

Visual description: A green Disability Support Services logo sits to the left of the Ministry of Social Development crest in black.

MSD Disability Support Services Operational Policy and Procedures

Supporting Compliance within Hosted Flexible Funding Arrangements

Effective from 5 October 2026

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Purpose

- 1 This document establishes the operational policy settings and procedures for the application of proportionate responses where concerns arise about the appropriate management of allocated disability support funding within hosted flexible funding arrangements. It updates the 2016 Disability Support Services (DSS) Operational Policy *Restrictions on Access to Hosted Budgets*.
- 2 The operational policy sets out:
 - a the operational approach and framework for responding to concerns, including thresholds for applying restrictions, or denial or withdrawal of the option to use a hosted flexible funding arrangement; and
 - b the roles, responsibilities and respective decision-making authority of hosts, Needs Assessment and Service Coordination (NASC) organisations, Enabling Good Lives (EGL) sites and DSS.
- 3 The procedures in Part B give effect to these operational policy settings.
- 4 When making decisions in relation to this operational policy, hosts, NASCs and EGL sites must take into account the principles set out in the [Disability Support Services Act 2026](#) (the Act).

Scope

- 5 The operational policy and procedures apply to:
 - a disabled people who use, or are considering using, hosted flexible funding arrangements;
 - b providers of hosting services; and
 - c NASCs and EGL sites.
- 6 Hosted flexible funding arrangements covered by this policy are:
 - a Individualised Funding – Personal Care, Household Management and Respite;
 - b Enhanced Individualised Funding; and
 - c EGL Personal Budgets hosted by either a DSS-contracted provider or a Flexible Disability Support provider.
- 7 This document should be read alongside the following MSD DSS operational policies, and relevant DSS service specifications:
 - a *Assessment and Allocation of Disability Support Funding*;
 - b *Decision-Making Authority within Hosted Flexible Funding Arrangements*;
 - c *Management of Hosted Funding Arrangements*;

- d *Purchasing Operational Policy*; and
- e *Verification of Claims within Hosted Flexible Funding Arrangements*.

Decision-making authority

- 8 Unless the context requires otherwise, where responsibilities or decision-making are assigned to a disabled person under this operational policy, this includes a person who a disabled person has appointed as an agent, a person who has legal authority, or substituted authority to act on the disabled person's behalf.
- 9 For information about disabled people appointing an agent, or someone who has legal authority or substituted authority to make decisions on behalf of a disabled person, see MSD DSS Operational Policy *Decision-Making Authority within Hosted Flexible Funding Arrangements*.

A: Operational Policy

Policy intent

- 10 Hosted flexible funding arrangements enable disabled people to direct and manage their disability supports in ways that best meet their individual needs, with the support of a host. This operational policy supports that intent while recognising that actions may be required to manage risks to the integrity of public funding.

Concerns about appropriate use of allocated funding

- 11 Concerns that may indicate a risk to the appropriate use of allocated funding include, but are not limited to:
 - a expenditure that does not:
 - i align with the purposes set out in the disabled person's My DSS Funding Plan;
 - ii comply with the MSD DSS Operational Policy *Assessment and Allocation of Disability Support Funding* and *Purchasing Operational Policy*;
 - iii align with purpose of disability support funding as set out in the Act;
 - b allocated funding that has been overspent or does not last the full duration of the funding period, and there has been no identified change in need;
 - c non-compliance with employment obligations when hiring or engaging support workers;
 - d the disabled person managing the allocated funding, and who is employing support workers, has been required to pay out on more than one personal grievance claim;

- e the disabled person managing, or who intended to manage, the allocated funding:
 - i is an undischarged bankrupt;
 - ii has committed a restricted act, as defined in paragraph 22;
 - iii is subject to an audit; or
 - iv is subject to adverse findings from an audit.

Framework for managing concerns about use of allocated funding

- 12 There are three mechanisms to manage any concerns about the appropriate use of allocated funding:
 - a **Operational controls** are actions applied by hosts to support appropriate use of allocated funding, for example, increased monitoring and guidance.
 - b **Restrictions** are formal limits applied to how a hosted flexible funding arrangement may be used. Restrictions are applied by NASCs and EGL sites where operational controls are insufficient to manage identified risks.
 - c **Denial or withdrawal** is the removal of the option to use a hosted flexible funding arrangement entirely. Denial or withdrawal decisions are made by DSS and apply only in serious circumstances.
- 13 The following section provides more detail on each of the mechanisms.

Operational controls

- 14 Hosts are the first point of contact for disabled people in terms of managing their allocated funding, including providing prior approval for certain purchases in line with the MSD DSS *Purchasing Operational Policy*. Hosts provide guidance, monitoring and coaching to identify and address concerns, and help disabled people manage their funding obligations.
- 15 The operational controls available to hosts must be used only in low-risk situations where concerns are minor in nature, e.g. a one-off purchase that does not align with the My DSS Funding Plan that is of low monetary value.

Restrictions

- 16 NASCs and EGL sites may apply restrictions on how a hosted flexible funding arrangement can be used to manage concerns about how the allocated funding is being used.
- 17 Restrictions can include, but are not limited to, one or more of the following:
 - a Allocation to a higher host tier than indicated by the Host Tier Allocation Tool.

- b Placing conditions on how allocated funding may be used, for example, requiring the use of a host payroll system for support workers.
 - c Requiring the appointment, or change, of an agent to assist with managing the allocated funding.
 - d Limiting the ability to directly employ support workers or engage self-employed contractors.
 - e Requiring some supports to be obtained through DSS-contracted disability support providers.
 - f Setting a nominal (pro-rata) funding allocation.
- 18 Any restriction applied must be proportionate to the identified risk, documented and retained by the NASC or EGL site, clearly communicated to the disabled person and host, and subject to review at least annually by a NASC or EGL site.

Denial or withdrawal

- 19 Denial of the option to use a hosted flexible funding arrangement applies where a disabled person has not yet commenced using a hosted flexible funding arrangement. Withdrawal of the option to use a hosted flexible funding arrangement applies where a disabled person is already using such an arrangement.
- 20 DSS deciding to deny or withdraw the option to use a hosted flexible funding arrangement is a significant decision. In determining whether to deny or withdraw the option of using a hosted flexible funding arrangement, DSS will consider the nature, seriousness, recency and relevance of the conduct, any evidence of remediation, and any ongoing risks to the integrity of public funds.
- 21 Access may be denied or withdrawn where:
- a there are serious and ongoing concerns that cannot be mitigated through operational controls or restrictions;
 - b there is documented evidence that the disabled person:
 - i has committed a restricted act;
 - ii is subject to an audit; or
 - iii has received an adverse audit finding.

Restricted acts

- 22 A restricted act is defined as:

- a any act or omission, in the nature of, but not limited to, theft, burglary, or fraud (including forgery, obtaining by deception, use of a document dishonestly and without claim of right, or crimes involving computers); or
 - b the misuse of, or obtaining of, funds outside of MSD DSS operational policies, or agreements (for example, My DSS Funding Plan, a service agreement with a host) for personal benefit; or
 - i in connection with any funding provided by a government agency or an entity funded by a government agency (for example, misuse of the Carer Support Subsidy or MSD income support); or
 - c the provision of materially misleading information to DSS, an auditor, a NASC, an EGL site, or a host.
- 23 The definition of a restricted act applies where an investigation has been initiated, regardless of whether the act or omission results in prosecution, diversion, conviction, or discharge without conviction.
- 24 Where the option to use a hosted flexible funding arrangement is denied or withdrawn by DSS, disabled people remain eligible to receive disability supports through DSS-contracted providers. The NASC or EGL site, together with the host and disabled person, will work together to limit any disruption to disability supports.

Roles and responsibilities

Disabled people

- 25 Disabled people are responsible for engaging with their host, NASC or EGL site to address any concerns about the appropriate use of allocated funding, which includes complying with any:
- a operational controls applied by hosts; and
 - b any restrictions applied by NASCs or EGL sites.

Hosts

- 26 Hosts are responsible for:
- a monitoring the use of allocated funding by providing information, guidance, coaching, and timely interventions to support disabled people to use their allocated funding in accordance with their My DSS Funding Plan and the MSD DSS operational policies (listed in paragraph 7);
 - b identifying and responding early to concerns through engagement, monitoring and operational controls;
 - c clearly explaining to the disabled person, the potential consequences of inappropriate use of their allocated funding, including restrictions on the

use of a hosted flexible funding arrangement, and documenting these discussions;

- d reporting concerns to the relevant NASC or EGL site where risks cannot be managed through operational controls alone; and
- e documenting all discussions, concerns, actions and decisions.

27 Hosts may apply operational controls within their contractual role but do not have authority to apply restrictions or to deny or withdraw a disabled person's choice to use a hosted flexible funding arrangement.

NASCs and EGL sites

28 NASCs and EGL sites are responsible for:

- a engaging with disabled people and hosts when considering applying restrictions;
- b applying, varying, and reviewing restrictions on the use of hosted flexible funding arrangements;
- c ensuring decisions are informed, proportionate, and clearly communicated to the disabled person;
- d documenting all discussions, concerns, actions and decisions; and
- e working with hosts to minimise disruption to a disabled person's supports if restrictions are applied.

Disability Support Services (DSS)

29 DSS is responsible for:

- a making decisions to deny or withdraw the option to use a hosted flexible funding arrangement according to its internal processes; and
- b determining and applying appropriate actions where a disabled person is subject to serious non-compliance, an audit, adverse audit findings or has committed a restricted act, as defined in this policy.

Audits

30 This section establishes the policy framework for audits. The procedural requirements for referral, assessment, conduct of audits, consideration of findings and implementation of audit outcomes are set out in Part B.

31 Audits are mechanisms used to assess whether allocated funding has been used in accordance with MSD DSS operational policies, the disabled person's My DSS Funding Plan, and any other requirements associated with a hosted flexible funding arrangement.

- 32 MSD DSS and authorised auditors from Health New Zealand undertake quality and assurance activities, including audits.
- 33 An audit may be undertaken at any time. This may include, but is not limited to:
- a suspected misuse of allocated funding identified by a host, NASC or EGL site;
 - b concerns raised through complaints, monitoring, verification, quality assurance activities or other review processes; or
 - c broader assurance activities undertaken to protect the integrity of public funding.
- 34 DSS retains decision-making authority for all outcomes arising from an audit. In exercising this authority, DSS will have regard to:
- a the nature, severity and frequency of any non-compliance;
 - b whether the conduct arose from error, misunderstanding, negligence or deliberate misuse;
 - c the risks to disabled people and the integrity of public funding;
 - d any remediation or corrective actions undertaken; and
 - e any other information relevant to the appropriate management of the allocated funding.
- 35 Hosts, NASCs, EGL sites, disabled people and any other relevant person or organisation (for example, support worker, payroll service providers) are expected to cooperate with reasonable requests for information and assistance.

B: Procedures

- 36 This section sets out the actions that must be taken, and by whom, to address concerns about the inappropriate use of allocated funding.

General decision-making requirements

- 37 Before making a decision under this policy that may result in operational controls, restrictions, denial or withdrawal of the option to use a hosted flexible funding arrangement, or any other non-compliance response, the relevant host, NASC, EGL site or DSS must:
- a take into account the principles set out in section 8 of the Act;
 - b advise the disabled person of the concerns that have been identified;
 - c explain the information relied upon to identify those concerns;
 - d provide the disabled person with a reasonable opportunity to respond;

- e consider any additional information provided by the disabled person, together with any other relevant information;
- f consider whether the concerns can be addressed through additional support or less restrictive measure before implementing a more restrictive approach; and
- g document discussions and decisions.

Identifying and responding to early concerns

- 38 Through the regular engagement, monitoring and oversight of hosted flexible funding arrangements, hosts must identify and address any concerns about the appropriate use of the allocated funding as early as possible.
- 39 Where a concern is identified, the host will, at the next scheduled engagement, or earlier where appropriate:
 - a discuss the concern with the disabled person;
 - b seek to understand the circumstances, including whether the issue appears to be:
 - i a genuine mistake or misunderstanding;
 - ii intentional; or
 - iii repeated non-compliance.
 - c provide guidance, coaching, support and information to address the issue, where appropriate, or report the issue to the NASC or EGL site.

Concerns about appropriate use of allocated funding

Overspend or risk of overspend

- 40 Where a disabled person's allocated funding is tracking toward, or has resulted in, an overspend, the host will, as soon as practicable:
 - a meet with the disabled person to identify the cause; and
 - b determine if the cause is related to a change in disability-related need.
- 41 If there is a change in disability-related need, the host will advise the NASC or EGL site a reassessment could be required.
- 42 If the overspend is not related to a change in disability-related need, it must be considered unauthorised expenditure.
- 43 Where allocated funding is tracking towards an overspend due to planned expenditure, but will overall remain within budget, this is not unauthorised expenditure.

Unauthorised expenditure

- 44 Purchases that do not align with the purposes set out in the disabled person's My DSS Funding Plan, the MSD DSS *Purchasing Operational Policy*, or the *Disability Support Services Act 2026* are unauthorised expenditure.
- 45 Where unauthorised expenditure is identified, the host must:
- a confirm the nature and value of the expenditure;
 - b discuss the matter with the disabled person to determine if the expenditure was inadvertent, and if repayment or adjustment is feasible; and
 - c provide guidance and support to prevent recurrence, which could include recommending an increase in the tier level of support.
- 46 Where unauthorised expenditure is repeated, significant, or indicative of serious non-compliance, the host must notify the NASC or EGL site.

Undischarged bankrupt

- 47 Where a disabled person has advised the NASC, EGL site or host that they are an undischarged bankrupt, DSS must be notified immediately, and the following actions must be put in place by the host:
- a The disabled person must seek written approval from the Official Assignee to directly manage the allocated funding, and to employ support workers.
 - b The disabled person must send the approval from the Official Assignee to the host.
 - c The host will put in place a three-month nominal budget until the bankruptcy is discharged.
- 48 The host will advise the NASC or EGL site when these actions have been put in place.

Applying restrictions

- 49 Before applying a restriction, the NASC or EGL site must comply with the *General decision-making requirements* set out in this policy.
- 50 Following notification from a host, the NASC or EGL site must:
- a review all the available information to consider if a restriction on the use of a hosted flexible funding arrangement is appropriate;
 - b discuss the issue with the disabled person and the host;
 - c determine whether a restriction on the use of a hosted flexible funding arrangement is required and ensure proportionality;

- d determine the appropriate action in line with the policy, which may include, for example:
 - i requiring the appointment of an agent to manage the allocated funding;
 - ii limiting the direct employment of support workers; or
 - iii transitioning some supports to a DSS-contracted disability support provider;
- e document and communicate the decision and rationale with the disabled person and the host; and
- f work with the disabled person and host to ensure that any disruption to the disabled person's support is minimised.

51 The NASC or EGL site must clearly communicate with the disabled person, the restriction, the reasons for it, any actions required of the disabled person and the date the decision will be reviewed.

Appointment of an agent

- 52 Where the appointment of an agent, or change of agent, is required to manage the risk, the NASC or EGL site must firstly identify if there are any known issues of legal capacity that may prevent the disabled person from being able to instruct an agent. Where an agent cannot be instructed due to legal capacity, DSS will be required to decide if the option of using a hosted flexible funding arrangement should be withdrawn.
- 53 If the disabled person has the legal capacity to instruct an agent, the NASC or EGL site must:
- a work with the disabled person to identify a suitable agent;
 - b document the scope of the agent's role; and
 - c review the arrangement at the disabled person's next annual review, unless circumstances require an earlier review of the arrangement with the agent.
- 54 The NASC or EGL site will work with the host to ensure if any interim measures, such as the application of restrictions, are required to manage the allocated funding while the issue is assessed.

Denial or withdrawal of option

- 55 Matters that may warrant denial or withdrawal must be referred to DSS for consideration.
- 56 Where DSS decides to withdraw the option to use a hosted flexible funding arrangement:

- a the NASC or EGL site must work with the disabled person to ensure that any disruption to the disabled person's support is minimised;
 - b DSS must confirm with the NASC or EGL site that alternative DSS-contracted supports are available; and
 - c the transition must be managed to minimise disruption of supports.
- 57 Where DSS decides to deny the option to use a hosted flexible funding arrangement:
- a the NASC or EGL site must work with the disabled person to ensure DSS-contracted supports are available; and
 - b DSS must confirm with the NASC or EGL site that alternative DSS-contracted supports are available.
- 58 To support the operationalisation of the DSS decision, DSS will:
- a direct the NASC or EGL site, and the host, as to what steps they must take and by when;
 - b advise the disabled person that support will continue to be provided, but that existing hosted flexible funding arrangement cannot continue; and
 - c advise the disabled person when the decision could be reviewed.

Audits: referrals, investigations and outcomes

Referral

- 59 Where there is suspected serious misuse of the allocated funding, the host must notify:
- a their DSS contract manager;
 - b the NASC or EGL site; and
 - c the Health New Zealand Audit and Assurance team.
- 60 DSS will determine whether the matter can be addressed through monitoring or an operational response, or if a formal audit is required (and consideration of whether a temporary suspension of access to, or withdrawal from, a hosted flexible funding arrangement is needed).
- 61 During any period of temporary suspension, the NASC or EGL site, together with the host and disabled person, must work together to minimise disruption and support continuity of disability supports.

Audit initiation and information gathering

- 62 Where an audit is commenced, authorised auditors may request information from disabled people, hosts, NASCs, EGL sites and any other person or

organisation (for example, support workers or payroll services providers) reasonably believed to hold information relevant to the audit. Requests may include documentation, financial records, supporting evidence and interviews. Requests for information will:

- a be made in writing;
- b specify the information required; and
- c include timeframes for response.

63 Authorised auditors are responsible for conducting audits and providing DSS with an audit report setting out:

- a findings;
- b any identified non-compliance;
- c risks identified during the audit; and
- d recommendations.

Consideration of outcomes

64 Following receipt of an audit report, DSS will consider:

- a the nature, severity and frequency of any inappropriate use of allocated funding;
- b where the conduct arose from error, misunderstanding or deliberate misuse;
- c the risks to the disabled person and integrity of public funding;
- d any remediation or corrective actions undertaken; and
- e any other information relevant to the appropriate management and use of allocated funding.

65 Any response to an audit finding must be proportionate to the identified risks and the disabled person's circumstances.

66 Following consideration of audit findings and any response from the disabled person, DSS may determine that:

- a no further action is required;
- b operational controls should be applied or strengthened;
- c restrictions should be applied as set out in this policy;
- d access to a hosted flexible funding arrangement should be withdrawn; or
- e the matter should be referred for consideration of prosecution or other enforcement action.

- 67 If prosecution is considered, DSS will apply the Evidential Sufficiency and Public Interest tests developed by Crown Law.¹
- 68 All decisions must be documented and communicated to the disabled person, host, and relevant NASC or EGL site.

¹ More information can be found on the Crown Law website [Decisions to prosecute » Crown Law](#)

Glossary: Terms and definitions

Term	Description
Agent	A person authorised by a disabled person who has decision-making capacity in relation to appointing an agent to act on their behalf in specified matters. An agent does not become the decision-maker unless they hold legal authority to do so.
Allocated funding	The level of funding allocated to a disabled person by a NASC or EGL site to be managed through one of the arrangements specified in this operational policy.
Disability Support Services (DSS)	A business group within the Ministry of Social Development (MSD).
Enabling Good Lives (EGL) site	Three initiatives in which the support offered is based on the EGL vision and principles: EGL Christchurch, EGL Waikato and Mana Whaikaha (in the MidCentral region).
Funding period	The NASC or EGL site will give a disabled person with a hosted flexible funding arrangement a start date and a review date. This timeframe is known as the funding period.
Host	An organisation contracted or funded by DSS to provide host services; or a Flexible Disability Support provider when they are offering host services.
Host tier	A tier level assigned to a disabled person (using a hosted funding arrangement) by a NASC or EGL site, using the Host Tier Allocation Tool. The tier determines the level of guidance and support a host provides and sets out the expectations for both the host and the disabled person in managing the funding.
Legal authority to act	A person with legal authority to act on behalf of an adult disabled person, must be one of the following: 1) A personal care and welfare attorney under an enduring power of attorney (EPOA), or a welfare guardian appointed by the court under the <i>Protection of Personal and Property Rights Act 1988</i> for decisions relating to the disabled person's person care and welfare. 2) A property attorney under an enduring power of attorney (EPOA), or a property manager appointed by the court under the <i>Protection of Personal and</i>

Term	Description
	<i>Property Rights Act 1988</i> for decisions relating to the disabled person's money, income, and property. 3) A person with substituted decision-making arrangements within the scope of Schedule 1, clause 6(a) of the <i>Disability Support Services Act 2026</i>.
My DSS Funding Plan	An agreement with a NASC or EGL site setting out how the disabled person agrees to use the funding they have been allocated. The agreement may take several forms: • Where people have received a new allocation of support, or had their support allocation reviewed or reassessed, on or after 1 April 2026, the My DSS Funding Plan described in the MSD DSS Operational Policy <i>Assessment and Allocation of Disability Support Funding</i>. • Where people have existing support allocations on 1 April 2026 but have not had their allocations reviewed or reassessed under the above policy: ○ Individual Service Plans for an Individualised Funding allocation, or ○ Support Agreement and/or EGL Funding Plan for an EGL Personal Budget.
Needs Assessment and Service Coordination (NASC) organisation	Organisations that are contracted to DSS to carry out needs assessments, coordinate services to meet those needs, allocate supports and services funded by DSS that respond to needs, and manage the allocation of support within their region's annual budgets.
Nominal (pro-rata) allocated funding	The allocated funding is pro-rated to limit the funding period.
Official Assignee	An Official Assignee is appointed under the Public Service Act 2020 to administer bankruptcies by managing an individual's financial affairs if they have been declared bankrupt. More information can be found on the Insolvency and Trustee Service website.