used, and their weightings are as follows:

Table One: Population indicators of need and their associated weightings

Population Indicators	Weightings
Number of families earning less than $50,000 per annum	22.5%
Number of Hardship Emergency Grants, including Special Needs Grants	20.0%
Maori Population from the 2013 census	15.0%
Number of single parents with dependent child(ren)	12.5%
Number of families receiving Working for Families Support	10.0%
Pasefika Population from the 2013 census	7.5%
Number of clients receiving an Accommodation Supplement Benefit	5.0%
Number of people who experienced personal insolvency	5.0%
Number of people aged 20-24 with no qualifications	2.5%
	100.0%

These indicators were selected out of a total of 46 possible indicators on the basis of comprehensive research and analysis.

Explaining the Indicators and their Weightings

The number of families earning less than $50,000 per annum was assigned the highest weighting as the most relevant overarching factor of our target group.

Two out of five children in income poverty come from families where at least one adult is in full-time employment. Therefore it is critical the model captures the working poor as well as the most deprived.

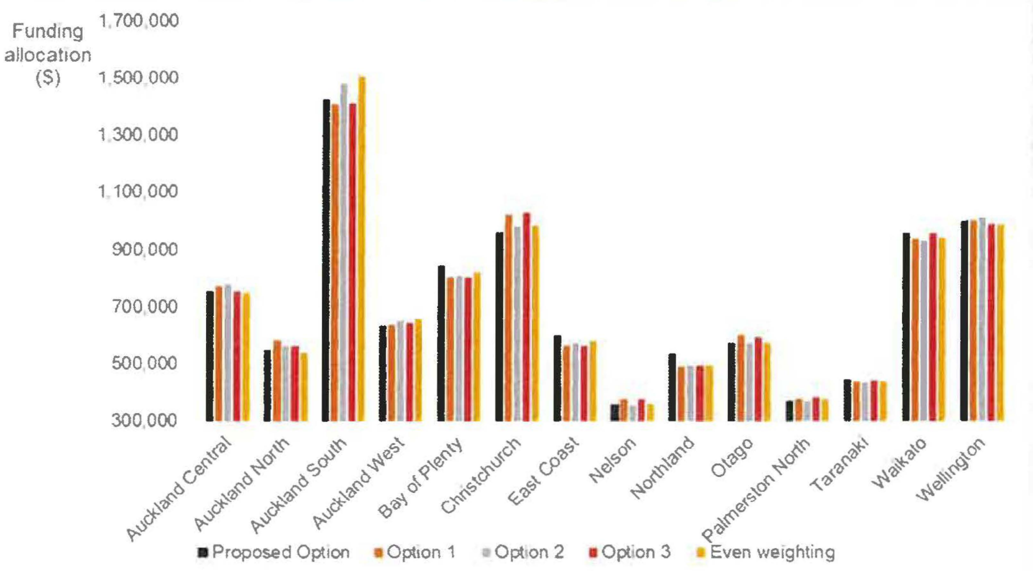
The number of Hardship Emergency Grants captures the cohort of people not living within their expected means, and who therefore could benefit from BFC services.

Work and Income refer these people to BFC services. In order to receive their third hardship grant, people must undertake a compulsory budgeting activity. In recognition of this direct referral pathway and the strong correlation to the need for BFC services, this indicator was assigned a high weighting of 20%.

The other indicators were weighted to reflect the extent that cohorts were overrepresented in the data and research. For example, the Federation report that a significant number of their customers are current beneficiaries. For this reason, we have included comprehensive means tested benefit indicators, such as Working for Families and Accommodation Supplements.

Various weightings scenarios were considered. The graph below illustrates the similarity of the allocation between each of the considered scenarios. This illustrates the low risk in our choice of selected weightings, as each scenario delivers a very similar result.

Figure 1: Funding allocation based on indicator weighting options



Source: MSD and PWC

Quality assurance

PWC were contracted to assess this new funding allocation methodology and approach. They concluded the model is "logical and data-driven" and that "including providers in co-design workshops has helped clearly define the target population, providing useful insights for the selection of indicators." This aligns with the transparent, evidenced-based, partnership approach to contracting through the Community Investment Strategy.

A sensitivity analysis was also conducted on the model, which did not raise any significant concerns about underlying data or framework. PWC concur stating "the highest quality available data appears to be used in all cases and clearly cited."

As well as testing other indicators and weightings within this allocation model, other models were also considered, but disregarded, due to their irrelevance to BFC, lack of sufficient supporting data or greater associated risks. PWC states, "the alternative options individually address some of the concerns in the proposed model but no alternative addresses them all. The proposed model captures the widest picture of demand when compared with the alternative.

Sources of Information

- Procurement Workshop with sector representatives held in March 2016
- Co-design consultation process
- Inland Revenue
- Ministry of Economic Development
- Statistics New Zealand
- Ministry of Justice
- Work and Income
- the New Zealand Federation of Family Budgeting Services
- the Deprivation Index
- The Ministry's 2014 'Review of Budgeting Services'

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

New Funding Allocation Model for the Building Financial Capability Service

Date: 20 June 2016 **Report no.:** REP/16/6/722

Security level: IN CONFIDENCE **Priority:** High

Action Sought

Hon Jo Goodhew

Associate Minister for Social Development Note & agree

Contact for telephone discussion

Name	Position	Telephone	1st Contact
Murray Edridge	Deputy Chief Executive, Community Investment	[redacted]	☑
Peter Galvin	General Manager Community Outcomes & Services		

Report prepared by: Gordon McKenzie, Manager Planning and Performance

Minister's office comments

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

Comments

Date received from MSD

Date returned to MSD

4/7/2016

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Report

Date: 15 June 2016 **Security Level:** IN CONFIDENCE

To: Hon Jo Goodhew, Associate Minister for Social Development

CC: Hon Anne Tolley, Minister for Social Development

New Funding Allocation Model for the Building Financial Capability Service

Purpose of the report

1 This report seeks your agreement on the regional funding allocation model for the Building Financial Capability service.

Recommended actions

It is recommended that you:

1 **Note** that Budget Services [redacted] has been reconfigured into the Building Financial Capability programme using a co-design process.

Agree / Disagree

2 **Note** that as a part of the development of the Building Financial Capability programme a more equitable, evidence-based regional funding allocation model has been developed, which has been reviewed and endorsed by PricewaterHouseCoopers.

Agree / Disagree

3 **Agree** to the implementation of the proposed regional funding allocation model for the core face-to-face services of the Building Financial Capability programme from 1 November 2016.

Agree / Disagree

4 **Note** that the Community Response Forum regional boundary areas of Christchurch, Auckland Central and Auckland West will get increases in their funding allocation for core face-to-face services, while Taranaki, Auckland North, Wellington, Nelson, Palmerston North, Auckland South, Waikato, Otago, East Coast, Northland and Bay of Plenty will have theirs reduced.

Agree / Disagree

5 **Note** that we are using an open, contestable tender process to implement the funding allocation model, meaning all providers will have a fair opportunity to apply for the available funding.

Agree / Disagree

6 **Direct** the Ministry of Social Development to provide you with the outcomes of the tender process prior to communication with the sector.

Agree / Disagree

7 **Note** that upon agreement, additional communications and key messaging will be provided to the sector to explain the shifts in funding and the new allocation model.

Agree / Disagree

Murray Edridge
Deputy Chief Executive
Community Investment

19 June 2016
Date

Hon Jo Goodhew
Associate Minister for Social Development

28/6/16
Date

Background

2 The Budget Services programme has been reconfigured into Building Financial Capability (BFC) through a process of co-design with sector stakeholders. This has created the opportunity to rethink the regional allocation of funding across New Zealand to develop a more targeted, transparent and equitable allocation mechanism that will be more consistent with the Community Investment Strategy and the Investment Approach.

3 Historically, Budget Services did not have an overarching, targeted funding allocation approach. Lack of quality data also meant the Ministry of Social Development (the Ministry) could not make evidence-based decisions. Therefore funding tended to be allocated in an ad hoc manner based on previous contracts and funding agreements.

4 This ad hoc approach has created inconsistency in the level of investment in each region (relative to need) with under-investment in some regions, and duplication of services in others.

BFC will be clearer and better targeted than Budget Services

5 The new BFC service has eleven service components, which will clarify the service delivery requirements and enable better targeting of services towards our target client group.

6 Four of the components make up the core service delivery. Two of these are core face-to-face services: Financial Mentor and MoneyMates (group/peer led support). These will be purchased from the provider sector.

7 The remaining two core components are a Strengths-Based Financial Plan and the implementation of Work and Income referral practice guidelines, including standardised pathways for communications and referrals.

8 Up to seven additional service components will be developed over the coming year.

The implementation of BFC will mean changes to the distribution of funding.

9 Providers for the delivery of the two core face-to-face services will be selected through a series of regional open, competitive tenders. The tendering process commenced on 1 June 2016 and will be implemented on 1 November 2016.

10 9(2)(b)(ii) [redacted]

11 In the current financial year (2015/16), [redacted] has funded frontline service delivery and [redacted] has been used to facilitate the co-design process, implement the new service delivery model, and provide support for national bodies.

12 The 2016/17 financial year will be a transition year, with current 2015/16 frontline services extended for four months. From 1 November 2016, the new BFC model will be implemented for the remaining eight months. The frontline service delivery funding will be pro rata'd accordingly, meaning a total value of [redacted] will be invested in frontline service delivery in the transition year. The remaining [redacted] will be used to develop additional BFC service components and provide transitional funding for unsuccessful providers, if necessary.

13 In the first full year of operation for the BFC service (2017/18) [redacted] will be used for the core face-to-face services. The remaining [redacted] will be used for the additional BFC service components which will support and enhance the ability of frontline providers to focus on the core face-to-face services.

The implementation of BFC has allowed us to develop a funding allocation model to target investment based on need

14 Due to the inequities in the current distribution of Budget Services funding, a new allocation model is needed to ensure funding is invested fairly, consistently and transparently, and remove duplication and over and under supply.

15 The new funding allocation model (the Model) will ensure funding is invested in the areas of greatest need. The overall aim is to ensure clients of the same need profile can to access BFC services in every region. This will ensure the Ministry meets its obligation to provide services to those most at need, and will eliminate any duplication of service provision.

16 The Model is aligned to the Community Investment Strategy's principles to use transparent, equitable and evidence-based investment approaches.

17 The Model was developed in conjunction with relevant business units across the wider Ministry, including Work and Income to ensure it will meet the needs of their clients. We also incorporated feedback from the budgeting services sector and a regional working group.

18 PricewaterHouseCoopers (PWC) endorsed the methodology, describing it as "based on a tested, Deprivation Index-based framework that is data-driven and transparent". They stated "the proposed model captures the widest picture of demand when compared with alternatives."

Determining the need in each Community Response Forum Region

19 Regional needs and current funding allocation was mapped across the fourteen Community Response Forum regions (regions).This will allow for localised tenders and increased engagement with communities.

20 The Model will distribute the funding for core face-to-face services based on nine population indicators. These nine indicators measure the key factors that underlie the need for BFC services in each region:

Bowen State Building, Bowen Street, PO Box 1556, Wellington – Telephone 04-916 3300 – Facsimile 04-918 0099