

9. COLLABORATION AMONGST FUNDERS

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Corporate Plan Output: Policy Advice	

The purpose of this report is to advise the Committee of a Council initiative aimed at improving collaboration among funders. The report is in response to a query by the Committee at its last meeting regarding possible ways to reduce the compliance costs and duplication of processes required of community groups when applying for funding

BACKGROUND

Recently funders (including the Council) and community organisations have recognised that current funding/purchasing arrangements pose problems for funders and voluntary social and community organisations.

At present there are a number of factors affecting the sustainability and capacity of the voluntary sector. The most notable factors are those associated with funding contracts and grants: the compliance costs¹; increasing output/outcomes specification by funders²; short-term and partial funding; complex, inconsistent and ad hoc approaches; circumscribed restrictions and limited outcome evaluation.

In the last 15 years central government has led moves to both reduce the size of state by devolving responsibility and to seek community-based solutions to social and economic issues.³ These have resulted in increased contracting of social services from community organisations. Thirteen government agencies have been identified as directly funding/purchasing social services from community organisations. There are duplicated administration systems and in some cases lack of co-ordination between these funding agencies.

The Christchurch City Council has identified that over \$23.5 million was funded to the voluntary sector in Christchurch from nine departments in 1997/98 (not including the HFA, the largest funder).⁴ An estimated \$3.5 million of this would have been spent on compliance costs and an additional \$2.4 million would have been spent on transaction costs (over and above the \$23,500,000 allocated).

Central government exit from any traditional roles, especially in areas of welfare provision, also often required a response from local government to cover shortfalls in social and economic areas. Local government have moved beyond being providers of basic services to provide a wider range of social and community services, including employment initiatives and community development activities. The Christchurch City Council has also become a major funder of community initiatives.

¹ Including various time constraints such as annualisation and multiple, conflicting deadlines that contribute to uncertainty and other job pressures; underfunding and cash flow delays; reporting, red tape, paperwork, and other accountability requirements.

² Including undesired restrictions on staffing, client eligibility and service methods

³ Congruent with these state sector reforms the changes in the national economy and economic restructuring have impacted on the community sector; increasing the demand for social services

⁴ The HFA were unable to distinguish between voluntary sector and private providers but for the period 1 November 1998 to 30 April 1999 \$331,482,362 was paid to Christchurch private and voluntary organisations.

As a result community groups deal with multiple funding bodies, each with their own funding, monitoring and reporting processes. Securing funding, negotiating contracts and meeting accountability requirements often involve complex processes and mean that voluntary organisations are submerged in paperwork and excessive administrative burdens.

The increasing compliance costs associated with multiple funders are taxing community groups and detracting from service delivery or community development processes. They are also placing pressure on community agencies to sideline if not undermine opportunities for participation and leadership development, prevention, advocacy, and network building. This is causing an erosion of wider role of voluntary organisations in providing opportunities for learning and skill enhancement, engaging communities in identifying and addressing local needs, promoting social justice, providing a voice for the disadvantaged, and facilitating participatory democracy.

In some instances there are increasing tensions in the funding relationship between the voluntary sector and the Government. Co-operation between voluntary organisations and government funders is more difficult and less common as trust and transparency diminish.

THE PROJECT

This project is exploring some possible measures to improve the effectiveness, efficiency and co-ordination of community funding and purchasing practices through reducing compliance and transaction costs.

The initiative for the project came from the Combined Funders (a network of major funding agencies which share information about funding decisions, policies/changes and issues. Its membership comprises Department of Internal Affairs, Contracting Group – Department of Children, Young Persons and Their Families, Canterbury Development Corporation, Christchurch City Council, Community Corrections, Christchurch Safer Community Council, and Community Employment Group). The project is being developed by a smaller working group of some funders.

Aims

The aims are to:

- Reduce the compliance costs for community groups
- Reduce the transaction costs for funding agencies
- Improve relationships between funders and community groups
- Increase the capacity of the voluntary sector

Scope

The project is aimed at:

- the not-for-profit, community organisations in the voluntary and community sector which have multiple streams of Council and Government funding from agencies involved in Combined Funders Network

- both grants and purchase of services of social services (including employment and health)⁵. Grants refers to discretionary grants made in response to community identified needs. Purchasing refers to the contracting of funder-defined services from community organisation.⁶

The components

This group is considering the following options for reducing compliance and transaction costs. Many of these proposals are consistent with those proposed by the central government Best Practice Project.

Multi Year Funding - Most funders provide short-term funding, for instance a year, requiring organisations to seek re-approval or to reapply for funds. The result for organisations is increased compliance costs and insecurities in employment.

It is suggested that funders could waive the requirement to apply annually for established groups and projects, and replacing the application process with an evaluation process to enable to enable second and third year funds to be released.

Shared Assessment - Acceptance by funding agencies of an assessment by another agency of a community organisation's capability to deliver multi-funded services or outputs, eg if one funder has investigated a group and assessed it as capable with appropriate systems in place, other funders would accept this rather than reinvestigate.

The Best Practice Project⁷ identified two components of shared recognition: 'capability' and 'suitability'. 'Capability' referred to an organisation's capability to provide the services contracted in an efficient, effective and culturally appropriate manner. 'Suitability' referred to an organisation's suitability to provide a particular service.

It proposed that funding agencies would recognise the capability assessment undertaken by a funding agency of community organisations for a medium- to high-risk grant/contract. It was proposed that the capability assessment would cover an agreed core range of factors, including checks of legal status, financial information, management systems and structure, staffing and previous history and would be valid for specified period.⁸

Simplified Documentation - This would include application/tender proposal documentation and contracts. It would involve:

- simplified application forms or tender documents for all funds with add-on schedules customised for individual funders
- rationalisation and alignment of requirements, for example, financial information and legal documentation

⁵ Initially not capital works, sports, recreation and arts

⁶ Discretionary funding is provided by the Council, Lottery Grants Board, Community Trust, COGs, Community Employment Group and some Internal Affairs grants. Purchasing in undertaken by Child, Youth and Family, Community Probation, Courts, HFA, Work and Income and Youth Affairs.

⁷ A Central Government Interagency Project looking at initiatives to reduce compliance and transaction cost.

⁸ An organisation's "suitability" to provide a particular service for which funding was being sought would be undertaken by individual agencies. However, it was identified that these assessments could also be recognised by other funding agencies co-funding the same service where appropriate.

Shared Evaluation - A single accountability or evaluation processes which would include process for reporting on outputs and evaluating outcomes.

NEXT STAGE

Funders are currently considering the options and scoping each of them to determine how feasible they are and what would need to be amended or put in place. (At present the multi-year funding and combined funding options are favoured.)

Options will then be trialed and evaluated.

Recommendation: That the Committee endorse the initiative.

Chairman's

Recommendation: That the above recommendation be adopted.