



# Memorandum

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**Date:** 19 February 2024

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**For:** Executive Leadership Team

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**File reference:** ELT Teams Filing

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**Security level:** ~~In confidence~~

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## Changes to Flexible Funding

### Purpose

This memo seeks your approval to temporarily make some changes to the flexible funding options currently available in Individualised Funding, Choice in Community Living, Enhanced Individualised Funding, Personal Budgets and Carer Support, to limit sensitive expenditure whilst other pieces of work related to financial sustainability are undertaken.

### Recommendations

It is recommended that you:

- a) Approve temporary changes to flexible funding options currently available in Individualised Funding, Enhanced Individualised Funding, Choice in Community Living, Personal Budgets and Carer Support.

This is a temporary pause and includes:

- stopping use of funding for overseas travel, accommodation and other costs generally understood to be sensitive expenditure in most contexts;
- stopping use of funding for self-care services such as massages, pedicures and other appearance or therapeutic care that is not for the purpose of improving the functional adaptation of the disabled person;
- stopping use of funding for the cost of activities or items that, while they might be beneficial to family carers, do not obviously address how the care responsibilities of the family member limit their opportunities to otherwise participate in that activity;

**Agree | Disagree**

- stopping use of funding to pay for the purchase of items such as consumer electronics, sporting or recreation goods that may reduce the need to take a break but may also be hard to distinguish from items which families might otherwise provide for;
- stopping use of funding to pay items that are available through other funding streams, such as EMS, behaviour support;
- Stopping use of funding to pay for times that are the responsibility of another agency, such as transport, equipment, health funded therapy, and day services.

b) Note the Commissioning Design and Delivery Group will manage contract variations, operational policy, and other changes required to give effect to decisions made in this memo.

**Note**

c) Endorse this paper being presented to our partnership groups, following the approval Whaikaha process.

**Agree | Disagree**

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Paula Tesoriero MNZM

Te Tumu Whakarae | Chief Executive

Date

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Amanda Bleckmann

Deputy Chief Executive Commissioning, Design and Delivery

16 February 2024

## **Background**

Enabling Good Lives is a community led social movement, with the intent that disabled people, tāngata whaikaha Māori and whānau have increased choice and control over their disability supports and lives. Enabling Good Lives has increased expectations the disability community has of being supported to achieve their good life which can include using funding for purchases that are considered sensitive expenditure.

Disabled people have the expectation to live their life to their fullest potential, including active community participation, and flexible funding solutions are positively contributing to achieving these outcomes.

## **Context**

In the current fiscal environment, Whaikaha is considering a range of measures and options to manage within our appropriation. These actions will be focused on ensuring that there is a consistent funding approach and equitable application of resources across services and supports that also provides the best outcome for disabled people. The way in which we allocate resources across the system needs to be carefully considered.

Whaikaha is undertaking a work programme to review our spend and to ensure that we are achieving value for money and alignment between our spend and our priorities with a continued commitment to improving disability supports.

In preparation for this transformation, recent changes to introduce more choice and control through flexible funding, has led to significant cost growth (particularly in IF respite and Carer Support).

Regardless of all the external and internal pressures, we remain committed to improving the disability support system. The financial pressures are to be viewed as the opportunity to re-design/reprioritise, as needed, within our current fiscal envelope.

Our aim is to ensure that every dollar we spend generates the maximum possible value for the disabled people we serve. This means being good at prioritising the funding we have to improve the disability support system, within a constrained fiscal environment.

## **We are guided by values in undertaking this work.**

- Whaikaha is founded on three pou – Tiriti o Waitangi, the principles of Enabling Good Lives and the United Nations Convention on the Rights of People with Disabilities. We look to these pou to guide our decision making.

We are guided by the public decision-making principles:

- **Equity:** continuing to ensure that the system serves those with the highest needs first.

- **Fairness:** ensuring that people in similar situations are provided similar supports.
- **Transparency:** being clear about what support is available in what circumstances.
- **Efficiency:** ensuring that reductions in trajected expenditure can be implemented in time to achieve the savings needed.
- **Minimum impact:** ensuring that the impacts of recommended savings options on the supports available to disabled people are the least possible.

## What we know about community views

Whaikaha has received a mix of views on what the future of flexible funding should be. We have been told:

- a. disabled people and whānau need maximum flexibility to make the most of the support available to them;
- b. effort put into improvements to flexible funding arrangements should instead be expended on moving the system towards Enabling Good Lives, with Personal Budgets as a solution, as soon as possible;
- c. that in the current financially constrained environment, the current flexibility may be reviewed.

## Discussion

In the context of flexible disability support, sensitive expenditure is defined as:

'Expenditure which a third party, not familiar with an individual's situation, may struggle to understand as a disability support'<sup>1</sup>.

### *Flexibility as a risk mitigation*

Maintaining the ability of disabled people to organise their supports to best advantage requires maintaining public confidence that use of allocated funding is necessary, a disability support<sup>2</sup> and value for money.

Maximising flexibility is one way to ensure that individual disabled people and their families have the maximum opportunity to organise their supports.

### *Taking a systems approach*

Flexible funding is by its nature a devolved decision-making system. Flexible funding is intended to enable people to make decisions that are right for their context.

We have intentionally moved away from Whaikaha kaimahi<sup>3</sup> being involved in relitigating decisions made by NASCs and Hosts (refer paper 'Clarifying the escalation process for flexible funding decisions.'

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<sup>1</sup> [Personal Budget Guidelines » Mana Whaikaha](#)

<sup>2</sup> As set out in the service coverage schedule

<sup>3</sup> with the exception of those working in EGL sites.

In this context, our focus needs to be on whether

- a. we have a thorough understanding of the risks we are concerned with and a segmentation of where those risks are most prevalent;
- b. we have understood all the options available to us to manage those risks (including stronger induction to flexible funding and better managing the spread of misinformation);
- c. we are applying the most proportionate options to those risks;
- d. there is appropriate layering of mitigations in the system so that an individual instance of inappropriate expenditure, cannot lead to material misuse of public funds.

In individual instances that may be raised with Whaikaha, we need a stronger focus on whether a decision evidences a gap in the system, or what it can tell us about how the system is performing, rather than whether we would have made the same decision ourselves.

While short-term decisions may need to be made about the scope of flexible funding, it is important Whaikaha's attention on managing sensitive expenditure is placed on stewardship of the flexible funding system, so that we can retain confidence in the process of managing flexible funding decisions.

### *Materiality*

Materiality refers to the importance of a level of funding or kind of funding relative to the financial risks we are managing.

Applying materiality thresholds allow us to adopt standards of reasonable assurance, rather than total assurance, balancing the need for maintaining confidence in financial controls with other business requirements, such as efficiency and responsiveness.

Our current monitoring systems for flexible funding does not apply materiality thresholds. This heightens the risk that, at the individual client level, our system seeks more than reasonable assurance about individual transactions – something that many disabled person and whānau groups have told us, is part of their experience.

Undertaking further work on defining what is material, and when, will support Whaikaha to ensure that rules and other systems are proportionate, and not excessive, to the material risks that we are concerned with.

## **Proposal**

This paper proposes pausing some of the flexibility available through flexible funding while we undertake key work to address foundational issues in the flexible funding system. This work includes.

- a) Ensuring that allocations provide the right incentives for people to make good decisions:

- i. developing and implementing clearer guidance on allocations to ensure that allocations are proportionate, reviewable, consistent and disability related.
  - ii. introducing an allocation line for one-off purchases, so that investment in items that should have ongoing value are not included in ongoing allocations.
- b) Undertaking risk segmentation and developing a strategy to both maximise willingness to work within the rules and make it easy to be within the rules. This work includes defining materiality thresholds and taking a systems analysis of risks and mitigations in flexible funding.
- c) Realigning the purposes of flexible funding by, for example, creating a clearer distinction between
  - i. support for families and carers intended to create an ordinary and sustainable pace and rhythm to life, and
  - ii. support to take a break where achieving a sustainable pace is not currently or consistently achievable.
- d) This paper proposes pausing the use of flexible funding for:
  - a. overseas travel, accommodation and other costs generally understood to be sensitive expenditure in most contexts;
  - b. self-care services such as massages, hairdressers, pedicures and other appearance or therapeutic care that is not for the purpose of improving the functional adaptation of the disabled person;
  - c. the cost of activities or items that, whilst they might be beneficial to family carers, do not obviously address how the care responsibilities of the family member limit their opportunities to otherwise participate in that activity;
  - d. the cost of items that are available through other funding streams, such as EMS, behaviour support and allied health;
  - e. The cost of times that are the responsibility of another agency, such as transport, equipment, health funded therapy, and day services.

Because c (above) is a question of who uses the items or services, and what they are used for, by itself it would continue to mean that the same item or expense could be a 'no' in one situation and a 'yes' in another. Because of the administrative difficulty of this position, and the continued potential for a loss of public confidence in the system, it is also necessary to exclude the purchase of items such as consumer electronics, sporting or recreation goods that may reduce the need to take a break but may also be difficult to distinguish from items which families might otherwise provide for.

Giving effect to this decision will require changes across the different contracts, terms of service, operational policies, monitoring systems and processes used by different flexible funding to manage how those products are used.

The Commissioning Design and Delivery Group will implement contract, operational policy, and other changes required to give effect to this overall proposal. We will seek legal advice prior to making any changes.

### **For discussion**

Whaikaha is required to manage within its appropriation and has committed to work with key partners regarding the disability support system. Guidance is requested on any established arrangements for engaging with key partners outside of our Host and NASC providers. This is to ensure implementation of the proposed approach is socialised and Whaikaha meets its commitment to engage with partnership groups, including the Carers Alliance.

A decision is required regarding commencing a work programme to review the Purchasing Guidelines, some of which may require Cabinet level decisions. This will require resource from Policy, Legal, and the Service Design and Operations teams.

### **Engagement**

We have engaged with the Whaikaha financial sustainability group, IF Hosts and NASCS. Engagement with partnership groups will commence, following ELT approval.

### **Implications, risks and issues**

#### *Equity across the system*

Te Whatu Ora has introduced flexibility to Carer Support and has applied the Whaikaha Purchasing Guidelines to Carer Support. There is likely to be considerable pressure from people accessing Carer Support through Whaikaha to retain the flexibility already in place.

The Te Whatu Ora team will be responsible for ensuing Carer Support claiming is within the proposed changes to Whaikaha funded Carer Support.

#### *Impact on financial position and people.*

It is difficult to quantify the savings from the proposed changes. The largest IF Host has advised Whaikaha that approximately 80% of Individualised Funding is used on support workers. The current spend of flexible funding is s9(2)(f)(iv) OIA, therefore the savings could be as high as s9(2)(f)(iv) OIA. However, people may substitute the purchase of times and fully utilise their allocation through engaging support workers.

We know Māori and Pacific engagement has increased with flexibility, particularly through Personal Budgets.

There are more than 30,000 people using flexible funding arrangements. In contrast, 7,500 people are accessing residential care at a cost of approximately \$1bn.

s9(2)(g)(i) [Redacted]

s9(2)(g)(i) OIA [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

*Risks of doing nothing*

Not taking action however risks a loss of confidence in the flexible funding system, such that even greater restrictions on flexibility are required. The impact of this risk would be significant, and the probability increases the longer Whaikaha takes to introduce any mitigations.

**Next Steps**

If the recommendations in this memo are approved, the Commissioning Design and Delivery Group will prepare the relevant operational policy, contract, and/or guidance changes, and commence preparation of communications and other collateral material to support the changes.

s9(2)(g)(i) [Redacted]



The Commissioning Design and Delivery Group will update ELT on progress on a regular basis (bi-monthly) on the specific steps being taken to implement tighter limits on sensitive expenditure.

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