

*Table Two: Population indicators of need*

<b>Population Indicators</b>
Number of families earning less than \$50,000 per annum
Number of Hardship Emergency Grants, including Special Needs Grants
Maori Population from the 2013 census
Number of single parents with dependent child(ren)
Number of families receiving Working for Families Support
Pasefika Population from the 2013 census
Number of clients receiving an Accommodation Supplement Benefit
Number of people who experienced personal insolvency
Number of people aged 20-24 with no qualifications

- 21 The Model uses these indicators to express the relative level of need for BFC services in each region. This informs the proposed levels of investment, ensuring equal availability to BFC services for clients with the same need profile.
- 22 These indicators were selected from a total of 46 possible indicators on the basis of comprehensive research and analysis. We got qualitative information on the needs of budgeting services clients from the co-design process and from a Procurement Workshop with sector representatives held in March 2016.
- 23 Quantitative data has been used to support the qualitative information. This includes data from Inland Revenue, the Ministry of Economic Development, Statistics New Zealand and the Ministry of Justice.
- 24 We have also used comprehensive data from Work and Income, the New Zealand Federation of Family Budgeting Services, and supporting information from the Deprivation Index and the Ministry's 2014 'Review of Budgeting Services.'
- 25 A sensitivity analysis was 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."

### **A more equitable regional allocation will change the size of the funding pool available in each region**

- 26 The Model will change the regional distribution of funding for core face-to-face services (some will get more, some less). This is because it will be allocated based on need, rather than historical contracting decisions.
- 27 The new model has rationalised the distribution of funding to ensure that all areas of need are receiving equivalent levels of investment. A key indicator of this rationalisation is the investment per capita in each region, pre and post the application of the Model.
- 28 Christchurch, Auckland Central and Auckland West regions will receive increases in funding as the data analysis shows that levels of need are higher in these regions than the funding received previously.
- 29 The other regions will have funding for core face-to-face services reduced. This is due to both the impact of the Model and the transfer of some funding from frontline services into the additional service components. This is designed to improve the targeting and effectiveness of face-to-face service provision.

- 30 The largest reductions in funding will be in the Northland and Bay of Plenty regions because these regions have previously had over-investment and service duplication. This over investment is evidenced by their significantly higher investment per capita. Based on the current allocation of funding Northland's current per capita investment is [REDACTED] Post the application of the Model this will reduce to a more consistent level, however, they will continue to have among the highest rates of investment per capita, to reflect the levels of need in that region.
- 31 For more detailed information, see Appendix One.

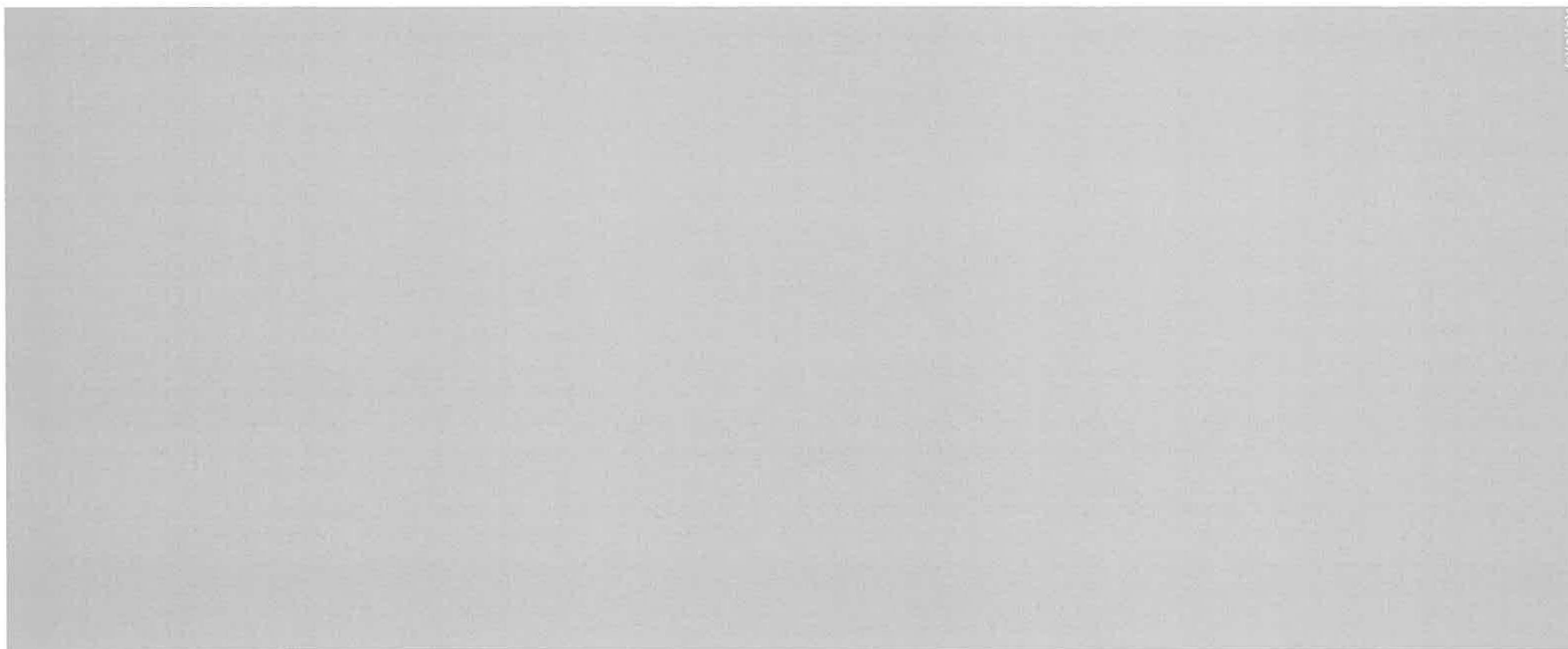
**A tender process will be used to ensure all providers will have an equal opportunity to apply for funding**

- 32 While the Model distributes funding by Community Response Forum regional boundaries, the locally run tender panels will target smaller, local communities within those regions.
- 33 The tender panels are regionally led, so that local representation provides 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 and community leaders.
- 34 The tender panels will be given supporting information that illustrates the pockets of high need within each region. This will ensure the needs of small communities are clearly identified for panel members and incorporated into their decision making.
- 35 A purchasing and pricing model has also been developed for the core face-to-face services. This is a session-based model with a universal rate per session and will be implemented from 01 November 2016 in conjunction with the allocation of funding.
- 36 The new purchasing and pricing model will be applied to the funding allocated to each region, giving a total number of available sessions per region. Panel members will have an understanding of how many sessions will be available in their region and can take this into consideration when making their recommendations.
- 37 While the tender process and localised decision making will ensure that all providers have an equal opportunity to apply for funding, some providers may not be successful in securing funding. This is particularly likely in regions where there has been overinvestment and duplication. Due to this, the outcomes of the panels will be shared with you prior to communication with the sector.
- 38 Upon agreement of the Model, messaging which explains the refocus of the funding and the Model will be made publically available.

## Appendix One - Regional implications of the Model

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

'Total funding for other services' incorporates services that will be delivered by a small number of providers, including national bodies and financial capability training. More services have been shifted into this form of purchasing to enable improved targeting and effective service provision.



While there are significant reductions in the levels of allocation for some regions, the levels of investment per capita in these regions remain some of the highest. This reflects that the Model has still captured the relative high needs of these regions.







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

**Building Financial Capability: The outcome of the procurement process, and the transitional funding arrangements**

**Date:** 23 September 2016

**Report no.:** REP/16/9/1137

**Security level:** In confidence

**Priority:**

**Action Sought**

**Hon Jo Goodhew**

Note

Associate Minister for Social Development

**Contact for telephone discussion**

Name	Position	Telephone	1st Contact
Bryan Wilson	Associate Deputy Chief Executive Community Investment	(b)(3)(c)	<input checked="" type="checkbox"/>

**Report prepared by:** (b)(3)(c) Senior Analyst, QPI

**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**



# Report

**Date:** 23 September 2016

**Security Level:** IN CONFIDENCE

**To:** Hon Jo Goodhew, Associate Minister for Social Development

**CC:** Hon Ann Tolley, Minister for Social Development

## **Building Financial Capability: Outcome of the procurement process, and transitional funding arrangements**

### **Purpose of the report**

- 1 The purpose of this report is to brief you on the outcome of the procurement process for Building Financial Capability services, and the transitional funding arrangements that will be made for unsuccessful providers.

### **Recommended actions**

It is recommended that you:

- 1 **Note** that Community Investment has finished assessing 219 proposals from 177 providers or provider collectives for the new Building Financial Capability services. **Yes / No**
- 2 **Note** that 117 providers or provider collectives will be offered contracts to provide the new Building Financial Capability services from 1 November 2016. **Yes / No**
- 3 **Note** that transitional funding will be available for providers that will either receive no funding or reduced funding as a result of the Building Financial Capability procurement process. **Yes / No**
- 4 **Note** that the transitional funding is to enable affected providers to move their clients to other providers between 1 November 2016 and 31 January 2017. **Yes / No**
- 5 **Note** that providers are anxious to find out the outcomes of the procurement process, which we will start communicating after the meeting with you on 5 October 2016 **Yes / No**

Bryan Wilson  
Associate Deputy Chief Executive  
Community Investment

23/9/16  
Date

Hon Jo Goodhew  
Associate Minister for Social Development

Date

## Background

- 2 The Ministry of Social Development (MSD) allocates 9(3)(b)(ii) per annum to budgeting services across New Zealand.
- 3 Through a co-design process, changes have been made to Budgeting Services, which have been re-designed as the Building Financial Capability (BFC) service.
- 4 In April 2016, we advised you that the 2016/17 budgeting services appropriation of 9(2)(b)(ii) would be invested as follows:
  - 9(2)(b)(ii) for front-line delivery of core services
  - 9(2)(b)(ii) for the development and delivery of other BFC services, and transitional funding (if required)<sup>1</sup>.
- 5 From 1 November 2016, three core service components for the new BFC service will be provided. Two of these are face-to-face services:
  - Financial Mentors and
  - MoneyMates (group/peer led support).

These will be purchased from the provider sector, and will be supported by the third service component: the Strengths-Based Financial Plan which we are developing and will provide to the sector.

- 6 The fourth component that will come into operation from 1 November 2016 is a standardised Work and Income referral and communication pathway.
- 7 Up to seven additional BFC service components will also be developed. Some of them may be merged, expanded or removed as part of the on-going development process and whether they are viable and/or suitable for our target customers. These additional service components include income and resource generation strategies, ethical money management and a financial capability training programme.

## The procurement process

- 8 The open and competitive tender for the new BFC service closed on 30 June 2016. 219 proposals were received from 177 providers or collectives<sup>2</sup>. The proposals were evaluated and scored by eleven regional panels consisting of representatives from the local community and regional MSD staff.
- 9 Due diligence checks were done on all the providers in order to answer the following questions:
  - Is there evidence that the provider is trusted by, and engaged in their community?
  - Does the provider demonstrate cultural responsiveness and effectiveness?
  - Where there have been previously been issues with the provider's contractual obligations, have these been resolved in a timely and co-operative way?
- 10 Community Investment Regional Managers then made regional funding recommendations based on the outcomes of the regional panels, the due diligence information and relevant local level information.
- 11 A national moderation panel reviewed the Regional Managers' recommendations to ensure that there would be no gaps or duplication and that there would be appropriate cultural responsiveness. Provider viability and mitigation of risks were also taken into consideration.

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<sup>1</sup> REP/16/3/309 refers

<sup>2</sup> Some providers submitted proposals for delivery in more than one region.

- 12 Of the 177 providers or provider collectives that submitted proposals, 117 were successful and 60 were unsuccessful. In 2015/16, MSD funded 164 Budget Services providers across New Zealand.
- 13 The successful providers will be offered contracts covering two years and eight months (1 November 2016 – 30 June 2019). Appendix One sets out the full list of providers, and the amount of funding they will receive in each financial year.

### **New providers will be offered BFC contracts**

- 14 Historically, Budget Services contracts were offered based on previous contracts and funding decisions, meaning that there was a tendency for the same providers to be offered contracts in each contracting round.
- 15 The BFC Request for Proposals (RFP) was openly advertised, enabling any interested providers the chance to apply, regardless of whether they had previously held MSD contracts for delivering Budget Services. Going to the open market is an important way of encouraging efficiency and innovation in service provision as it enables new providers to enter the sector.
- 16 In each region, there are “old” providers<sup>3</sup> that either were not successful, or that will be offered reduced funding, and “new” providers that will be offered contracts.
- 17 Factors that may have contributed to the outcome of each provider’s proposal include:
  - The strength of their proposal
  - Past performance in delivering Budget Services
  - Connections in, and knowledge of the local community
  - Whether their practice is culturally appropriate given the local demographics
  - Community Investment’s analysis of geographical gaps and service duplication
  - The new funding allocation model, which is designed to ensure BFC funding is invested in the areas of greatest need<sup>4</sup>.

### **Ensuring appropriate geographic coverage**

- 18 The procurement process was designed so that local services will be provided by local people. In order to submit a proposal, we required providers to already be providing some type of service in the geographical area they applied in. The RFP also contained questions to identify the specific delivery areas, and the extent to which the provider was culturally relevant and responsive to the local community.

### **Transitional funding arrangements**

- 19 Any procurement process that is undertaken in the open market will result in winners and losers. In addition to providers which will receive funding increases, as noted earlier, there are providers that will either receive no funding for provision of BFC services, or reduced funding. This may mean a reduction in the number of clients they can provide services to.
- 20 Transitional funding (amounting to three months’ worth of their 2015/16 funding) will be made available to affected providers in order to enable their clients to be moved to other BFC providers between 1 November 2016 and 31 January 2017. This

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<sup>3</sup> Providers which were funded by MSD for Budget Services in 2015/16.

<sup>4</sup> REP/16/6/722 refers



funding will be disbursed by Community Investment regional staff on a provider by provider basis.

- 21 The transitional funding will be funded from the 9(2)(b)(ii) of the 2016/17 Budget Services appropriation that is earmarked for the remaining BFC service components. We estimate that a maximum of 9(2)(b)(ii) will be disbursed as transitional funding.

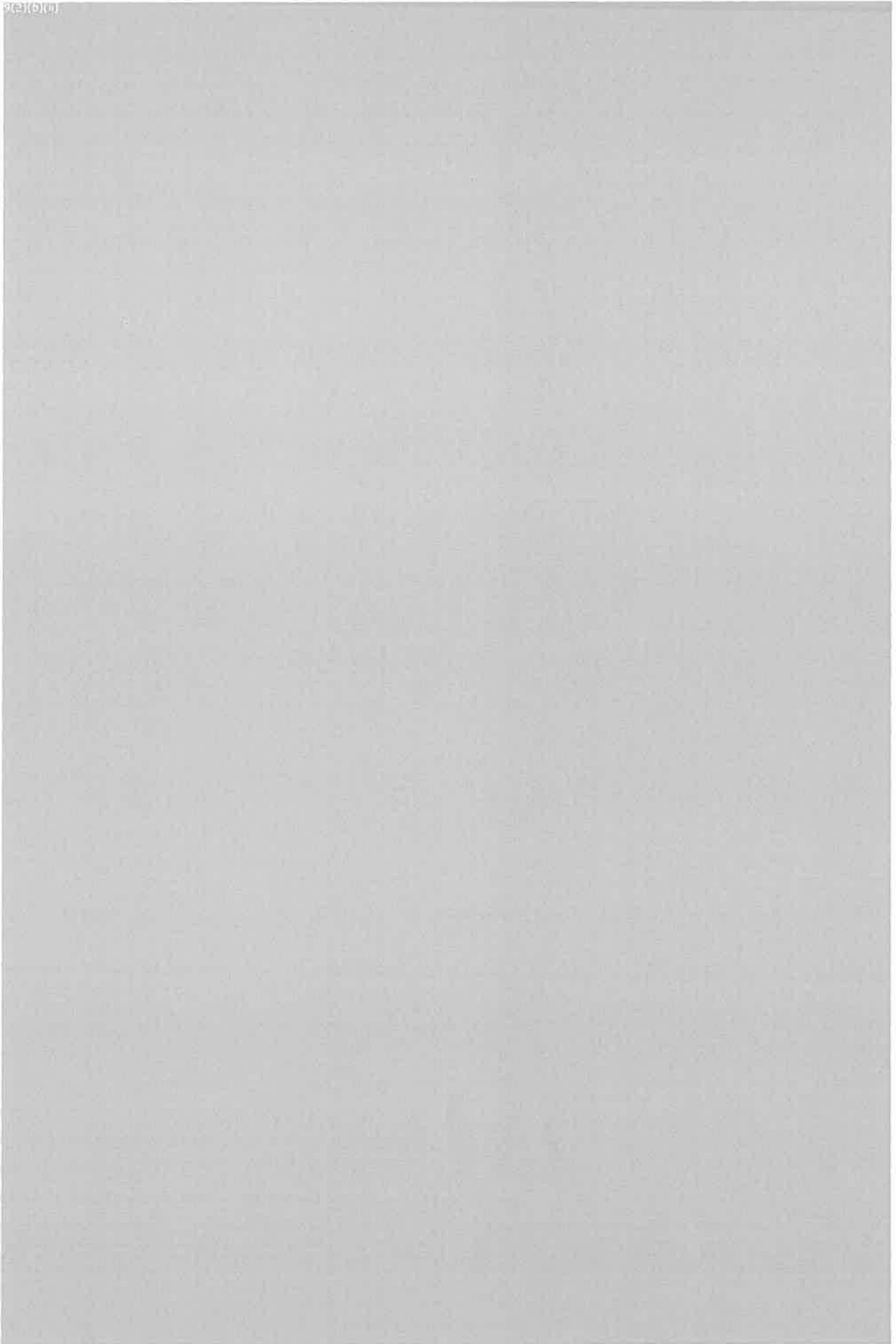
## Next Steps

- 22 Regional Community Investment staff will contact providers (verbally and in writing) to let them know whether or not their BFC proposals were successful. We have developed a communications plan to support regional staff in their conversations with providers.
- 23 Providers that were not successful will be provided with a written explanation of the strengths and weaknesses of their proposals in order to assist them with any future funding applications.
- 24 Providers are anxious to find out about the outcomes of the procurement process. Unless advised otherwise, we will not start communicating these to providers until after we meet with you on 5 October 2016.
- 25 We expect that some unsuccessful providers will seek funding from philanthropic organisations. We will discuss our assessment of demand and the results of the procurement process with Philanthropy New Zealand. If philanthropic organisations choose to provide funding to providers, we want to encourage them to support providers to adopt the new BFC approaches and tools.
- 26 As requested, we are collating information from Community Investment regional staff on our assessment of the possible impact of the procurement process on the viability of unsuccessful providers. This information will be provided to you next week.

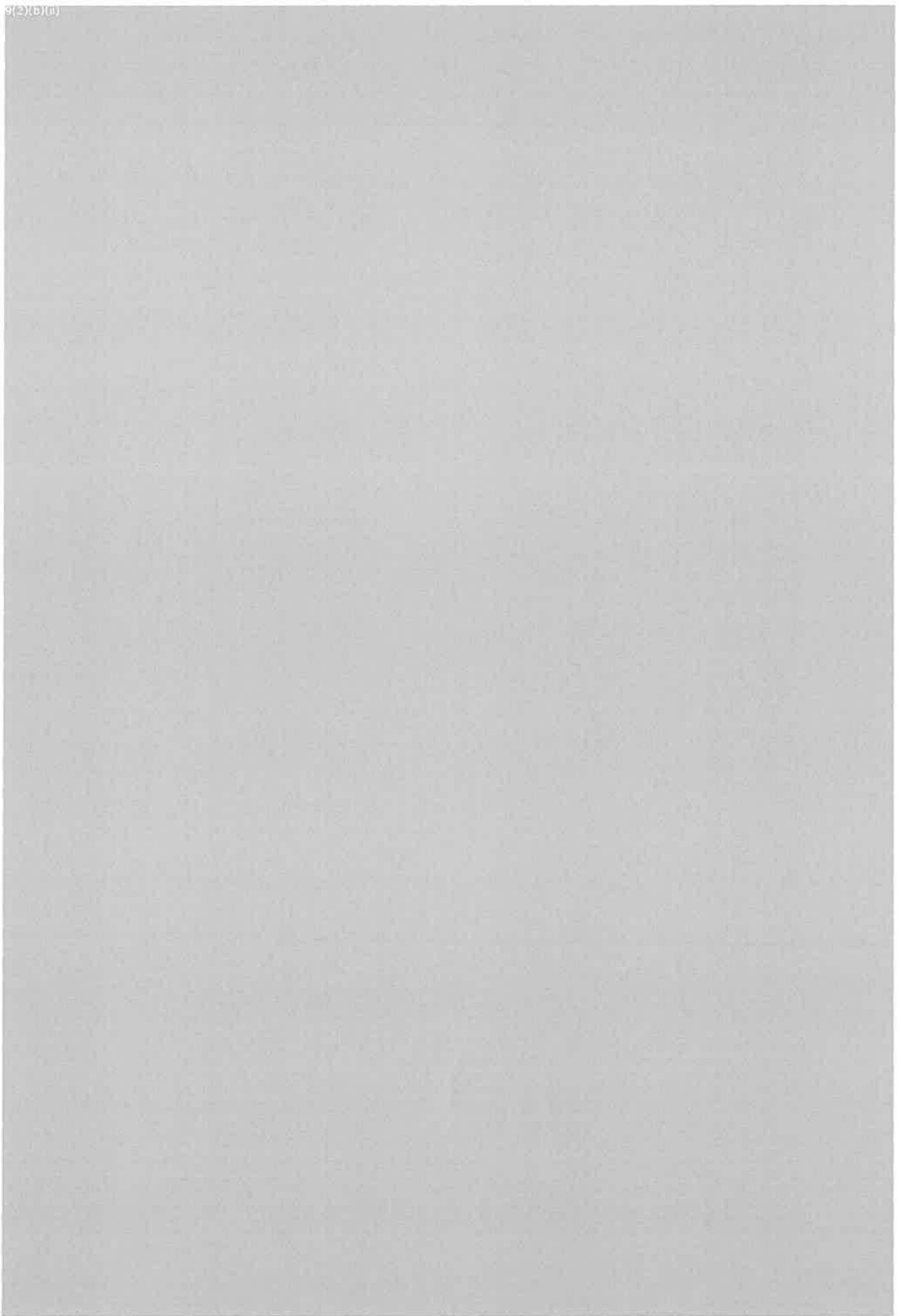
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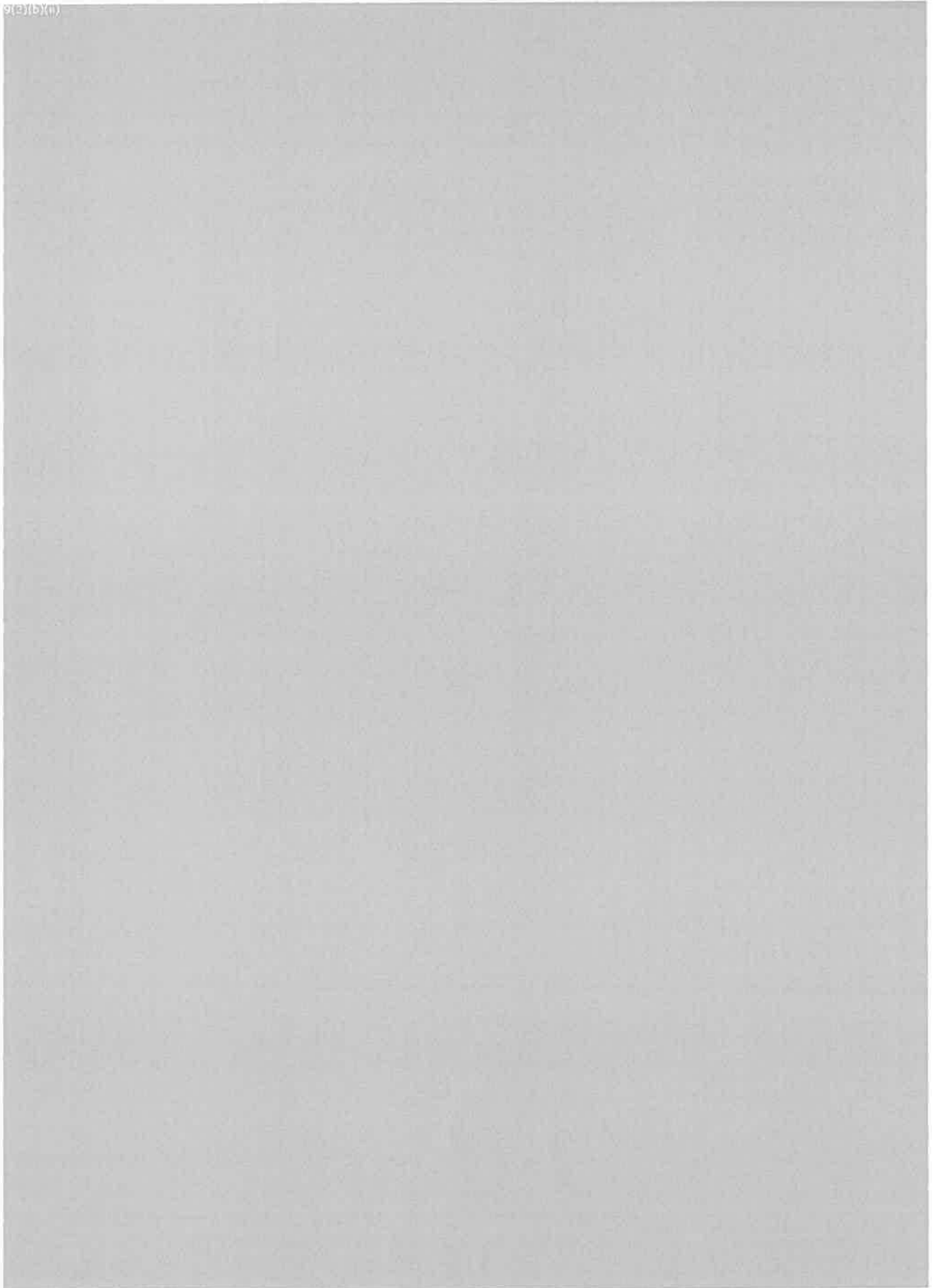
Author: Sarah Fussell-Quarmby, Senior Analyst, Operational Policy and Innovation

On behalf of: Gordon McKenzie, Manager, Planning and Performance

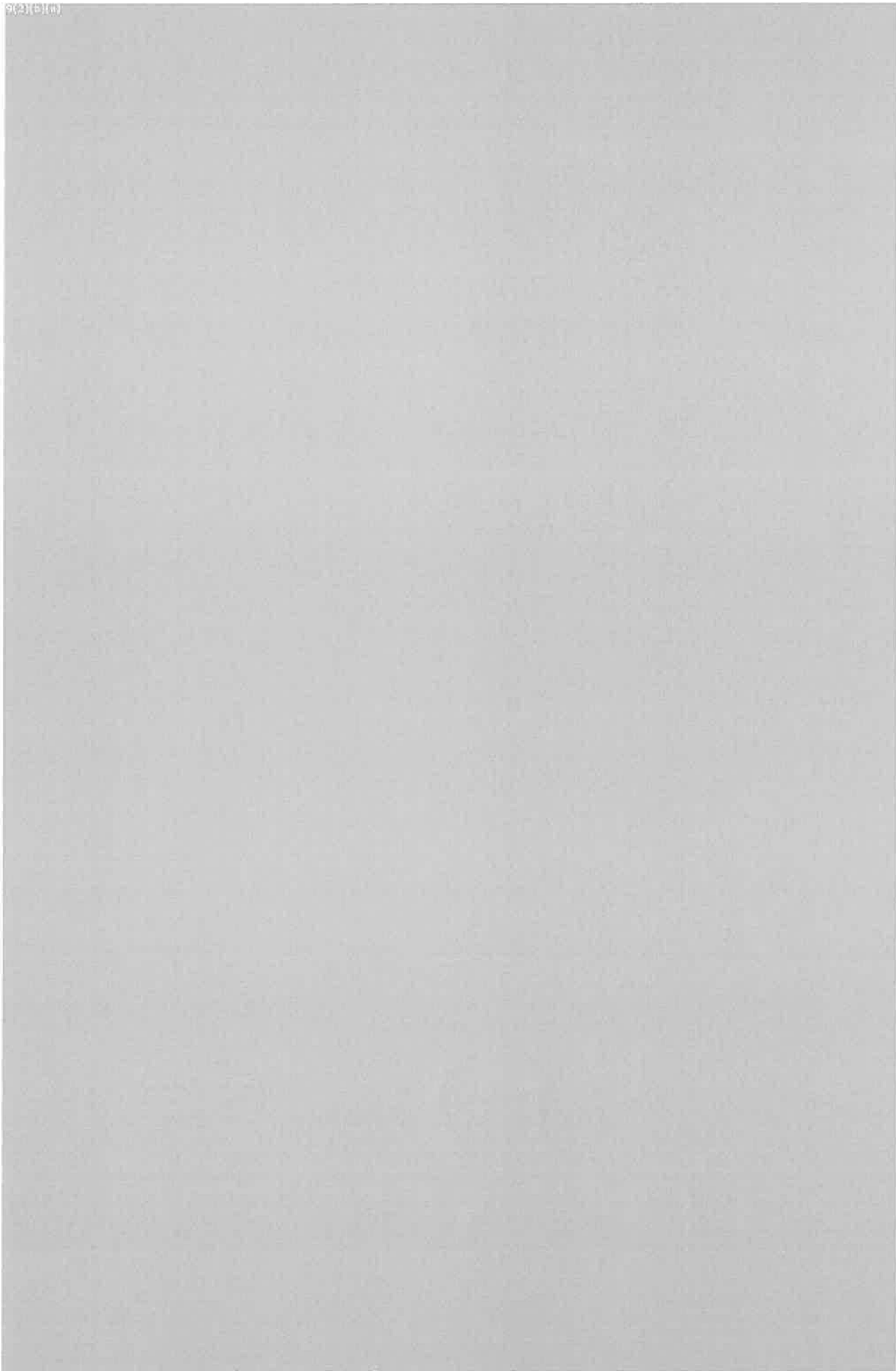


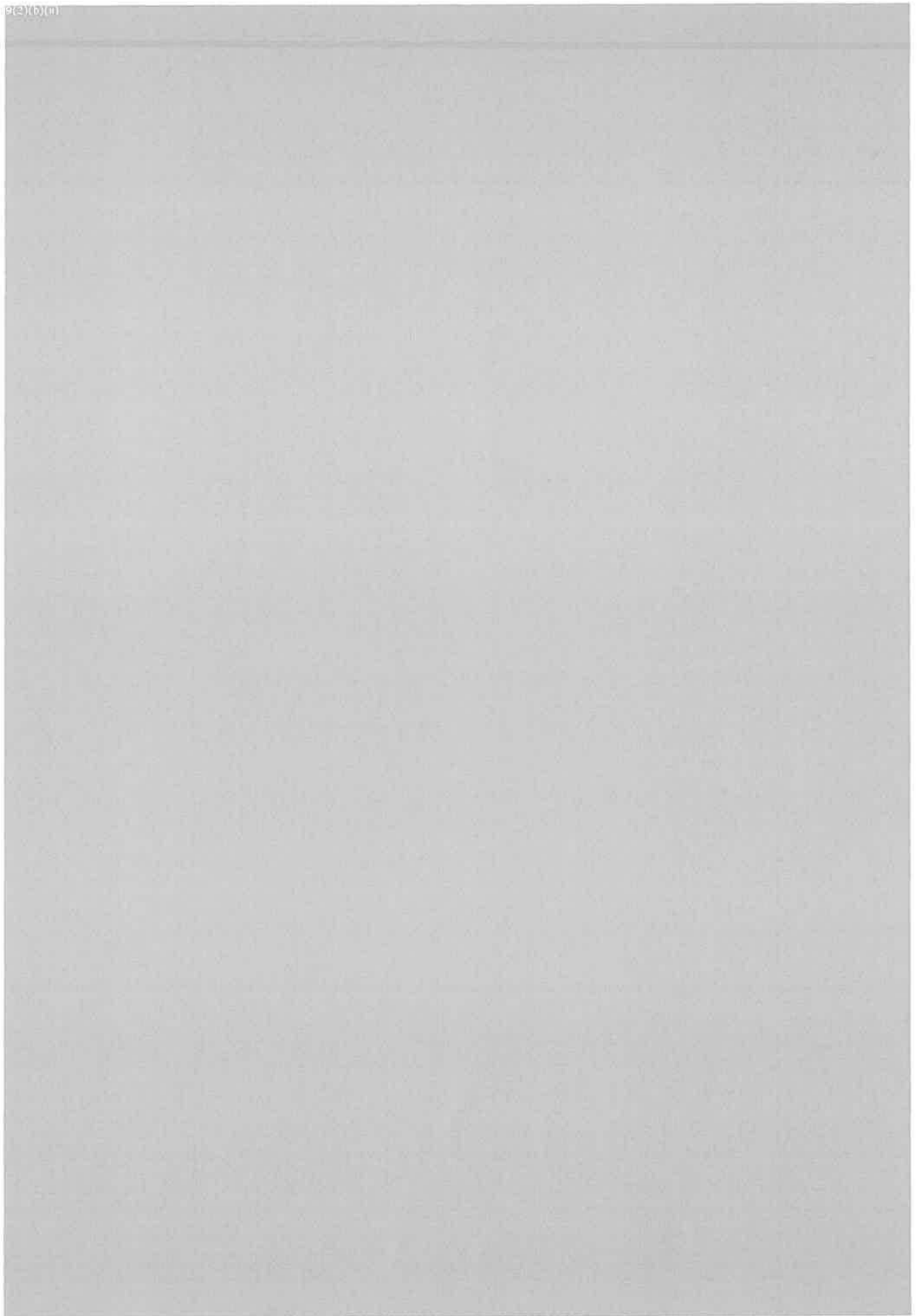
(b) (5) DPP



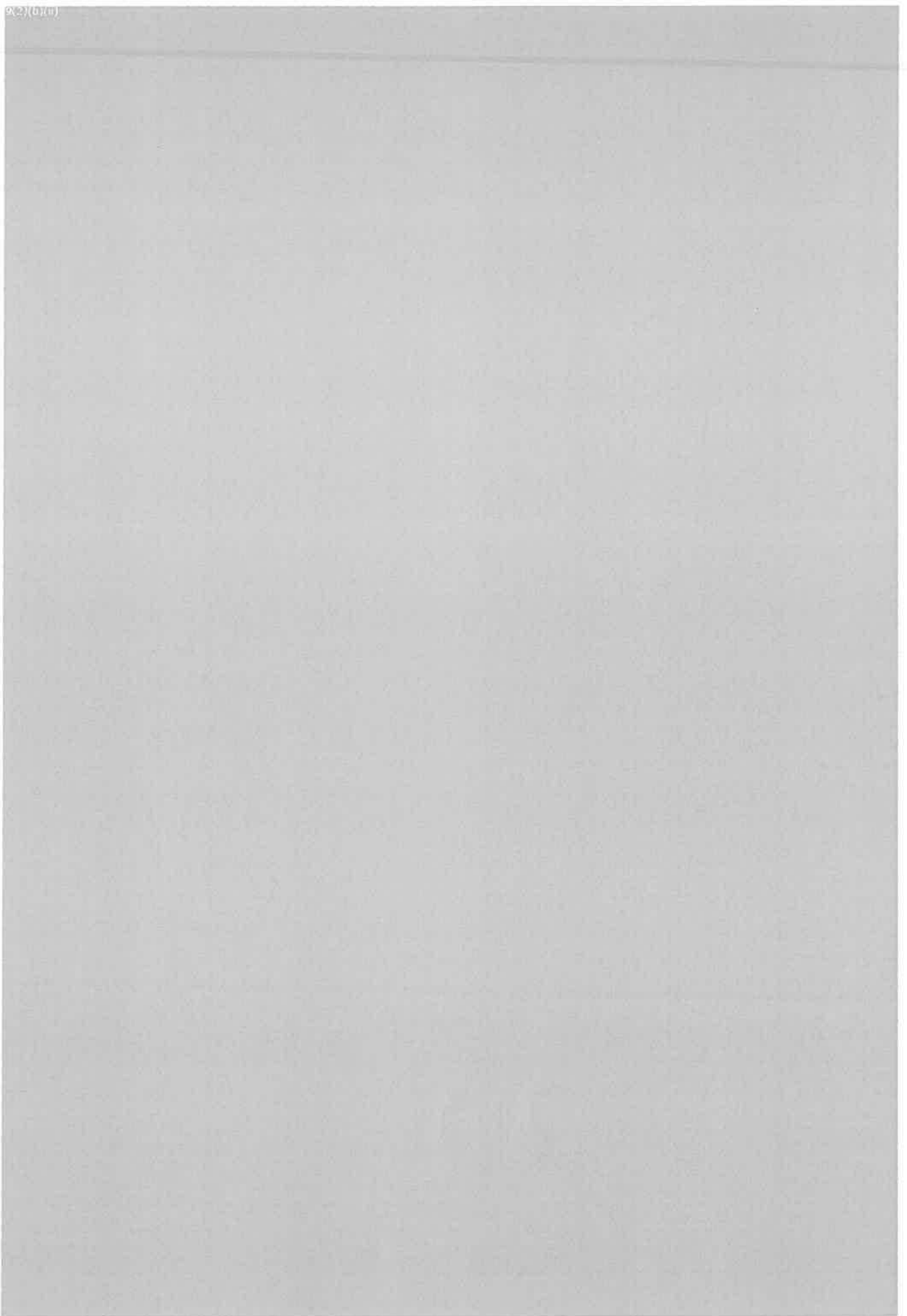


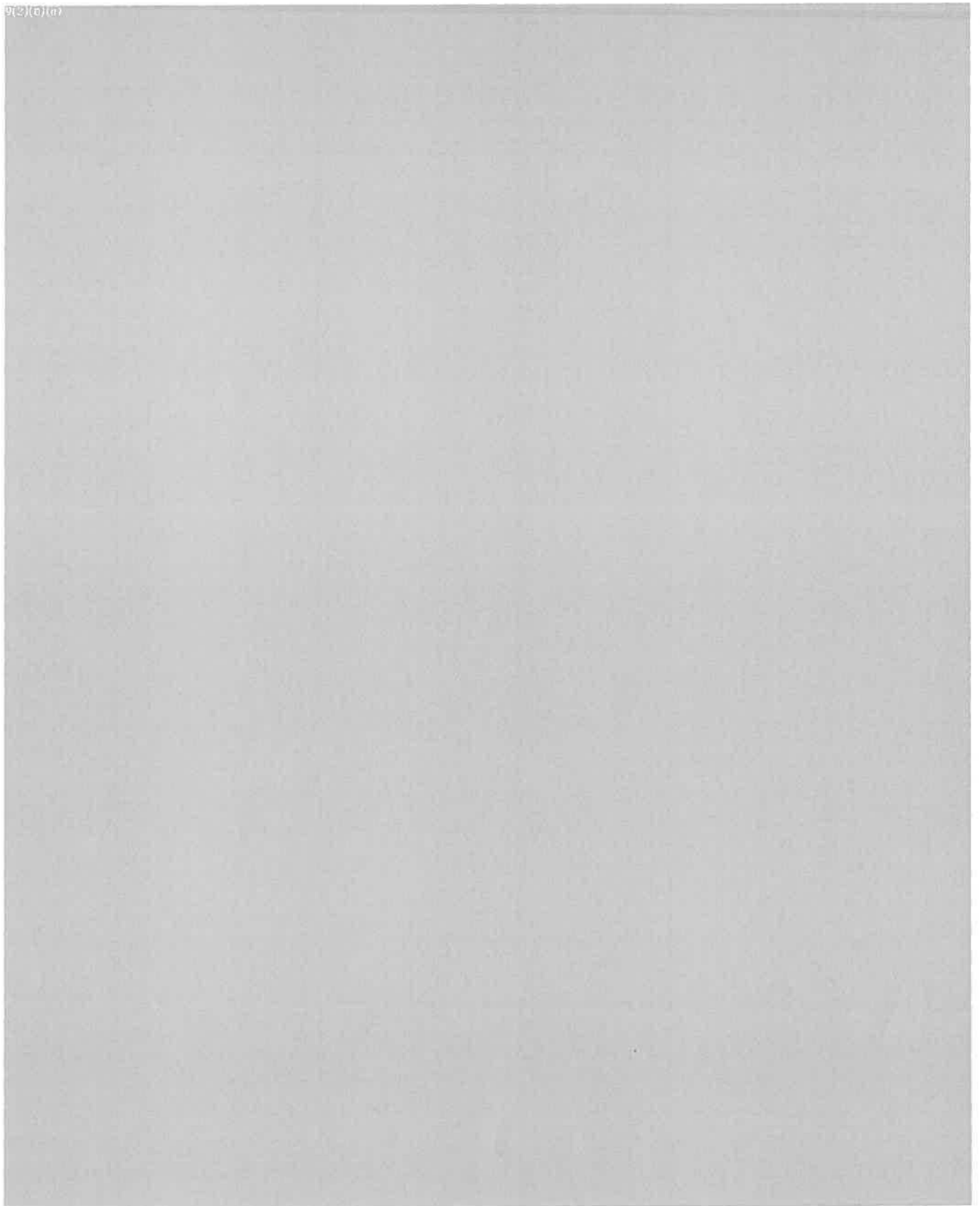


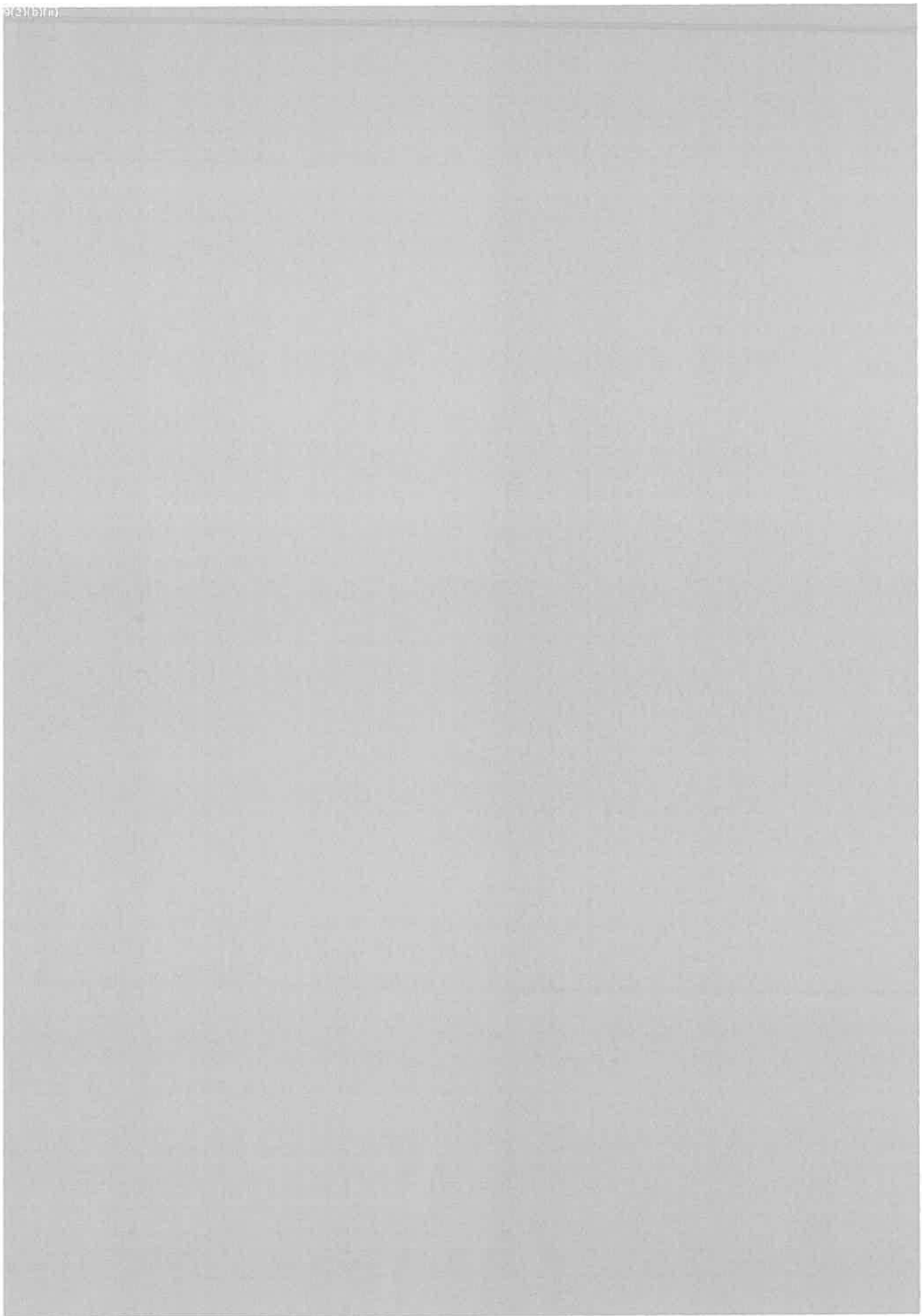


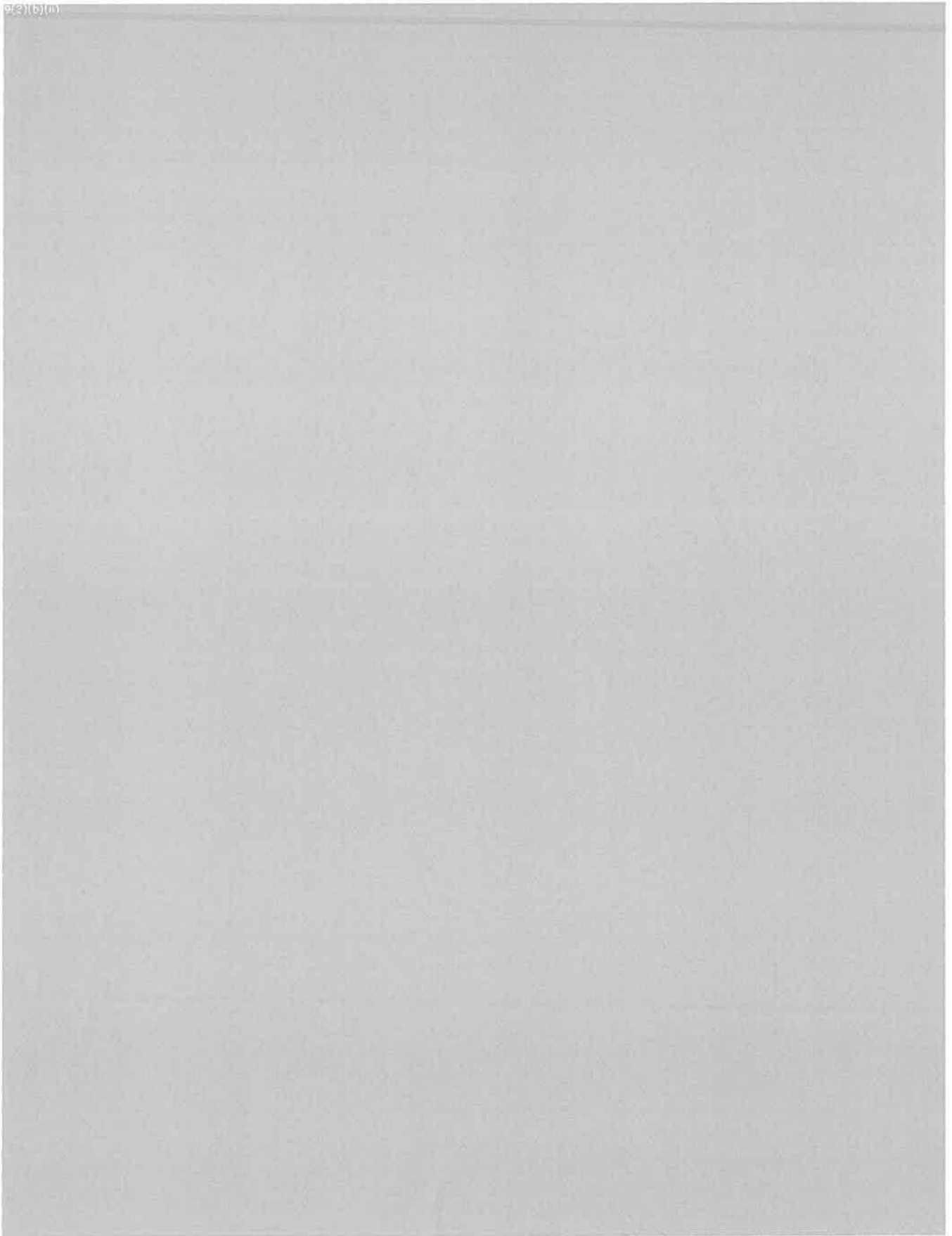














**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIAITO ORA

**Building Financial Capability: Update on Phase Two service development**

**Date:** 3 November 2016

**Report no.:** REP/16/10/1345

**Security level:** IN CONFIDENCE

**Priority:** High

**Action Sought**

**Hon Jo Goodhew**  
Associate Minister for Social Development

Note

**Contact for telephone discussion**

Name	Position	Telephone	1st Contact
Maree Roberts	Associate Deputy Chief Executive Community Investment	9(2)(a) [REDACTED]	<input checked="" type="checkbox"/>

**Report prepared by:** Justine Pivac-Solomon, Team Leader, Adult Family and Community

**Minister's office comments**

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

**Comments**

Thanks team. Please note the Ministers question on page 3 re the transitional finding, please be ready to discuss this at the 9/11 officials meeting.

Ashley

**Date received from MSD**

03/11/2016

**Date returned to MSD**

4/11/2016





# Report

**Date:** 3 November 2016

**Security Level:** IN CONFIDENCE

**To:** Hon Jo Goodhew, Associate Minister for Social Development

**Cc:** Hon Anne Tolley, Minister for Social Development

## Building Financial Capability: Update on Phase Two service development

### Purpose of the report

- 1 This report provides you with an update on the development of the remaining components (Phase Two) of the new Building Financial Capability service, ahead of the sector workshops starting on 10 November 2016. The workshops will include sessions to get sector feedback on these components before service design is finalised.

### Recommended actions

It is recommended that you:

- |   |   |   |
|---|---|---|
| 1 | <b>Note</b> that Phase One of the new Building Financial Capability (BFC) service is being delivered from 1 November 2016.  | <input checked="" type="radio"/> <b>Yes</b> <input type="radio"/> <b>No</b> |
| 2 | <b>Note</b> that we are progressing the co-design work on the remaining components to complete the BFC service model (Phase Two).   | <input checked="" type="radio"/> <b>Yes</b> <input type="radio"/> <b>No</b> |
| 3 | <b>Note</b> that we are starting national workshops for financial capability providers on 10 <sup>th</sup> November 2016 and will be getting their input on the Phase Two service components and sector training needs. | <input checked="" type="radio"/> <b>Yes</b> <input type="radio"/> <b>No</b> |
| 4 | <b>Note</b> that the detailed service design for the Phase Two components will take time and they will be phased in gradually from 1 July 2017.   | <input checked="" type="radio"/> <b>Yes</b> <input type="radio"/> <b>No</b> |

Maree Roberts  
Associate Deputy Chief Executive  
Community Investment

3 November 2016

Date

Hon Jo Goodhew  
Associate Minister for Social Development

3/11/16

Date

## Background

- 2 The Ministry of Social Development (MSD) allocates §(2)(b)(ii) per annum to budgeting services across New Zealand.
- 3 Through a co-design process, Budgeting Services have been re-designed and re-named Building Financial Capability (BFC) services. The focus is on building financial capability for those people experiencing hardship.
- 4 The components of the new BFC service are being co-designed with a wide range of stakeholders including current and potential clients, service providers, the financial sector, umbrella group representatives, the Commission for Financial Capability and other Government agencies.
- 5 In April 2016, we advised you that the new BFC service model would comprise up to eleven components to address the complex lives and needs of people experiencing hardship<sup>1</sup>.
- 6 In order to begin service delivery as soon as possible, service development was broken up into two phases, with core face-to-face services developed in Phase One. These are the services that will be accessed by the majority of clients and that are being delivered from 1 November 2016: Financial Plan of Action (formerly named the strengths based financial plan), Financial Mentors, MoneyMates and the standardised Work and Income referral process.
- 7 The service components being developed in Phase Two take a social investment approach. They will target New Zealanders, that research and New Zealand data show are particularly vulnerable to financial hardship: Māori, Pacific and refugee communities and women.

## We are focusing on supporting providers and minimising disruption for clients

- 8 We are very focused on supporting providers and minimising any disruption for clients during the transition from Budget Services to the new BFC service.
- 9 The contract negotiation process for delivery of the Financial Mentor and MoneyMates services is underway. All providers (both successful and unsuccessful) have been contacted by a Community Investment Advisor.
- 10 The Ministry has offered BFC funding to 117 providers. As of today:
  - seven providers are contracted with the Ministry (have current signed outcome agreements)
  - one provider has signed their outcome agreement which requires Ministry sign off.
  - another 22 have signed the letter of offer and should shortly send through their signed outcome agreements.
  - a further 18 have signed the letter of offer and we are in the process of drafting their outcome agreements.
  - the remaining 69 providers are still within contract negotiations.

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<sup>1</sup> REP/16/3/309 refers

- How many?
- 11 Transitional funding (amounting to three months' worth of their 2015/16 funding) is being offered to unsuccessful providers where appropriate<sup>2</sup>. This funding will enable their clients to be moved to other BFC providers between 1 November 2016 and 31 January 2017.
  - 12 The Financial Plan of Action and the new Work and Income referral process will be introduced at the sector workshops in early November. As these are new components we expect it will take some time to embed these into practice. The Financial Plan of Action, its accompanying Guide for Financial Mentors, and the MoneyMates Guide for Facilitators were posted on the Community Investment website on 1 November.
  - 13 We are making sure that clients currently accessing the Total Money Management (TMM) service will continue to have their money management needs met. Money Management is one of the new services being developed in Phase Two. Current TMM clients will be able to receive TMM services in the current form until the new service comes on stream in December 2017.
  - 14 Our current projection is that a minimum of 9(2)(b)(ii) (85%) of the Budget Service appropriation will be used for front-line service delivery in the current financial year:

Investment	2016/17
Provision of Budgeting Services	9(2)(b)(ii) (1 Jul – 31 Oct 2016)
Provision of BFC contracted services: Financial Mentors and MoneyMates services <sup>3</sup>	9(2)(b)(ii) (1 Nov – 30 Jun 2017)
Transitional funding for unsuccessful providers (current estimate)	9(2)(b)(ii)
Development of Phase Two BFC components and sector tools and resources, support and training.	9(2)(b)(ii)
<b>Total</b>	9(2)(b)(ii)

### Development of Phase Two services are well underway

- 15 Financial capability involves the ability for people to act plus the opportunity to act. It involves the recognition that there are environmental and structural factors that affect the ability of vulnerable people to improve their financial circumstances.
- 16 A system approach to financial capability and resilience has been taken to designing the BFC services. The different components of the BFC service are intended to provide a continuum of services from prevention to high-need crisis intervention, in line with international research. We are working with players in the wider system e.g. the Commerce Commission and the Ministry of Business, Innovation and Employment to support their consumer protection activities for the most vulnerable populations.
- 17 The long term objective is to support people experiencing hardship to gain improved financial capability, material wellbeing and improved resilience to cope with financial shocks.

<sup>2</sup> REP/16/9/1137 refers

<sup>3</sup> Note: as MSD have developed the Financial Plan of Action for the sector and W&I referral practice is an internal change so do not require contracted funding.

- 18 The full list of Phase One and Phase Two BFC service components is attached at Appendix One.
- 19 Finalising the detailed service design for the Phase Two components will take time. It is critical to get the provider sector on board as they have informed us that they have found the transition from Budget Services to BFC quite confronting. This is one of the reasons we are doing the sector workshops.
- 20 The new components will be phased in gradually from 1 July 2017. We will update you on this in early 2017.

### **A key element of ensuring the BFC service is effective is workforce training and capacity building**

- 21 We sought advice from the sector umbrella groups at their workshop on 25/26 October 2016 and will be working with these groups and the wider sector around future national entity and training support required for the new services.
- 22 The BFC workshops in November / December will provide initial information, material and resources to support providers to implement the new service. We are also using these workshops to inform us on the best delivery and procurement approach for workforce training and capacity building, and the national entity to support service provision.
- 23 Training on the new Phase One services and tools will commence in early 2017 including workshops on strengths-based approaches. We will also be using this time to finalise the long-term training arrangements to support the sector to further embed these approaches. We are seeking advice from the umbrella groups on how best to use the training workshops to ensure the sector is well supported.
- 24 Implementation of the new service model will be a transition over a period of months. We will be seeking feedback from the sector about the new material and tools so that we can make any refinements necessary.

### **National Workshops**

- 25 We will be starting a series of workshops for the budget services provider sector on 10<sup>th</sup> November 2016. We will be presenting in seven locations around the country, with the first workshop to be held in Whangarei. Further workshops will be held in Auckland, Hamilton, Rotorua, Napier, Palmerston North and Christchurch. Providers will be financially supported to attend.
- 26 The purpose of the road shows are to:
  - Induct providers into the new services that they are delivering from 1 November and the Work and Income referral pathway, and present the range of tools and resources to support their work
  - Continue with the co-design approach and gain sector input on the seven Phase Two BFC service components and sector training needs discussed in this paper, and
  - Establish good relationships between providers, Community Investment, and Work and Income to enable quality service delivery and get the best outcomes for clients going forward.
- 27 We will also be presenting on the BFC service at the NZ Federation of Family Budget Services' Conference on 18/19 November.



## **Next steps**

- 28 Over the next three months, our focus is on ensuring that:
- Successful providers are well supported and informed about their new contracts,
  - Unsuccessful providers have the necessary support, and
  - Clients have continuity of service during service changes.
- 29 We will be seeking your approval in early 2017 for the Phase Two components and the funding allocation for F18/19. This is to ensure we get sector input into the components and make any necessary changes.

File ref: REP/16/10/1345

Author: Justine Pivac Solomon, Team Leader, Adult Family and Community, Community Investment.

## Appendix One: Phase One and Phase Two service components

- Of the eleven BFC components described in our paper to you in April 2016, four commence in November 2016. Financial Mentors and Money Mates are face-to-face services purchased from providers. These will be supported by the new Financial Plan of Action and a re-designed Work and Income referral practice.
- A suite of tools including the client segmentation and journeys, user guides, a literature review, and fact sheets have been developed to support the sector transition to the new way of working.
- The following table updates you on the four core components:

Phase One		
BFC Component	Description	Status
<b>1. Financial Plan of Action (previously Strengths-based financial plan)</b>	A tool that enables meaningful and action-oriented discussion between the client and their mentor. It will show the step-change towards financial control.	Renamed the <b>Financial Plan of Action (FPOA)</b> . A paper-based tool has been developed and tested with sector that focusses on strengths based action to assist people to make meaningful change in their lives.  Will be launched at the Provider Road show starting on 10 November.
<b>2. Financial mentors (FM)</b>	These workers will replace budget advisors, taking a much wider role by helping clients to connect and work with the local financial and support systems. Financial mentors will work with clients 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.	Procurement process completed.  The FPOA and user guide will be launched at the sector workshops starting on the 10 November, to induct and support the Financial Mentors in their work.
<b>3. Money Mates: Group and peer-led supports</b>	Group and peer-led support sessions to share and learn about money and influence positive behaviour change. Most service providers offer some form of client 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 appropriate for several types of client who do not necessarily need or want 1:1 services or benefit from learning with peers.	Money Mates are face-to-face services purchased from providers.  The Money Mates set of resources will be launched at the Provider Road show to support Money Mates development.  Further work is underway as part of Phase two around what other support is required e.g. additional grants to test innovative ways of delivering MoneyMates and supporting providers / communities to deliver community conversations about money using Money Mates tools and resources.
<b>4. Standardised work and Income referral practice</b>	A practice that will enable Work and Income case managers to have conversations with their clients to motivate them to choose the best-fit financial capability building activity for them and their situation. There will also be clearer lines of communication and feedback with to ensure we all learn and continuously improve.	A new referral practice has been developed and will be launched at the road shows.

## Phase Two:

- While the procurement phase for Phase one was underway, we undertook further co-design work with the remaining concepts, and reviewed international research and practice on what change will make the most difference for those in hardship.
- International research identifies the following four key areas to addressing financial hardship:
  - Improving financial knowledge and behaviour
  - Building financial resources and the ability to cope with life shocks
  - Providing access and protection (financial inclusion)
  - Improving economic and social capital resources (resource generation)
- We have applied these to the New Zealand context and used them as the basis for the development of the Phase Two BFC service components to ensure a comprehensive approach.
- As part of our co-design process, we tested six ideas over a six week sprint<sup>4</sup> based at the Auckland Co-design Lab. We tested the ideas with over 100 people, including 50 people experiencing hardship or non-users of budgeting services to understand the desirability and context for these ideas. We also talked with people who hadn't used a budgeting service, but faced financial hardship from time to time.
- The following table outlines our progress on the remaining components to complete the BFC service model:

Phase Two		
BFC component	Description	Status
<b>5. Financial capability training for Financial Mentors and Money Mates facilitators</b>	A financial capability training programme and resources for the workforce who work with people experiencing hardship	<p>Sector capability work is underway and training will launch in early 2017. Further detail is specified in the next section of this report.</p> <p>We are investigating the best delivery and procurement approach for workforce training and capacity building, and the national entity to support service provision and the October workshops will inform our thinking.</p>
<b>6. Ethical money management</b>	A centralised service platform and suite of programmes that help control a client'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.	<p><b>Renamed Money Management.</b></p> <p>Early design work developed into automated payments with guidance from a Financial Mentor. Testing of the concept with experts and users indicated that clients would benefit from this service, however, the mechanism This mechanism required banking sector involvement and early approaches were not fruitful. More development work is required given the legal and financial implications.</p> <p>As previously advised, clients will continue to be able to access the current <u>Total Money Management</u> service delivered by BFC providers until further service design is completed likely to be December 2017 [REP/16/10/1241 refers]</p>

<sup>4</sup> A sprint is a series of intensive workshops focused on a key deliverable.

<p><b>7. Financially inclusive products</b></p> <p>Financially inclusive products include access to safe banking products, generating savings and investment, low cost credit and simple insurance and protection.</p> <p>MSD led work around financially inclusive products is an on-going component of the BFC work programme which started with Community Finance.</p>	<p>Five foundation financial products which can be a catalyst for clients to build their financial capability and move on to a path of growth</p> <p>In order to increase financial capability and enable long term financial stability, improved access to quality financial products and changing the way financial institutions exclude those experiencing hardship is required.</p>	<p>International and our co design research indicate that there is an opportunity in supporting micro and short term savings. People experiencing financial hardship, tend to not have adequate savings to deal with life crises. Being on low incomes or on a benefit means that they are not in a position to save and/or are not able to develop a "savings habit", this can easily lead to a situation where they have to access hardship grants, third-tier loans or deal with spiralling into crisis.</p> <p>Our next phase of this work is a Savings Match scheme trial to demonstrate the value and investment return. Research suggests that "matched savings" schemes are an important part of increasing financial capability for people on restricted incomes and enabling them to develop a "savings habit". It can also help people recover quicker from financial shocks and reduce the need for government support.</p> <p>We are proposing a small pilot to test the effectiveness of a matched savings scheme to encourage people to save. The pilot would target a small number of clients who would have their savings matched dollar for dollar up to a maximum of \$500. Participating clients ideally would be accessing some form of financial capability learning e.g. Money Mates or Financial Mentor services.</p>
<p><b>8. Income and resource generation strategies</b></p>	<p>A practical and aspirational suite of income and resource generation options that helps a client live better and ideally grow their means.</p> <p>Throughout the co-design, many providers felt they were the "ambulance at the bottom of the cliff", and preventative approaches were required.</p>	<p>This has merged with the systematic social change and developed into <b>"The Generator"</b></p> <p>The Financial Capability Generator (the Generator) is a financial capability programme building expertise and skills in individual or community settings to grow financial and non-financial resources. Utilising a social investment approach, The Generator will target the most vulnerable populations (including Maori, Pacific, women, parents) to identify and action ways of generating resources rather than accessing continually hardship grants or eventually ending up in a costly crisis situation.</p> <p>Developed from the co design and inspired by initiatives like SKIP and E Tu Whanau, The Generator is a way of providing "a hand up" rather than "a hand out". It is a prevention approach that generates opportunities for development of economic and non-economic resources, and will be of particular assistance to hard-to-reach people, including the costly hardship recipients and those not accessing services, such as those who are suspicious of government and formal services.</p> <p>The Generator will be delivered by a consortium of providers with particular expertise in social enterprise, community development, financial capability and capability building.</p>