

9. FUNDING OF AND PURCHASING OF SERVICES FROM THE COMMUNITY BY GOVERNMENT AGENCIES

RR 9211

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Corporate Plan Output: Policy Advice	

The purpose of this report is to inform the Committee of an inter-agency project aimed at improving the effectiveness, efficiency and co-ordination of Government funding and purchasing practices. A paper, titled "*Practical Ways of Improving Government Funding and Services Purchasing from Community Organisations*", was submitted to the Minister of Social Services on 16 December 1998 for consideration. Its status is 'a report to a Minister' and officials are waiting for the Minister's feedback.

This report provides a summary of the recommendations and examines the factors that will affect the Council and the communities it serves. It identifies some key issues for the Council and proposes the Council makes a submission to the Minister on these.

INTRODUCTION

In September 1998 Hon Nick Smith asked the Director General of Social Welfare together with other Chief Executives to report on practical ways of improving government funding and purchase of services from multi-funded community organisations. The Minister asked that the idea of a single standard process for contracting, monitoring and compliance be explored. He also requested the investigation of a lead agency model whereby one agency would oversee the funding process on behalf of others.

The project was led by the Department of Internal Affairs through an inter-agency group comprising Community Funding Agency, Community Probation Service, Courts, Crime Prevention Unit, Early Childhood Development, Health Funding Authority, Work and Income/Community Employment Group, Youth Affairs, Te Puni Kokiri and the Ministry of Pacific Island Affairs. This inter-agency group also received advice from two community group representatives, the Ministries of Education and Justice, and Skills New Zealand.

Inter-Agency Group's Recommendations

The inter-agency Group identified short-term deliverables and longer-term actions in relation to best practice in funding and purchasing of social services. The short-term deliverables were:

- **Standard Documentation** - a common approach to funding of community organisations and standard documentation where multiple funders are involved in low risk grants and contracts, medium to high risk grants and contracts, and discretionary funders and purchasers;
- **Lead Funder** approach to purchasing appropriate high risk services;
- **Agency Co-ordination** - using existing local and national interdepartmental forums to achieve better information-sharing and co-ordination of assessments of applications and tenders;

- **Shared Recognition** - acceptance by other funding agencies of an assessment by an agency about a community organisation's capability to deliver multi-funded services or outputs.

Of particular interest to the Council is that fact that the paper identifies that **some aspects could be "extended to include local authorities"** and the Minister Hon Nick Smith is quoted as stating that an extension of this standardisation to philanthropic trusts would be both in their interests and in the interests of the community and volunteer organisations (Jobs Letter 1998). This implies that central government anticipates that local government, when funding the voluntary sector, will collaborate with these coordination forum including using the standard documents and have funding channelled through a lead agency.

COMMENTS

The Inter-agency work signals that Government has recognised that the current funding/purchasing arrangements pose problems for Government and voluntary social and community organisations. It reflects Ministers' and officials' desire to improve the effectiveness of government funding and purchasing practices to maximise organisations' ability to deliver services.

The report to Hon Nick Smith is against a backdrop of a wide range of views within and between government agencies about funding arrangements. The fact that a report was able to be prepared is in itself significant. Perhaps of more significance, was the development of a sufficiently good working relationship amongst the various agencies. That growing understanding and trust will be important to the success of any possible future work in this area.

It is intended that this work will be part of a wider set of understandings firstly between central government funders of Non Government Organisations and then between central and local government and philanthropic trusts towards universally fair funding and accountability arrangements throughout New Zealand.

It is commendable that the Minister and officials are seeking ways of reducing compliance costs for voluntary groups and attempting to enhance the effectiveness of services provided to the community. However, the proposals need further examination and alternatives need to be considered. Consultation with the community and other funders, including local authorities, is essential. Some key issues are discussed below:

Lead Agency

A lead agency approach was proposed by the Inter-agency Group. Based on this model if a community group was funded by more than two agencies then one lead agency would oversee the funding process on behalf of the other funding bodies.

A danger with this approach is that it could increase the compliance requirements on community groups (rather than reduce compliance costs) as the lead agency may be in the position to demand compliance from groups.¹ Funding may become more prescriptive and the lead agency would have greater ability to reshape the voluntary sector (there has already been suggestions that funding agencies contract with a lead provider/voluntary agency rather than a number of smaller groups). There is also the danger that this may result in funding cuts as a Lead Agency considers the total funding package.

Shared Recognition

This model has the potential for reducing transactional and compliance costs, as pre and post funding processes will not be repeatedly performed by different funding agencies. It also has the potential to increase time Government agencies spend with each other at the cost of time spent with community agencies. This may reduce the developmental role that some funders currently fulfil. The potential of this model may be limited due to the lack of consultation and collaboration with other major funders such as the Community Trusts and Local Authorities. This means that groups will still face multiple compliance arrangements

Agency Co-ordination

It was suggested that different funding agencies could share information and co-ordinate their work at the community level. The paper suggested that groups such as the Christchurch Combined Resourcing and Funding Group would be an appropriate forum for this coordination. This group was an initiative of the City Council and was highlighted as an example of a successful multi-sector forum that could share information and facilitate co-ordination (rather than establish a separate process).

A Single Monitoring/Reporting Arrangement

There is little discussion on reducing monitoring and accountability processes in the paper. This area is worth further examination.

Community groups have identified that accountability and reporting processes are where they incur the greatest compliance costs. Funders have varying reporting requirements: organisations are required to report monthly, quarterly, six monthly, annually or 15 monthly depending on the size of the contract/grant and the funder. Some funders have various data gathering and measuring requirements; others do not ask for quantitative data but instead request a written account of how the money was spent and the resulting benefits.

¹ Many organisations are already scared that criticising government will lead to funding cuts (Desmond 1996, Liddell 1997). Contracts already include 'gagging clauses' restricting organisations ability to advocate for their clients and share information with other groups.

Similar accountability requirements would reduce compliance costs. An emphasise on evaluation and learning rather than compliance and would also improve the capacity and performance of the sector.

Multi-Year Funding

There was no recommendation for increasing multi year funding, although apparently long term funding was acknowledged as being good practice both in terms of efficiency and effectiveness by the inter-agency group. Most funding is short term, for instance a year, requiring organisations to seek re-approval or to reapply for funds². The result for organisations is increased compliance costs and insecurities in employment.

Funders could waive the requirement to apply annually for established groups and projects, replacing the application process with an evaluation process to enable to enable second and third year funds to be realised. In a different forum Hon. Nick Smith identified that community organisations need more certainty of funding from year to year to enable them to plan for the future. He has indicated his intention to increase the number of contracts that are negotiated for longer than one year: “A target of 50% of multi-year [CFA] contracts has been set for the new year and this will be further extended the following year” (Smith 1998:1).

Longer term funding would reduce the concern of susceptibility of shifting priorities. It would mean that organisations were able to plan their services. Short term funding means that organisations are forced to engage reactive practices which are not cost effective (e.g. redundancy and rehiring of staff), organisations run down assets and undermine their investment in future service development. This jeopardises the long-term viability of the sector.

Consultation

There was no consultation or engagement with community sector, local governments or philanthropic trusts in the development of the inter-agency group’s recommendations due to the tight timeframe. There was no recommendation for consultation. Councils, such as the Christchurch City Council, are major funders of the community sector. The long-term intention is for central government, local government and philanthropic bodies to collaborate. It is essential that we be consulted.

² Several government agencies already provide long term funding.

- Recommendation:**
1. That the report be received.
 2. That the Council support the Central Government Inter-agency initiative to reduce compliance and transaction costs of funding and purchasing arrangements with the voluntary sector.
 3. That the Council advise Hon Roger Sowry, Minister of Social Services, of its interest in this matter and request that the community, local government and philanthropic sectors be consulted prior to any change to government funding and purchasing practices.
 4. That an invitation be extended to the Minister to visit Christchurch to meet with the Council and lead agencies to discuss the funding of and purchasing of services from the community by government agencies.

Chairman's Recommendation: That the above recommendation be adopted.