



18 May 2026

Tēnā koe

Official Information Act request

Thank you for your email of 30 March 2026, requesting information about information about the changes to flexible funding.

I have considered your request under the Official Information Act 1982 (the Act). Please find my decision on each part of your request set out separately below.

Under the Official Information Act 1982, I request the following information regarding the recent flexible funding changes:

1. *The Minister's Press Release regarding the changes says that the government will "no longer need to look at what people spent in previous years to set new budgets". In relation to this, I request the following:*
 - a. *How much more will it cost to fund flexible funding budgets without taking into account what was spent in previous years*

To address this question, please find attached **Appendix:** REP/26/2/138 - *Stabilising DSS- recommended approach for flexible funding* from April 2026.

Some information is withheld under section 9(2)(f)(iv) of the Act to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials. The release of this information is likely to prejudice the ability of government to consider advice, and the wider public interest of effective government would not be served.

- b. *Where has the money come from to cover this? Is it new operational funding, or has funding been moved – and if so, from where?*

The money for the changes is new funding totalling \$2.1 billion provided by the Government in Budgets 2024 and 2025.

2. *Is Choice in Community Living excluded from flexible funding? Has this always been the case?*

Choice in Community Living (CiCL) is a form of flexible support. It was excluded from the changes that came into effect 1 April 2026. CiCL is different to other forms of flexible funding as it provides residential-like support. The Ministry's

Disability Support Services (DSS) advise they need to take some time to consider how to treat CiCL.

The Minister for Disability Issue's media release of 1 April 2026 provided details of the new purchasing rules that were lifted for disability support here: www.beehive.govt.nz/release/purchasing-rules-lifted-disability-support.

You can find further information about CiCL on the DSS website here: www.disabilitysupport.govt.nz/disabled-people/improvements-to-disability-support-services/flexible-funding.

I will be publishing this decision letter, with your personal details deleted, on the Ministry's website in due course.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with my decision on your request, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi nui

pp.



Anna Graham
General Manager
Ministerial and Executive Services

Report

Date: 26 February 2026

To: Hon Louise Upston, Minister for Disability Issues

File Reference: REP/26/2/138

Security Level: In Confidence

Stabilising DSS – recommended approach for flexible funding from April 2026

Purpose

1. This report seeks agreement to actions to implement flexible funding budgets from April 2026.

Executive summary

2. In September 2025, the Government announced that there would be changes to flexible funding from April 2026, including removal of the Purchasing Guidelines and the setting of budgets for people, based on their past two years of expenditure.
3. Growth in allocations and expenditure has stabilised in the past two years. Previously an area of high growth (up to 30% annually identified by the Independent Review of Disability Support Services), DSS expects expenditure growth in the current year to be around 1% at around \$501 million. This is largely due to the measures and controls DSS has implemented in the past two years, such as NASC budgets and monitoring and performance frameworks, being effective, as well as some ongoing impact of the Purchasing Guidelines.
4. Not everyone who has flexible funding uses all the allocated support. For example, the average utilisation rate for Individualised Funding (IF) Personal Care is around 89%, while the average for IF Respite is around 75%. There are many reasons why people do not use their whole allocations, including unavoidable personal circumstances or not being able to use the allocation as they wish.
5. As DSS implements planned changes (e.g., removing the Purchasing Guidelines, implementing My DSS Funding Plans, and improving host supports) we expect disabled

people and carers to be better able to utilise their flexible funding allocations. However, some under-utilisation of funding will remain.

6. The difference between allocations and expenditure on core flexible funding supports is around \$40 to \$60 million. This is not a current fiscal risk, as the whole cost (if even realised) is affordable within the FY25/26 and FY26/27 budgets:

- 6.1. It is unlikely that utilisation will increase to 100% as under-utilisation has always been a feature of the flexible funding system,

- 6.2. DSS now has controls in place to manage expenditure, including NASC and EGL site budgets, and improved monitoring frameworks, and reporting, implemented over the past two years,

- 6.3. [REDACTED] 59 (

7. In this context, we recommend setting peoples' flexible funding budgets at current allocation levels as:

- 7.1. any centralised process to reduce allocations will result in unforeseen impacts for some people using flexible funding,

- 7.2. setting budgets at current levels will allow disabled people and carers to continue without disruption to their support arrangements,

- 7.3. expenditure within current allocations is affordable, and any increase to expenditure would reflect people making use of the funding they have been assessed as needing for their disability-related needs, and

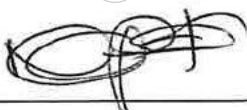
- 7.4. maintaining current allocations will provide certainty and reassurance to the disability community, as we continue to make changes to improve how the disability support system operates.

8. Addition to continuing our current monitoring and reporting for NASCs and EGL sites, DSS plans to provide NASCs and EGL sites with better information on utilisation. This will support them to have appropriate discussions with disabled people and carers on their support needs, including their use of flexible funding.


Recommendations

It is recommended that you:

- (1) **note** the Independent Review of Disability Support Services highlighted flexible funding as one of the fastest growing areas of DSS expenditure noted
- (2) **note** that over the past two years, flexible funding allocations and expenditure have stabilised, following actions to stabilise Disability Support Services, including the funding, monitoring, and oversight of NASCs and EGL sites noted
- (3) **note** that in September 2025, the Government announced changes to flexible funding from April 2026, including removal of the Purchasing Guidelines and the setting of budgets for people, based on their past two years of expenditure noted
- (4) **note** that the removal of the Purchasing Guidelines will make it easier for people to use their flexible funding allocations, and the introduction of My DSS Funding Plans and improved hosting will support disabled people to better use those allocations noted
- (5) **note** that estimated difference between current allocation levels and expenditure is about \$40 to \$60 million, which is manageable within the agreed DSS budgets for FY25/26 and FY26/27 noted
- (6) **agree** to set flexible funding budgets at the current allocation levels, enabling disabled people and carers to continue without disruption to their support arrangements. agree | disagree



Hon Louise Upston
Minister of Disability Issues



Date



Alastair Hill
General Manager, DSS Transformation
Disability Support Services

Date: 26 February 2026

Introduction

9. In September 2025, the Government announced that there would be changes to flexible funding from April 2026, including:
 - 9.1. DSS will remove the Purchasing Guidelines in April 2026, which will remove some constraints on how flexible funding can be used, and
 - 9.2. DSS will set budgets for people who use flexible funding, based on what they have spent in the past two financial years.
10. There is substantial interest from the disability community on how the budgets will be implemented, how their funding will change and by how much.

Context: Flexible Funding

11. The core flexible funding supports are Carer Support, Individualised Funding (IF), and EGL Personal Budgets. People with these supports can use their funding in traditional ways (such as buying hours of support) and can also use it flexibly (such as purchasing items or other services).
12. This has been an area of high growth. It was a focus area identified in the Independent Review of Disability Support Services, which noted "flexible funding, particularly Individualised Funding (IF), is one of the fastest growing areas of DSS expenditure. In 2022/23, flexible funding costs were \$424 million (42% of the non-residential supports costs). At the end of April 2024, these costs were on track to be 30% higher than 2022/23."¹
13. In response to the review, DSS took action to stabilise the system, including putting budgets in place for NASCs and EGL Sites, providing them with forecasts of their likely spend, improving the reporting they receive, and improving our monitoring and oversight.
14. These actions have been successful. Combined with the effect on expenditure of the Purchasing Guidelines, over the past two years, flexible funding expenditure has stabilised; estimated expenditure for FY25/26 is \$502 million, only \$10 million more than the \$492 million spend in FY24/25. In that time: unit prices were unchanged, the numbers of people with allocations and claiming increased slightly (~1%), total allocations reduced slightly (~1%), monthly expenditure increased slightly (~1%), and the per person average for allocations and claims both reduced slightly (~1%).
15. Budgets were set for NASCs and EGL sites, allowing for appropriate volume and price growth, while also requiring prioritisation decisions. The trends we are seeing in flexible funding are consistent with NASCs and EGL sites mostly maintaining current allocation

¹ The Independent Review of Disability Support Services, 28 June 2024, p.27.

levels through annual reviews and reassessments, while undertaking some prioritisation to remain within their budgets.

- 16. Through these system changes, we have retained access to the type of supports that disabled people have shown a strong preference for, while making provision of those supports affordable within our appropriated funding levels.

Charts: Allocations of core flexible funding from FY21/22 to FY25/26

- 17. The charts below illustrate the overall trend in flexible funding: a growth pattern that begins to flatten out in FY24/25 and has remained largely stable into FY25/26. The charts below shown allocation levels. Claims against those allocations have followed the same trend.

Figure 1 Number of people with a flexible funding allocation

The number of people with an allocation grew by an average of 12% per annum from October 2021 to January 2025.

The number of people grew at a much slower rate – just under 1% – from January 2025 to January 2026.

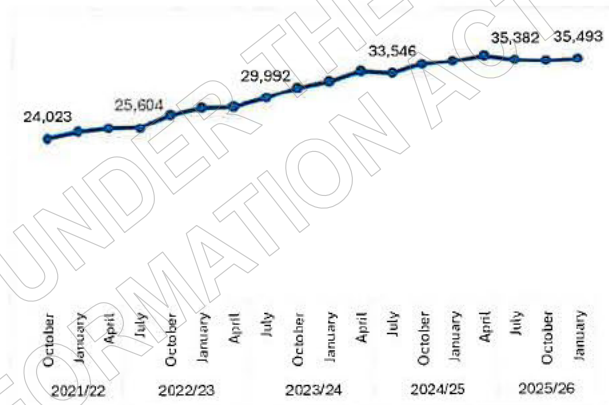


Figure 2 Total flexible funding allocation values

Total allocations grew by an average of 20% per annum from October 2021 to January 2025.

From January 2025 to January 2026, allocations reduced (slightly) by 0.6%.



Figure 3 Average flexible funding allocation values

The average allocation grew by an average of 7% per annum from October 2021 to January 2025.

From January 2025 to January 2026, allocations reduced (slightly) by about 1%.



Utilisation: Allocated vs Expended

18. Not every dollar allocated on supports (traditional or flexible) is spent. The extent to which allocations are claimed is referred to as "utilisation." For example, a person may be allocated \$1,000, and uses \$900, so their utilisation is 90%.
19. Traditional community supports typically have utilisation rates of about 80%-85%.² In that context, unutilised allocation is usually the result of the disabled person or the provider cancelling some of the scheduled visits, so some support hours went unclaimed/unused.
20. Most people use most of or all their flexible funding. Utilisation rates for IF Household Management and IF Personal Care through the largest IF Host are close to 90%, while utilisation of IF Respite averages 75% (see charts at end of section).
21. With flexible funding, people have more choice and control, so there are many reasons why they might not use their entire allocation, examples include:
 - 21.1. The allocation cannot be used as they wish (e.g., the thing they want is prohibited under existing guidelines),
 - 21.2. Their usual arrangements are interrupted (e.g., a worker resigns, and it takes time to replace them, leading to a period where funding is not used),
 - 21.3. The person chooses not to use part of their allocation (e.g., they keep some of the funding in reserve for an emergency or in case their costs increase but their allocation remains the same),
 - 21.4. The person with the allocation dies, goes into hospital, or is otherwise in a situation that makes it impossible for them to use their allocation. Until personal information is updated in DSS information management systems, which can lag by weeks, the allocations appear as though still current, and
 - 21.5. The person does not know how to use the allocation or what they could use it on.
22. The work that DSS is doing to improve the disability system will support disabled people, their family, and carers, to use their flexible supports. This includes helping people plan how they will use their supports by implementing My DSS Funding Plans and improved host support and giving people the flexibility to choose the supports that best meet their needs through removing the flexible Purchasing Guidelines from April 2026.
23. There will, however, always be some level of unutilised funding. In a claims-based system, there will be allocations that have not been fully claimed against. The same is true of EGL Personal Budgets, where people would have funding for supports unused in their bank accounts (which DSS would then have to recover or roll forward into the next allocation).

² Based on analysis by DSS under Vote Health pre-July 2022.

Fiscal impact of the change programme

26. As DSS implements the change programme, we expect that disabled people and carers will be better able to utilise their allocations:
- 26.1. *Removing the purchasing guidelines from April 2026* will make it easier to spend and help to mitigate where people cannot currently use their allocation in the manner they wish. This is particularly the case for IF Respite and Carer Support where we understand from community feedback that restrictions on respite options and travel have had a significant impact on people's ability to access support,
 - 26.2. *Implementing My DSS Funding Plans and improving host support* should partially mitigate people not knowing how to use the allocation or what they could use it on, and
 - 26.3. *Improving reporting to NASCs and EGL sites* should enable them to have informed discussions with disabled people and carers where they have unused allocations, to plan to use the funding, or to provide more appropriate supports in its place.
27. We expect some increase in utilisation from these changes, meaning that part of the \$40 to \$60 million identified earlier will be realised as additional expenditure.
28. The chance of the full difference being recognised is low. Things like unforeseen events or people sensibly retaining funding for risks or unmet liabilities are a function of operating a budget and they are unlikely to materially change.
29. Additionally, DSS has implemented various tools and processes that provide levers to manage the cost and level of disability supports:
- 29.1. NASC and EGL site budgets provide a fiscal envelope that they are expected to operate within. Budgets are set each year, with consideration of both price and expected volume growth,
 - 29.2. Improved reporting to NASCs and EGL sites supports them to make prioritisation decisions and to assess their financial performance against their budgets,
 - 29.3. As part of the new assessment approach, assessors will be provided an indicative funding range for each person, which will help to make allocations fair and consistent across the country, reducing unnecessary variability. Additionally, high value packages are also reviewed for consistency by a central review panel, and
 - 29.4. DSS has established a risk pool within its budget, enabling it to manage unexpected costs more effectively within its agreed appropriation.
30. These changes support the sustainability of the DSS system, including its ability to manage increased demand, while improving consistency, fairness, and transparency.

Outyear appropriation levels vs possible increase in expenditure

31. [REDACTED] s9(2)(f)
[REDACTED] (iv)
[REDACTED]

- [REDACTED] s9(2)(f)(iv)
32. [REDACTED] s9(2)(f)(iv)
33. [REDACTED] s9(2)(f)(iv)
- 33.1. [REDACTED] s9(2)(f)(iv)
- 33.2. [REDACTED] s9(2)(f)(iv)
34. A change in flexible funding expenditure of \$40 to \$60 million is affordable, so we do not foresee a fiscal risk in FY26/27. [REDACTED] s9(2)(f)(iv) [REDACTED] 7 [REDACTED] s9(2)(f)(i) [REDACTED] s9(2)(f)(iv)
35. A risk in outyears remains possible if expenditure increases. However, ongoing work on DSS funding models over this period should help mitigate any emerging pressures.
36. The DSS Strengthening Programme is progressing, and we are looking to see that demand patterns remain stable over the medium-term. As we undertake this work, we are seeking flexibility in our outyear appropriation levels.

Setting budgets for people with flexible funding

37. Given the analysis above, we recommend that the budgets for people with flexible funding are set at current allocation levels for all people as:
- 37.1. this will allow disabled people and carers to continue without disruption to their support arrangements,
 - 37.2. expenditure within the current levels of allocations is affordable, and any increase would reflect people making use of the funding they have been assessed as needing for their disability-related needs, and
 - 37.3. maintaining current allocations will provide certainty and reassurance to the disability community that their feedback is being considered and acted on, as we continue to make changes to improve how the disability support system operates.
38. DSS intends to develop additional reporting to NASCs and EGL sites to support them to have discussions with disabled people about their utilisation of their flexible funding as part of reviews and reassessments. This will enable informed decisions about allocations in the context of disabled people's situations, support needs, and their overall funding. We will also maintain our current focus on NASC and EGL site budgets and performance monitoring and reporting to ensure expenditure remains affordable.

Alternative approach – scaling allocations: not recommended

39. DSS considered scaling allocations, so that people's flexible funding budgets were set at the highest amount spent over the past two financial years.

For example, if a person had a \$5,000 allocation over those two years, and they spent \$4,500 in year 1 and \$4,000 in year 2 then we would set their budget at \$4,500.

40. After investigation, in addition to the success to date of actions to stabilise flexible funding allocations and expenditure, several factors led to us discounting this approach:

40.1. The disability community has expressed concerns about this approach, highlighting that DSS does not have access to information about individual circumstances that are relevant to utilisation levels. For example, common situations such as a person who uses their allocation week-on-week having been periodically hospitalised over the two assessment years; or being initially unable to secure regular support workers, which they have now recruited. Both cases would result in artificially scaled allocations and the disabled person being unable to meet the cost of their support needs,

40.2. Even with utmost care taken, a bulk change in allocations across 37,000 people would result in some people's allocations being incorrectly determined because of data quality issues, and other people feeling that they have been treated unfairly because the determination did not include factors that they feel are relevant,

40.3. NASC and EGL capacity would also be a concern. They would be responsible for communicating any allocation changes and managing resulting requests for reviews or reassessment, which would be resource intensive processes. Together, these would create capacity concerns, at a time where we would prefer NASCs and EGL sites to focus on implementing changes that improve the quality of the system, such as implementing the new assessment and allocation processes, and

40.4. NASCs have been reviewing allocations over the past two years under budgets and have, after a period of adjustment, (largely) retained current allocations levels, which is a strong indicator of the assessed level of need.

Paid Family Carers

41. s
9 s9(2)(f)(iv) s9(2)(f)(iv)

42. We will continue to provide you with advice on this as further work is done.

Next steps

43. If the recommended approach is agreed:

- 43.1. DSS will develop communications to the disabled community, advising that their allocations will not change on 1 April,
- 43.2. We suggest that this could be a Ministerial press release, with a possible release date of 9 March 2026. We will prepare a draft release and supporting materials for your office. DSS will manage stakeholder contact ahead of the release and will support your office with social media management, and
- 43.3. DSS will develop new reporting to support NASCs and EGL sites with utilisation discussions about flexible funding.

Author: Philip Berghan-Whyman, Principal Advisor, Strategic Finance, DSS Future Design

Responsible manager: Kaye Cunningham, Future Design Lead

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Annex 1: Comparison of expenditure and allocation

This annex provides additional information on expenditure and allocations for the core flexible funding supports (Carer Support, individualised funding, and EGL Personal Budgets).

The charts below compare:

- Total allocation values are based on the monthly snapshots, with the average value shown for each quarter.
- Annualised expenditure is full-year spend based on the expenditure in that quarter,
- Note: the last quarter in the charts (Quarter 3 of FY25/26) has only one month of data (January 2026) so it is a little more variable than the other quarters (which average three months of data).

Figure 6: Carer Support

27,096 people have an allocation of Carer Support. Allocations average \$2867 (January 2026).

The gap between allocations and expenditure is around 20% or \$15m.

Carer Support enables full-time carers to take a break. It is a form of respite.

Expenditure is quite variable, often driven by school terms and public holidays. The claims process is manual (a paper or online form).

Carer support is not hosted.

Figure 7: IF Personal Care

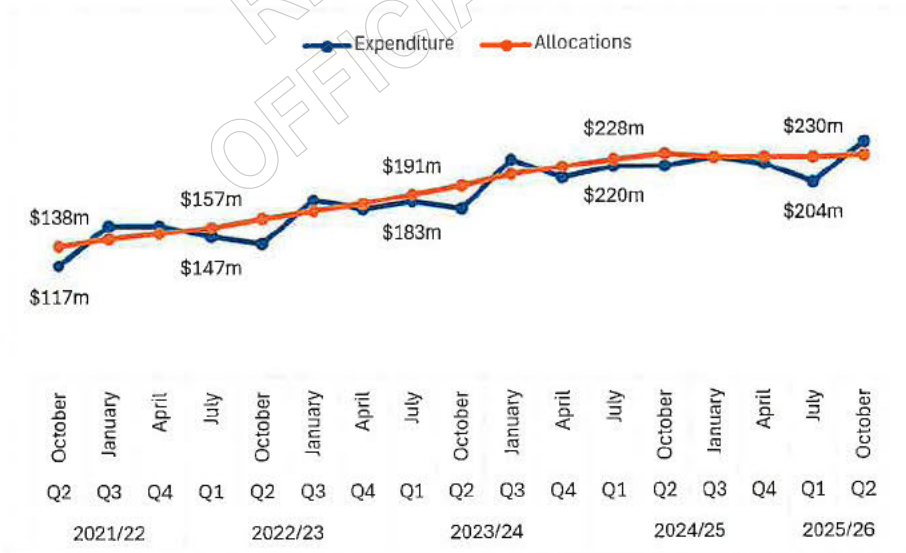
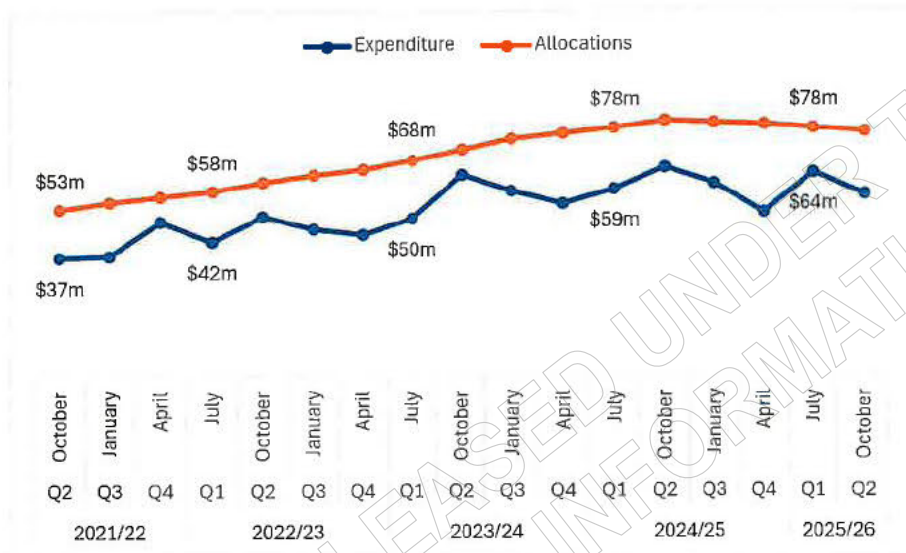
7,873 people have an allocation of IF Personal Care. Allocations average \$29,147 (January 2026).

The gap between allocations and expenditure is around 3% or \$7m.

Personal care supports people with tasks like showering and getting out of bed in the morning.

The major costs are employing workers, who deliver ongoing support on a regular basis.

IF Hosts support the use of this funding.



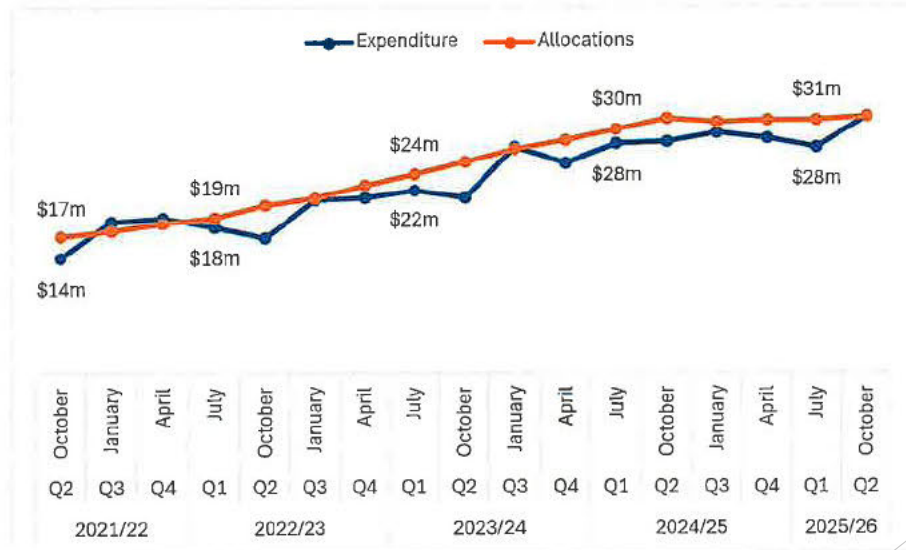


Figure 8: IF Household Management
 3,214 people have an allocation of IF Household Management. Allocations average \$9,720 (January 2026).
 The gap between allocations and expenditure is around 6% or \$2m.

Household management supports people with tasks like cleaning and shopping.

As with IF Personal Care, the major costs covered are employment costs for regular support workers. IF Hosts support the use of this funding.

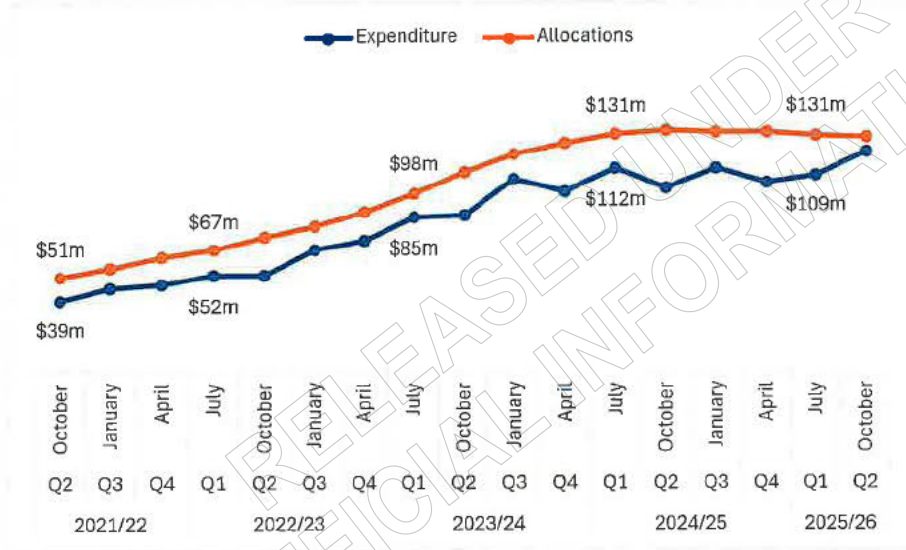


Figure 9: IF Respite
 9,727 people have an allocation of IF Respite. Allocations average \$13,240 (January 2026).
 The gap between allocations and expenditure is around 14% or \$18m.

IF Respite is (as per the name) a type of respite. It supports full-time carers and disabled people to take a break from their usual roles.

IF Hosts support the use of this funding.

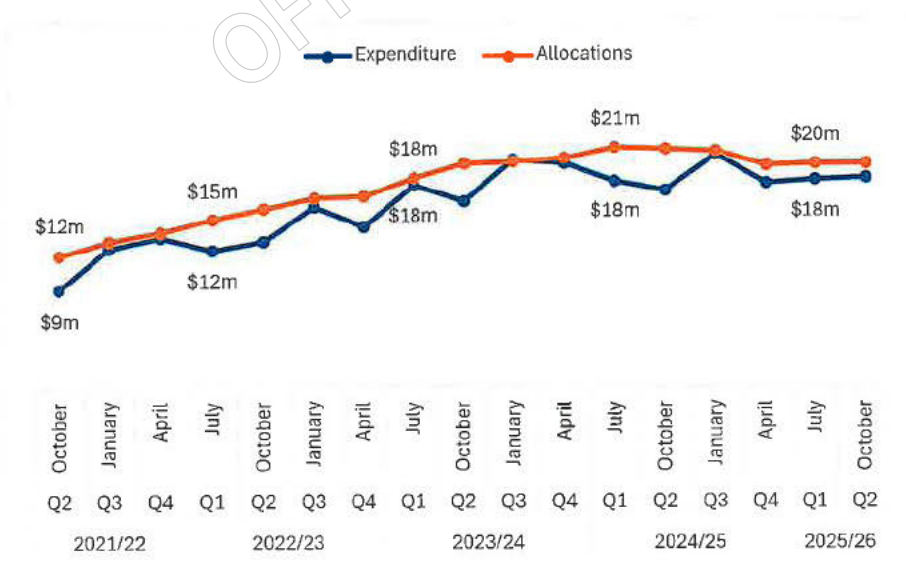


Figure 10: Enhanced IF
 873 people have an allocation of Enhanced IF. Allocations average \$22,185 (January 2026).
 The gap between allocations and expenditure is around 6% or \$1m.

Enhanced IF is only available in the Bay of Plenty. It was an early form of bundled flexible funding, essentially combining service lines, which piloted the Flexible Purchasing Guidelines.

IF Hosts support the use of this funding.

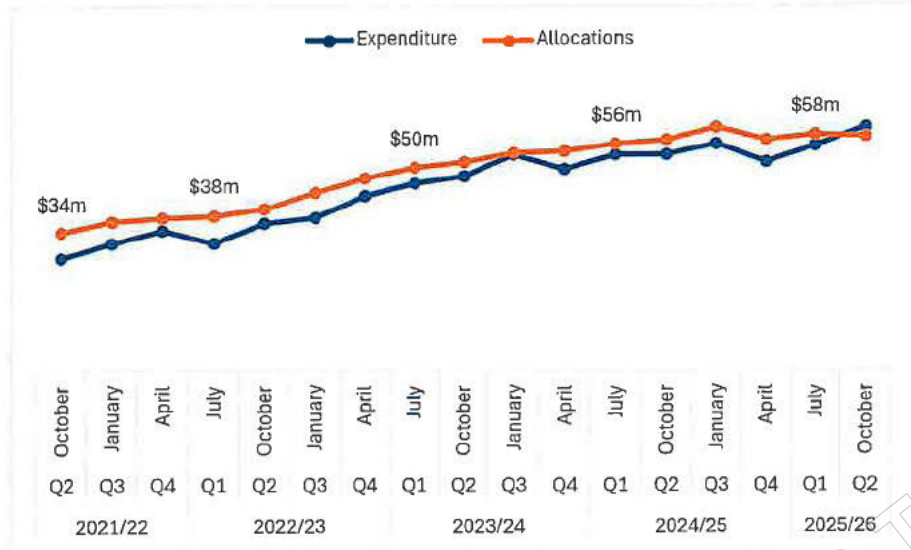


Figure 11: EGL Personal Budgets

1,363 people have an allocation of EGL Personal Budget. Allocations average \$42,172 (January 2026).

The gap between allocations and expenditure is around 3% or \$2m.

EGL Sites often allocate personal budgets rather than traditional supports, which accounts for the higher average allocation compared to Individualised Funding.

People who have these budgets are either: direct funded (they receive funding to their bank account and are supported by their EGL site) or supported by either an IF Host or a Flexible Disability Support (FDS) provider.

End

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