



**Code of Funding  
Practice**

## Funding and Accountability Interest Group

In order to obtain a wide range of advice on the new Code of Funding Practice, the OCVS drew on input from an extensive network of community sector contacts and government officials with knowledge and expertise in government funding of the non-profit sector. This network, the Funding and Accountability Interest Group (FAIG) includes the following community sector people and government agencies.

| <b>Name</b>           | <b>Community organisation</b>                  |
|-----------------------|------------------------------------------------|
| Angelia Ria           | He Oranga Pounamu                              |
| Bruce Stokell         | Sportwork                                      |
| Carl Pascoe           | Creative Consultants                           |
| Carolyn Cordery       | New Zealand Institute of Chartered Accountants |
| Colleen Tuuta         | TSB Community Trust                            |
| Dale Eagar            | Sport sector                                   |
| Enid Ratahi-Pryor     | Ngati Awa Social and Health Services           |
| Garth Nowland-Foreman | Community Solutions                            |
| Gerardine Clifford    | Taeaomanino Trust                              |
| Iain Hines            | JR McKenzie Trust                              |
| Jean Mitaera          | Whitireia Community Polytechnic                |
| Jo Cribb              | Families Commission                            |
| Jo Fitzpatrick        | Women's Health Action Trust                    |
| Joanne Hayes          | Nga Tai O Te Awa                               |
| John Stansfield       | Cleanstream Limited                            |
| Louise McCarthy       | Otara Health                                   |
| Marion Blake          | Platform                                       |
| Murray Edridge        | Barnardos New Zealand                          |
| Paul Cameron          | Sport Wellington                               |
| Phillip Back          | Waikato PHO                                    |
| Viv Maidaborn         | CCS Disability Action                          |
| Yvonne Wilson         | Rauawaawa Kaumatua Trust                       |

### **Government agency**

Department of Conservation  
 Department of Corrections  
 Department of Internal Affairs  
 Ministry of Foreign Affairs and Trade  
 Ministry of Health  
 Ministry of Social Development  
 Nelson Marlborough District Health Board  
 Office of the Auditor-General  
 SPARC  
 Standards New Zealand  
 Statistics New Zealand  
 Treasury

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## 1. Foreword

Worldwide, governments are looking increasingly to third parties (community and the market) for service delivery and to achieve policy goals. At its best, the non-profit sector has the potential to tackle some of society's most entrenched challenges. In the last decade, government funding of the non-profit sector has grown to over \$3 billion annually for services and activities as diverse as aged care, mental health, care and protection of children, sport, the arts, conservation and international aid. Funding arrangements for these activities range across a continuum from highly specified services negotiated across a sector, to grant-aid for collaborative arrangements to support community outcomes.

As an independent part of society, non-profit organisations are set up to meet a social purpose. The New Zealand non-profit sector contributes 4.9% to gross domestic product. It employs over 200,000 paid staff and volunteers across a diverse range of activities from sport and the arts to social services and the environment. International trends suggest growth in non-profit sector activity as New Zealand emerges from the recession. Communities will seek to develop their own solutions to issues that affect their lives and will look to the government for assistance.

### Why do we need a Code?

Most non-profit organisations receive no government funding. But for those that do, managing the diversity and complexity of funding arrangements requires technical and relationship management skills from funders and non-profits. Demands on both parties create the potential for tension. On the one hand, the requirement on government agencies to ensure the best use of taxpayer funds for public benefit drives funder behaviour. Against this, non-profit organisations exist to fulfil their mission. Their non-dividend distributing characteristics distinguish them from market organisations and for many, the disciplines and demands of contracting have the potential to diminish their mission-driven motivations.

In developing this Code of Practice, we drew on the combined experience of officials and non-profit organisations and over a decade of work by all parties to make contracting and grant-making more productive.

In recent years, government and the non-profit sector have sought to make 'outcomes' or 'results' central to planning. Given that we cannot easily contract for an outcome, it becomes critically important, therefore, that the funder and non-profit organisation share a complete understanding of two central ideas. First, what does the government expect for the use of public funds ('public resource for public benefit') and the accompanying accountabilities? Second, what does the non-profit organisation expect to achieve in relation to its own goals or mission, and its accountabilities and mandate? Non-profit organisations exist for a social purpose or mission. In order for the motivation of government and non-profit groups to coincide in a shared understanding, both parties must invest sufficient and proportionate time and energy in clarifying the goals of the contract or grant. Achieving 'a shared outcome' or common purpose is essential.

### How does the government's procurement reform agenda affect the Code?

Government procurement relates mostly to a commercial 'purchasing' model. Contracting for services in the social sphere is exempt from some of the procurement 'rules' such as compulsory tendering. Many of the issues that affect the commercial world, however, are relevant to the contracting or funding of non-profit organisations: for example, the need for a shared understanding about the outcome or result, many standard terms and conditions, and the importance of relationship development and management over time.

The Ministry of Economic Development (MED) has issued model contracts with standard terms and conditions for services for use in government procurement ([www.procurement.govt.nz](http://www.procurement.govt.nz)). While specifically intended for 'routine' commercial procurement in the first instance, the model contracts provide guidance tools and templates that may in part be applicable to agencies and non-profit organisations in drawing up agreements for social services delivery. For details of the model contracts and associated guidance, see the government procurement pages on the MED website. In the short term, the Office for the Community and Voluntary Sector will work with the Ministry's procurement reform team to ensure we avoid duplication and find opportunities to develop shared resources including possible future amalgamation of the procurement and funding good practice guides.

## 2. Introduction

### Purpose of the code

This *Code of funding practice* aims to assist government and non-profit organisations when entering into government funding arrangements. The Code also aims to encourage greater collaboration between the parties.

It is intended that this *Code of funding practice* will be used by:

- government department and Crown entity funders to complement the official guidance from the Treasury and the Office of the Auditor-General
- non-profit organisations to aid in managing their funding relationships with government agencies.

The *Code of funding practice* is a voluntary Code. For some services and programmes negotiation may be at a sector level rather than with individual non-profit organisations. In these circumstances the opportunities for individual providers to negotiate separately is not available but both funder and 'sector level' negotiators are expected to consider the many differing sized organisations that are likely to be covered by these 'national' agreements.

### Who is the document for?

This document is aimed at government funders and non-profit organisations in receipt of public funds. Not all criteria in the Code will apply to all funding arrangements. In general, however, most parts of the Code will have applicability to all funding arrangements but require different emphasis depending on the funding purpose and the category of funding arrangement being used.

At their best, non-profits are close to and trusted by their communities; they may provide important ways for communities to meet their aspirations and to solve problems. Investing time and effort in the negotiation phase of many funding arrangements (where applicable) will increase the chance of aligned outcomes, shared purpose, a clear understanding of how funds will be used, and an efficient reporting of results.

### Funding Arrangements

Funding arrangements between government and non-profit organisations take many forms along a continuum from conditional grants to highly specified contracts.

In general, grants are designed to support an organisation or an activity rather than to buy goods or services. A grant programme can operate on any scale, from very small and localised grants to extremely large grants to support major infrastructure projects. Government grants come with expectations of performance ranging from those that have substantial conditions attached to those with very few conditions. What needs to be achieved should be the main focus for both grantmaker and grantseeker. The nature of the expected outcome may lead to some grants requiring more substantial and complex conditions.

Purchase arrangements also come in many forms. In some instances, contracts offer the parties an opportunity to negotiate and agree a result and how work will be done to achieve the result. In

other cases, the funder (purchaser) has a clear set of goods or services in mind and relies on market-based procurement.<sup>1</sup>

### The non-profit sector

Although the general principles of the Code may apply to a wider range of funding arrangements, the Code is primarily aimed at the funding relationships between government agencies and the non-profit sector. The Johns Hopkins Comparative Nonprofit Sector Project (2006) uses the following structural-operational factors to define a non-profit organisation:

- organised membership
- private, that is, not of government
- non-profit distributing
- self-governing
- non-compulsory.

Such factors are common to many organisations set up for specific social purposes. These purposes motivate organisations across all their primary activity areas from social services to health, from sport to education, and international aid to conservation. Statistics New Zealand uses these criteria to define New Zealand non-profits in the Non-profit Institutions Satellite Account.<sup>2</sup>

Many iwi/Māori organisations meet these five criteria. In terms of the non-compulsory criterion, the New Zealand Committee for the Study of the New Zealand Non-Profit Sector noted that, in some cases, membership of these organisations derives from birthright, often accompanied by a sense of cultural obligation.<sup>3</sup>

### How to use the code

This document adopts a wide-ranging overview of government funding arrangements with non-profit organisations. It works from two central premises. First, that government funders need to be assured that public funds achieve value for money and represent a defensible use of taxpayer money. Second, the best results for citizens and communities remains the ultimate goal of funding arrangements.

The main sources of public sector guidance on funding arrangements have been developed by the Treasury and the Office of the Auditor-General. The documents published by these organisations focus on providing advice to central government, Crown entities, and local government organisations on managing the funding arrangements they have with external agencies in the community and voluntary sector.

This Code does not duplicate the advice provided by the Treasury or the Office of the Auditor-General but rather embodies a common understanding of, and mutual commitment to, specified principles and minimum standards that may be used by both government and non-profit organisations.

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<sup>1</sup> The Office of the Auditor-General provides detailed descriptions of categories of funding arrangements in "Public Sector purchases, grants and gifts: Managing funding arrangements with external parties". Available at <http://www.oag.govt.nz/2008/funding-arrangements>

<sup>2</sup> Statistics New Zealand. *Non-profit institutions satellite account: 2004*. Wellington, 2007.

<sup>3</sup> Tennant, M. et al (Ibid) and Sander, J. et al. *The New Zealand non-profit sector in comparative perspective*. Wellington: Office for the Community and Voluntary Sector, 2008.

Many government agencies have funding or procurement guidelines setting out their organisation's requirements and expectations for the funding of non-profit organisations. It is not the intention of the Code to take the place of these individual agency guidelines.

This Code has been written to complement the existing guidance documents. The Code is expected to evolve over time and to be refined based on experience with its use.

In this Code the word 'will' refers to practices that the parties to this document have committed to adopt. 'Will' is also used for practices that are already mandated in other documents. The word 'should' refers to practices that are advised or recommended.

General guidance on how to meet the elements of the Code is included throughout in shaded text, and prefixed by the letter 'G'. The purpose of the guidance is to assist with the interpretation of the Code element, providing examples, which are general in nature, and do not necessarily, include all methods that can be used to meet each requirement.

### Complementary guidance documents

This *Code of funding practice* is intended to be used alongside the existing guidance documents from both the Treasury and the Office of the Auditor-General. The three most used guidance documents are:

The Treasury

1. *Guidelines for contracting with non-government organisations for services sought by the Crown* (2009)

The guidance has been written for departments and Crown entities to assist them with their contracting relationships with non-profit and also for-profit organisations. Although not mandatory the Treasury strongly recommends the guidelines are followed and exceptions clearly explained and documented.

Office of the Auditor-General

2. *Principles to underpin management by public entities of funding to non-government organisations* (2006)

This document sets out principles for public entities to follow when funding non-government organisations. In addition the guidelines also provide four detailed scenarios that apply the principles to four common funding arrangements.

3. *Public sector purchases, grants, and gifts: Managing funding arrangements with external parties* (2008)

The audience for this good practice guide is government agencies and the guidance has been written to focus '*...on situations where a public entity decides to provide funds directly to an external party to achieve a particular purpose.*'<sup>4</sup> The guidance is intended to be used not only for funding non-government organisations but also commercial organisations, public entities, and other private bodies.

### How was the code developed?

The Office for the Community and Voluntary Sector (OCVS) contracted Standards New Zealand to develop the content of the *Code of funding practice*. Standards New Zealand held a series of stakeholder interviews to inform the development of an initial draft. The interviewees were drawn from both the non-government and government sector.

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<sup>4</sup> Office of the Auditor-General. *Public sector purchases, grants, and gifts: Managing funding arrangements with external parties*, June 2008.

The initial draft of the Code was presented at a meeting, on 8 April 2010, of the OCVS-led Funding and Accountability Interest Group (FAIG) with the feedback from the meeting incorporated into the consultation draft of the Code.

This consultation draft of the *Code of funding practice* was released for public consultation between 16 April and 14 May 2010. Standards New Zealand collated and reviewed all feedback and comments received on the Code during the consultation period.

The final version of the *Code of funding practice* was delivered to OCVS on 31 August 2010.

### 3. Glossary of Terms

The defined terms used in this Code have the following meaning:

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Agreement</b>                   | <p>The legally enforceable obligations and any associated conditions that two or more parties have agreed they owe to each other. The terms of a contract will often be recorded in writing but do not have to be. There will always be a contract in a purchasing relationship, and there may often be a contract underpinning a grant arrangement</p> <p>As defined in Office of the Auditor-General (2008)</p> |
| <b>Contract</b>                    | See Agreement                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Evidence based</b>              | <p>Practice refers to the use of research and scientific studies as a base for determining the best practices in a field. This basic premise is to provide transparency and to assure the public that techniques and procedures will provide the best possible interventions or treatments</p>                                                                                                                    |
| <b>Funding agreement</b>           | <p>An agreement under which the national or local government agrees to fund an independent body for a particular purpose.</p>                                                                                                                                                                                                                                                                                     |
| <b>Impact</b>                      | <p>Defined in the Public Finance Amendment Act 2004 as ‘the contribution made to an outcome by a specified set of outputs, or actions, or both’</p>                                                                                                                                                                                                                                                               |
| <b>Infrastructure</b>              | <p>The basic physical and organisational structures and facilities (e.g., buildings, roads, and power supplies) needed for the operation of a society or enterprise</p> <p>Taken from the Oxford Pocket Dictionary of Current English (2009)</p>                                                                                                                                                                  |
| <b>Input</b>                       | <p>A ‘factor of production’ used to produce an output (for example, staff time, travel, telephone calls, computer equipment, rental accommodation)</p> <p>As defined in the New Zealand Treasury (2009)</p>                                                                                                                                                                                                       |
| <b>Kanohi ki te kanohi</b>         | <p>Translated – ‘Eye to eye’. To meet face to face to discuss issues. This is seen as important so physical reactions like body language and facial expressions are easily read</p>                                                                                                                                                                                                                               |
| <b>Non-government organisation</b> | <p>A non-profit organisation that is organised, is independent of government and self-governing and does not have compulsory membership</p> <p>As defined in Office of the Auditor-General (2008)</p>                                                                                                                                                                                                             |

|                    |                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Outcome</b>     | Defined in the Public Finance Amendment Act 2004 as '(a) a state or condition of society, the economy, or the environment; and (b) includes a change in that state or condition'                                                                                                                                                                                                          |
| <b>Outputs</b>     | Defined in the Public Finance Amendment Act 2004 as '(a) goods and services that are supplied by a department, Crown entity, Offices of Parliament, or other person or body; and (b) includes goods or services that a department, Crown entity, Office of Parliament, or other person or body has agreed or contracted to supply on a contingent basis, but that have not been supplied' |
| <b>Probity</b>     | <p>The quality of having strong moral principles; honesty and decency</p> <p>Taken from the Oxford Pocket Dictionary of Current English (2009)</p>                                                                                                                                                                                                                                        |
| <b>Procurement</b> | <p>All the business associated with purchasing, spanning the whole cycle from identifying needs to the end of a service contract or the end of the useful life and subsequent disposal of an asset</p> <p>As defined in Office of the Auditor-General (2008)</p>                                                                                                                          |

## 4. The Code

### Code 1. Respect

**Criterion 1.1** The relationship between the funding agencies and non-profit organisations will be based on respect and will acknowledge the accountability, complementary roles, and responsibilities of each of the parties.

Indicators required to achieve this include:

- 1.1.1 The funding agreement sets out a relevant description of each party and the purpose and objectives of the agreement, including why the non-profit organisation has been selected.
- 1.1.2 The roles which may include providing leadership on particular issues, of each of the parties to the funding agreement, will be specified.
- 1.1.3 Explicit recognition in the funding agreement of the independence and autonomy of the non-profit organisation.
- 1.1.4 Recognition of the expertise of the non-profit organisation to manage its affairs consistent with its constitution and other legal obligations.
- 1.1.5 Acknowledgement of the non-profit organisation to have the right to act as individual or system advocates without putting their funding agreement at risk.
- 1.1.6 Acknowledgement of the need for both parties to meet accountability requirements, including demonstrating integrity, probity, and value for money, for the expenditure of public funding.

**Criterion 1.2** Any negotiation is conducted in good faith.

Indicators required to achieve this include:

- 1.2.1 Recognition in the funding agreement that the agreement is a joint endeavour in which all parties have shared goals to achieve benefits for specific people, groups, or communities.
- 1.2.2 All parties, or their representative, to the funding agreement agree on the services or outputs to be delivered.
- 1.2.3 The process allows for negotiation of the terms of the funding agreement. Where standard service specifications are used for contracting, the opportunity to negotiate is normally undertaken at the appropriate level, that is, sector level rather than on an individual organisation basis.

**G1.** This first example of Code 1 Respect is a 'currently active' high trust contract, which is 'work-in-progress'. The comments of the Chief Executive Officer of Ngāti Awa Social and Health Services show the results achieved through investing in upfront discussions. This has reduced compliance transactions that added no value, and by starting with an agreement based around results, there has been increased flexibility in how those results could be achieved, through a process of dialogue.

#### **Ngāti Awa Social and Health Services/Ministry of Social Development (MSD) July 2009**

Key contract features included:

**Prior recognition of 'Trusted Providers'** - Through the MSD trusting their historical relationships with providers that have 'proven' track records in accountability, transparency, and ability to achieve contracted outcomes, the contracting process was greatly improved. The repetitive and often time-consuming process placed on providers to prove to the department that the provider was capable and trustworthy of delivering on the contract, were in this case set aside. Often MSD already holds important paperwork such as incorporation documents. This process saved time and energy on both sides so they could be focused on delivering outcomes

**A four page 'only' contract for \$2m value** - Given the emphasis on relationships the entire flow of the document was greatly improved and the 'compliance' aspects of the contract became part of the 'stuff' that goes into the 'trusted provider' box to help eliminate unnecessary processes repeated in every single contract we have (more than 30).

**Principles and values of the relationship** - These were upfront in the contract placing the relationship between the parties as the primary objective versus the financial aspects which were last and very simple. This shifted the usual master / servant type of relationship that exists on its head. It made the provider more valued and part of the contract make up as opposed to here's the contract 'sign it or leave it'. The principles and values dictated a 'level playing field' for open discussions to occur. This approach resulted in more open and meaningful reporting discussions where providers were not penalised for trying something new or creative, and the department was open to hearing about new and different ways of service provision. Ultimately this aspect of contracting enabled flexibility and creativity within a contract to occur.

*'Resources freed up through reduced compliance commitments will go towards helping more families.'*

**Comments from participants involved in negotiations**

*'Before we had to deal with multiple contracts for multiple services and there was little flexibility. High trust contracting allows us to use government funding to meet the needs of families in the best way and to achieve the best outcomes – not deliver services strictly based on numbers.'*

A second example is conservation work funded through the Department of Conservation (Biodiversity Funds section). The QEII National Trust applies in each funding round to the Biodiversity Fund on behalf of landowners who have covenanted their properties through the Trust. This allows environmental enhancement and protection projects to be undertaken with costs shared between the Trust, the Biodiversity Fund, and the landowners. Many conservation projects have been successfully completed since 2002 under this model.

#### **Queen Elizabeth the Second (QE II) National Trust Biodiversity Funds grant support**

Key contract features included:

**Reducing reporting requirements** - The Biodiversity Fund respects the role of the QEII Trust and of the work of its regional offices in monitoring the covenants and managing relationships with landowners. All Biodiversity Fund payments require either a progress report or final report before payment is made. The Biodiversity Fund team has worked closely with the QEII Trust to reduce reporting requirements so that the Fund now requires only brief updates on such matters as money granted, money spent, balance remaining, and any comment or issues to be noted. Through one final report by the QEII Trust (for all projects numbering up to 25 throughout New Zealand under one grant) all reporting requirements are met. This includes before and after photos of the work, copies of invoices and monitoring data, collated as specified for each project in the Deed of Grant of Funds. This information is available through the QEII Trust at any time if requested by the Biodiversity Fund during the term of the Deed of Grant.

This process has greatly reduced paperwork, time, and costs for each party.

## Code 2. Cultural context

### Criterion 2.1 **Gaining agreement from non-profit organisations may require funders to allow for different culturally-anchored processes as part of the negotiation and agreement process.**

An indicator required to achieve this includes:

- 2.1.1** Negotiation processes that provide appropriate engagement with the non-profit organisation's accepted form of decision-making authority.

### Criterion 2.2 **Fair access to funding is made available.**

Indicators required to achieve this include:

- 2.2.1** Funding systems or processes that do not unfairly discriminate against cultural diversity.
- 2.2.2** Information is available and communication tools are used in a way that's reasonably accessible for all relevant cultural backgrounds.
- 2.2.3** Funding can be targeted to specific cultural expertise, where this is required.

### Criterion 2.3 **Funders will meet with whānau/hapū/iwi organisations in a manner that respects and acknowledges their cultural values and kaupapa Māori.**

Indicators required to achieve this include:

- 2.3.1** The funding agreement incorporates Māori values and kaupapa Māori.
- 2.3.2** The funding agreement recognises the cultural expertise and community links of the kaupapa Māori organisations.
- 2.3.3** Recognition of the expertise of the non-profit organisation to manage its affairs consistent with its kaupapa.

#### Good practice tip: Access to Information

- A right of access to information is inherent in all cultures and systems of government. A lack of access to information can disproportionately affect marginalised communities or those who find standard government funding processes a poor fit to their traditional decision-making processes.
- Funders that acknowledge the various forms of evidence and importantly, the value of Mātauranga Māori (time-honoured knowledge). This will significantly assist funders in recognising services that are shaped by Māori values, culture, knowledge, and heritage.

This first example of Code 2 Cultural context, is a 'currently active' high trust contract and is 'work-in-progress'. The following comments were provided by the Chief Executive Officer of Ngāti Awa Social and Health Services as an example of the results achieved through investing in upfront discussions. In negotiating a High Trust Contract, a priority for Ngāti Awa Social and Health Service was the need for its work to express Ngāti Awa's aspirations, its values and its principles. While Ngāti Awa valued its reputation as a trusted manager of public funds, the need to preserve kaupapa remained a priority. From the government funder's perspective, this emphasis represented a different but effective way of maintaining a focus on outcomes. This has resulted in reduced compliance costs, a focus on results, and allowed for increased flexibility in achieving those results through a process of dialogue.

#### **Ngāti Awa Social and Health Services entered into a high trust contract with the Ministry of Social Development in July 2009**

Key contract features included:

**Initial kanohi-ki-te-kanohi meetings** were held to jointly discuss and consider what the contract and outcomes of the contract may look like. There was no predetermined outcome or prescribed contract agreement which enabled immediate trust and dare I say it creativity around the outcomes that were being sought. The underlying message of the meetings was that the provider should know what outcomes were to be achieved and how. This placed the emphasis on the provider to be very clear about what it was their organisation was wishing to achieve on a long-term sustainable basis. It also meant that the provider needed to revisit their long-term vision and strategy for the future and see how that fitted with the department's intentions.

**The tenor of the document** is about outcomes and systemic change and recognises that this is about the developmental and incremental changes that are required in service providers over time. You will note that the goals and objectives are about building better outcomes for whānau as opposed to listing whānau outputs. This requires a change in output/outcome measurement and reporting. Outcomes are a lot more difficult to report than outputs. Outputs are a numbers game and outcomes are about behavioural shifts and changes. Significantly, the high trust contract gives room for providers to make the shift from output to outcomes which will take time.

This second example of Code 2 Cultural context outlines the relationship between a funder and a Pacific provider.

#### **Health Star Pacific Trust is a Pacific public health provider funded by the Ministry of Health to deliver a range of child health services**

Key contract features included:

**Understanding cultural contexts and protocols** - Health Star Pacific Trust (HSP) is a public health provider led by Pacific personnel who use Pacific approaches in the delivery of their service. It is important for the Ministry of Health portfolio manager to understand these approaches when negotiating the service specifications of the contract. HSP has been able to conduct outreach activities that engage the Pacific community in a number of settings and have been able to deliver ethnic-specific services, for example Samoan, Cook Island, Tongan, and Niuean services. It is also essential for the portfolio manager to respect the provider's preferred protocols when meeting with Pacific providers such as prayer before and after meetings.

**Go to them** when meeting with Pacific providers. It is important that the portfolio manager is seen to be making an effort to visit them in their space and context. HSP often appreciate visits to their offices or while 'on duty', meaning attendance by Ministry of Health staff at their workshops or events where possible.

A third example is the Department of Internal Affairs' Support for the Volunteer Fund. This has three components, one of which is funding for volunteering projects in Māori, Pacific, and ethnic communities. The fund recognises that volunteering occurs in a range of cultural contexts, and provides funding for projects that:

- promote information sharing, networking and development of resources that support Māori, Pacific, and ethnic volunteering
- respond to specific cultural values and needs, or
- encourage, recognise, and promote volunteers as community leaders.

## **Code 3. Transparency**

**Criterion 3.1 Where there are potentially multiple applicants or providers of a service or multiple participants, the selection processes used will be fair and transparent.**

Indicators required to achieve this include:

- 3.1.1** The selection process used is proportional to the funding agreement, arrangement, or amount of funding being offered.
- 3.1.2** The objectives of the funding or service being offered are clearly stated.
- 3.1.3** Precise information is provided on the:
  - (a) Eligibility and selection criteria; and
  - (b) Stages in the selection process and the time frame for each stage.
- 3.1.4** The selection process is managed according to the published time frames.
- 3.1.5** Organisations responding to a funding selection process provide submissions or proposals in the manner requested and reflecting the selection criteria outlined in the selection documentation.
- 3.1.6** Reasons for selection, non-selection and the level of support will be documented and available.

**Criterion 3.2 The funding agreement will be written to be relevant, clear, and readily understood.**

Indicators required to achieve this include:

- 3.2.1** The use of plain English, and minimising or eliminating the use of jargon in the funding agreement.
- 3.2.2** The expectations of both parties are explained and opportunities provided for feedback and discussion. Where expectations potentially impact on the way in which the services will be delivered, these expectations be reasonable, costed, and evidence based.
- 3.2.3** The funding agreement recognises the importance of intellectual property rights, where applicable and provides a clear understanding of the approach being applied.
- 3.2.4** The funding agreement states whether the funding is:
  - (a) A grant or contribution towards an activity or asset;
  - (b) Global funding;
  - (c) General operating support;
  - (d) For the purchase of a service;

- (e) A fee for service;
- (f) An incremental increase to acknowledge increased costs; or
- (g) For some other specified purpose.

**3.2.5** Where ongoing need is identified and an ongoing relationship with the non-profit organisation expected, then multi-year (3 years) funding should be the norm.

**Criterion 3.3 The purpose for, and use of, all data collection and reporting information will be clearly expressed.**

Indicators required to achieve this include:

**3.3.1** The purpose of each substantive piece of information to be gathered and reported is defined.

**3.3.2** The data collection and reporting information requirements are explained and clearly expressed.

**3.3.3** All reporting information collected is analysed within a reasonable time.

**3.3.4** Any analysis of information collected is provided back to the reporting organisation in a timely manner.

**3.3.5** Information gathering and reporting requirements are proportional to the intended use of the information and the level of funding and risk associated with the funding agreement.

**Criterion 3.4 Consultation to enhance the design, delivery, and development of services and programmes will be encouraged.**

Indicators required to achieve this include:

**3.4.1** Opportunity is given for the views of non-profit organisations to be canvassed and included during the development of new programmes, activities, or projects or the renewal or reshaping of existing ones.

**3.4.2** Funding agencies and non-profit organisations make available information on their priorities and long-term plans and provide an opportunity for feedback.

**3.4.3.** Opportunity for parties to a funding agreement to share lessons learned and to provide feedback after the completion of an agreement.

**G3.** This example of Code 3 Transparency outlines the process and relationship between the funder and potential providers to select a provider to deliver a health promoting schools national leadership service.

**The Ministry of Health established a health promoting schools national leadership service through an open tender process. The tender was awarded to Cognition Education Limited.**

Key contract features included:

**Service requirements, selection criteria and processes were clearly stated in the tender documents** - The service was identified through an open request for proposals (RFP) process. Service requirements were clearly stated in the background and service requirement sections of the tender document. Information required to assist selection and the selection criteria were also published in the tender documents. Potential providers could assess whether they would be able to deliver the service and design their tenders to address the key service areas.

**Stages in selection process** - The tender documents identified two stages in the process, which would be used if required. The first stage encompassed written proposals for review by a tender panel using the criteria identified in the tender document. Two potential providers were invited to participate in a second stage with presentations to the tender panel. Written and verbal feedback was provided to the two potential providers to allow them to address tender panel queries specific to their proposals.

**Selection process is managed according to the time frames** - Adherence to the selection process time frames was important to maintain the integrity of the tender process and to ensure that a new service was in place to commence the leadership work required.

A second example is the Department of Internal Affairs (DIA) providing an online application and management service for some grants. The service allows recipients to track the progress of their application, and, when it is approved, they can submit accountability reports online, and have access to information about payments.

DIA has introduced multi-year agreements for some grant recipients with whom it has long-term relationships. The agreements include long-term outcomes for the projects, with annual work plans that are updated as necessary to take account of changes or developments that occur over the life of the relationship. The agreements are based on the recipient's own work plan, budget, and partnering arrangements.

Department of Internal Affairs' Community Partnership Fund recipients complete an evaluation of their project when it is completed. Information provided in the evaluation is collected to develop best practice models and success factors for community digital projects.

**Comments from participants  
involved in negotiations**

*'This was the first time we'd had all our funders sitting around the table at the same time. It made us feel so much more confident only having to tell our story once.'*

*'On our side, we gained a new appreciation of the complexity behind the data that funders require. It also made us stand back and look at the bigger picture – it broke down the silos between different service streams within our own organisation.'*

## **Code 4. Open communication**

### **Criterion 4.1 Preliminary discussions are arranged between parties to strengthen their relationship and to develop a shared understanding by all parties.**

Indicators required to achieve this include:

- 4.1.1 Development of a shared understanding of how parties will work together.
- 4.1.2 Mutual agreement and understanding of all processes involved in the funding agreement.<sup>5</sup>

### **Criterion 4.2 Processes will support and strengthen understanding between the parties to the funding agreement.**

Indicators required to achieve this include:

- 4.2.1 Accurate information is available to all parties to support decision-making.
- 4.2.2 The agreement and relationship between the parties is based on the presumption that each party has the capacity to perform its obligations.
- 4.2.3 Opportunities are provided for constructive interaction between the parties during the life of the agreement.
- 4.2.4 Opportunities are provided for all parties to the agreement to understand the mission and strategic direction of the other parties to the agreement.

### **Criterion 4.3 All parties to the funding agreement will allow access to appropriate decision-makers throughout the life cycle of the relationship and the agreement.**

Indicators required to achieve this include:

- 4.3.1 The funding agreement specifies the decision-making roles and responsibilities of the key personnel. Where possible, the parties to the agreement should provide a single point of contact.
- 4.3.2 Parties to the funding agreement will deal with key personnel with the authority and ability to make decisions in relation to the agreement.
- 4.3.3 Any changes in key personnel are to be shared with the other parties to the funding agreement at the earliest opportunity.
- 4.3.4 Recognition that the governing body holds the overall authority for decision-making within the non-profit organisation.

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<sup>5</sup> Office of the Auditor General, 2008. *Summary of features of, and expectations, for, the different categories of funding arrangements*, Wellington, NZ.

**Criterion 4.4 Opportunities for honest and constructive feedback will be provided.**

Indicators required to achieve this include:

- 4.4.1 Processes provide for the regular exchange of information between the parties to the agreement.
- 4.4.2 Opportunities are provided for comment and feedback on the working relationship between the parties. Dependent on the parties involved and what is reasonable for all parties, feedback opportunities may be on an individual basis or at the sector level of non-profit organisations.
- 4.4.3 An agreed process for responding to changing circumstances and achieving both parties' outcomes is established.

**Criterion 4.5 Dispute resolution and grievance processes will be included in the funding agreement and clearly expressed.**

Indicators required to achieve this include:

- 4.5.1 The dispute resolution and grievance processes are designed to have a staged approach which seeks to resolve problems as close to the source, as early as possible, and with the least cost to the organisations.
- 4.5.2 Both parties will discuss perceived problems and will provide reasonable time as agreed as part of contract negotiations to resolve those problems (except in the case of illegal activity), before imposing any penalty or invoking provision for breach or termination of the agreement.
- 4.5.3 The dispute resolution and grievance process is:
  - (a) Accessible;
  - (b) Timely;
  - (c) Consistent; and
  - (d) Fair.
- 4.5.4 Information about the role and functions of the Office of the Ombudsmen is provided to the non-profit parties to the agreement.

The first example of Code 4 Open Communication comes from Lyall Wilson, national contracts advisor with the Ministry of Social Development and agreed by Lynda Millington, CEO of Interactionz, a provider of Vocational Services for people with disabilities in Hamilton, as a true reflection of their contractual relationship and experiences.

This example is 'currently an active' contract that has been extended for a further 2-year period and was signed in early July 2010.

**The Ministry of Social Development has contracted with providers of vocational services for people with disabilities, such as Interactionz in Hamilton, since 1998**

Key contract features included:

**Getting to know each other** - I believe one of the most successful things we did was get to know each other. In the initial stages, regular meetings were held, which included a guided tour of the

service, attending board meetings, answering lots of questions we both had, and participating in the provider's strategic planning. Feedback from these meetings was very positive, and greatly appreciated by staff, governance, and management. Once the relationship developed, the meetings become less frequent, and on an as-required basis, mainly at contract renewal time.

**Open and honest communication** - I believe this has been the basis of the positive relationships that exist between MSD providers of vocational services for people with disabilities. If I felt the provider was considering something that moved away from the intent of the funding, I let providers know. Equally, if providers felt what they were doing was not in the best interests of their service users, I listened and allowed providers to experiment. Interactionz was an example of this, and a positive outcome for all was the result. Even though the service ended up being very different to what we originally funded, the new service allowed service users to be more interactive in their communities, and to move towards independence, which fit the funding intent perfectly.

**Comment from participants  
involved in negotiations**

*'People think that conversations are not the real work.  
The conversation is the relationship.'*

The second example is a conservation project funded through the Department of Conservation (Biodiversity Funds section). This process has greatly reduced paperwork, time, and costs for both organisations. Open dialogue has allowed the organisations involved to address the many challenges they face. It is vital that they continue to have a good, honest, and open relationship to ensure the success of the New Zealand Organics Register (NZOR). In 2010 it is in its second year of a 3-year work programme.

Key contract features included:

**Making contact easier** - The Biodiversity Fund free phone 0800 number provides clients with access at no charge to discuss any aspect of their proposal prior to application, or at any stage of implementation of approved projects.

The Terrestrial and Freshwater Biodiversity Information System (TFBIS) is a programme to increase awareness of, and access to, fundamental data and information about terrestrial and freshwater biota and biodiversity. This is managed through the Department of Conservation. In 2008, TFBIS initiated dialogue between agencies involved in biodiversity management for the support of a New Zealand Organisms Register (NZOR).

NZOR is a national information infrastructure project to mobilise, integrate, and share authoritative taxonomic information critical to maintaining New Zealand's conservation and biosecurity decision support systems and processes. The outcome will be a digital catalogue of taxonomic data associated with more than 100,000 organism names relevant to New Zealand and made available on the internet.

NZOR is a cross-sector project, with a governance structure that ensures that all key organisations are involved and have input into the information contained. It also ensures that data from multiple providers can be used to build the register. Landcare Research has been contracted by TFBIS to develop and populate NZOR in collaboration with National Institute of Water and Atmospheric Research, Te Papa, the Department of Conservation, Ministry of Agriculture and Forestry (Biosecurity), the Environmental Risk Management Authority (ERMA), the Ministry of Fisheries, the Ministry of Research, Science and Technology, local government, museums, universities, and NGOs.

During the first year of the project, the governance structure has been put in place, a user needs analysis has been carried out, data provision and data use agreements have been established, and an initial cache of NZOR data from nominated providers has been compiled.

A third example comes from the Department of Internal Affairs. Advisors in the department's regional offices provide support and advice to community groups to assist them to make funding applications. Where necessary they will provide support to groups to ensure they have the organisational capacity to manage grants, and achieve their desired outcomes.

#### **Conditional Grants – The Department of Internal Affairs' Approach 2010**

Conditional grants are where the funder attaches significant conditions to the ongoing payment of funds, usually to manage some form of risk. Examples of common conditions include:

- dividing a project into stages and releasing funds only as each stage is completed;
- requiring the commitment of other funders or partners to be confirmed before releasing all funds; or
- requiring particular project management disciplines to be used, such as regular audit or the use of only certified or approved personnel or contracted providers for specific tasks.

## **Code 5. Flexibility and innovation**

### **Criterion 5.1 The potential for non-profit organisations to be innovative will be recognised and encouraged.**

Indicators required to achieve this include:

- 5.1.1** Recognition that both the funding agencies and non-profit organisations have expertise in the best way of doing things.
- 5.1.2** Parties to a funding agreement are encouraged to work together to tailor programmes to meet local needs and priorities.
- 5.1.3** Incentives to reward innovation may be negotiated as part of the service delivery agreement. Any incentives negotiated are transparent.
- 5.1.4** The funding agreement should be designed to facilitate innovation (as appropriate) with the emphasis on outcomes or outputs. Any barriers to innovation will be identified and either removed or justified by either party.
- 5.1.5** Input-based agreements may be used where reasonable and consistent with this code.
- 5.1.6** Opportunities for two or more funding agencies, and/or two or more non-profit agencies to be part of the funding agreement should be explored.

### **Criterion 5.2 The potential for non-profit organisations to be flexible in meeting agreed outcomes should be recognised and encouraged.**

Indicators required to achieve this include:

- 5.2.1** All parties to the agreement agree to the monitoring framework to be used to measure performance against the desired outcomes.
- 5.2.2** Where appropriate, the agreed monitoring framework encourages the achievement of multiple outcomes.
- 5.2.3** Current, relevant research and information are available to support discussions; the funding agreement will specify which party/parties are responsible for providing this.
- 5.2.4** Funding agreements should include a provision to make amendments to the agreement, by the mutual agreement of all parties, where this allows innovation or adaptation to changing circumstances.
- 5.2.5** The funding agreement should be designed to facilitate flexibility with the emphasis on outcomes or outputs. Any barriers to flexibility will be identified and either removed or justified by either party.

#### Good practice tip: Recognising Flexibility

- Identifying and bringing forward emerging funding issues and using new funding approaches to address community needs.
- Recognising the potential of non-profit organisations for innovation, which might be used to advance departmental or agency or programme priorities.
- At the design stage, recognising the benefit of targeting a portion of new programme funding for innovation, where appropriate (incorporating appropriate risk assessment, risk management, and accountability).

This first example of Code 5 Flexibility and innovation outlines the relationships between a funder, a provider, and a community group in the delivery of a violence prevention programme. The programme is community-led and championed by the Samoan Catholic Community Church leaders.

#### **The Malaeola Community Violence Programme is a Ministry of Health contract with South Seas Healthcare, delivered through Malaeola - the Auckland Region Samoan Catholic Community**

Key contract features included:

**Tailored programme proposed by the provider and target community group** - The service was identified through a request for proposals (RFP) process and was selected for its community principles and targeted approach. South Seas Healthcare and Malaeola Auckland Region Samoan Catholic Community presented a good rationale for targeting a very large, ethnic-specific, faith-specific group. Part of this rationale was the promise of commitment from its community leaders and the increased chance of 'uptake' from the community if the programme had both a Samoan and Catholic focus.

**Allow time for establishment** - The contract was negotiated for 3 years to make provision for development of resources, training of workers, and promotion of the programme to the community. This takes time and unforeseen changes can impact on project milestones and timelines. It was also important to meet with all key stakeholders to consult on the delivery of the programme and to ensure coordination with other programmes and services across the region.

**Effective communication** - A new and unique service requires good communication between the funder, provider, and community group to ensure alignment of thinking and early addressing of issues. The portfolio manager worked with the Pacific issues leaders to ensure effective engagement with the provider and community group.

A second example is the Department of Internal Affairs' Community Development Scheme which encourages innovation by funding hapū, iwi, and community groups to employ a project worker to work with the community to develop and implement solutions to issues they face. Grant agreements are based on the groups' own outcomes and work plans.

The third example is the Regional Sports Trust (RST) Consolidated Investment approach by Sport and Recreation New Zealand (SPARC).

SPARC funds 17 regional sports trusts to deliver sport and recreation services to their communities around New Zealand. In the past, SPARC has funded sports trusts to deliver

programmes. The result was that RSTs primarily delivered programmes for SPARC and focused to a lesser extent on what their communities' needs and requirements were.

In 2010, SPARC implemented a new funding approach that required regional sports trusts to deliver against broad outcomes. Under this approach, RSTs decide on how they use their funding and what programmes/activities they focus on – with the accountability of meeting the outcomes outlined in their investment schedules.

SPARC has also strengthened its capability to provide a consultancy role to provide advice to RSTs on developing innovative responses that meet their communities needs and monitor their progress towards delivering on outcomes.

**Comments from participants involved in negotiations**

***'Having someone listen to our ideas and know they understand us.'***

***'Regional Sport Trusts are encouraged to work together with SPARC (and other community stakeholders) to tailor programmes and activities to meet local needs and priorities.'***

## **Code 6. Integrity**

### **Criterion 6.1 All parties to the funding agreement have processes in place to ensure proper management of government funding.**

Indicators required to achieve this include:

- 6.1.1** All parties to the agreement take responsibility for the proper management of and accountability for public funds.
- 6.1.2** Effective financial information and reports are provided in a timely manner.
- 6.1.3** The non-profit organisation uses all reasonable endeavours to prevent fraud.

### **Criterion 6.2 Staff within both the funding agency and the non-profit organisation have the capability and capacity to perform their functions.**

Indicators required to achieve this include:

- 6.2.1** Staff involved in the management of the funding agreement have clearly defined roles and responsibilities.
- 6.2.2** Where changes in personnel occur, the parties to the agreement ensure there are clear transition processes to minimise the impact of the change on the other parties to the agreement.
- 6.2.3** All parties to the funding agreement operate in a manner consistent with good employer practices.

### **Criterion 6.3 The funding set out in the agreement is fair and reasonable.**

Indicators required to achieve this include:

- 6.3.1** A process for determining costs is established. The costs of the non-profit organisation in managing the funding agreement should be considered.
- 6.3.2** When the funding is not intended to meet the full cost of the activities specified in the funding agreement this is expressly recognised.
- 6.3.3** Recognising the importance of maintenance of infrastructure (human resources and physical assets) and systems, and the provision of safe services, project, or activities.
- 6.3.4** Agreeing prior to commencing the activities in the funding agreement, the status of any funds surplus at the expiry of the agreement.

- 6.3.5 Agreeing prior to commencing the activities in the funding agreement, a fair way to deal with the escalation of costs beyond the control of the non-profit organisation.
- 6.3.6 All parties to the agreement ensuring that the safety of a service or outcome is not at risk due to a low-cost service or activity being offered and accepted.
- 6.3.7 Payments may be made in advance of expenditure where there is a clear need and where this represents value for money.

### Understanding Conflict of Interest

A conflict of interest exists where you have two different interests that are both relevant to the same decision or issue. In other words, a particular matter comes before you for decision in one capacity (for example as a funder), and you have some other separate interest or duty in the matter. That other interest or duty might exist, for example, because of:

- a role that you have in another organisation affected by the decision, or
- the potential for the decision to affect you personally, or
- the potential effect of the decision on a close family member.

In legal terms, conflicts of interest of this kind are a subset of the common law about bias. The law about bias exists to ensure that people with the power to make decisions affecting the rights and obligations of others carry out their duties fairly and only take account of appropriate considerations.

Another important part of the law on bias is the question of predetermination. That is, the risk that you are seen to have made up your mind in advance, so that you cannot consider the information being put to you with an open mind. This risk can arise if you have made strong public statements on an issue in the past, or have been involved in public campaigning. Often, this lobbying type of activity will be incompatible with your role as a decision-maker.

The law of bias can be summed up in the saying '*no one may be judge in their own cause*'. One way of expressing the issue is: Would a reasonable, informed observer think that your impartiality might have been affected? If the answer is 'yes', then it might be sensible to stand aside.

This example of Code 6 Integrity comes from the sector funded by the Department of Internal Affairs. Some Department of Internal Affairs Crown-funded programme grant agreements are based on the community groups' own work plans and budgets. All agreements are either fully funded, or acknowledge the contribution of other funders or partners to the overall achievement of the groups' outcomes.

**Comment from participants involved in negotiations**

***'It's great when a contract manager says they will follow up and get back to us today and does!'***

In this example, the Ministry for the Environment recognises the importance of acting with integrity when funding projects, to ensure that partners experience a good faith process. Many of the Ministry's funded projects require providers to tackle complex tasks

and manage significant risks. Strong relationships between the parties, therefore, must underpin funding arrangements.

### **Integrity through the running of the Waste Minimisation Fund**

Administered by the Ministry for the Environment manages the Waste Minimisation Fund through a mix of web-based vetting of applicants, good engagement and a thorough project planning phase. Project planning ensures a shared understanding is developed between applicant and the Ministry and any risks identified early on. The approval of successful applicants is accomplished through evaluation by subject matter experts, an external assessment panel and a comprehensive due diligence process. The Ministry achieves ongoing fund management through regular reporting and evaluation on project milestones, which are then assessed by a Funds Analyst.

#### **Comment from participants involved in negotiations**

*"Trusts like ours have to file an awful lot of funding applications and detailed regular reports. In many cases, it's an arduous process but Ministry for the Environment staff have offered nothing less than total support and excellent guidance from application to implementation" (community organisation board Chair)*

## **Code 7. Accountability**

### **Criterion 7.1 The funding agreement will clearly identify the outcomes and expectations for the activities covered by the agreement.**

Indicators required to achieve this include:

- 7.1.1** The non-profit organisation has governance and management arrangements that demonstrate accountability for the funded activities.
- 7.1.2** The outcomes and expectations in a funding agreement for the clients of the non-profit organisation are agreed and may include input from user groups.
- 7.1.3** The agreed outcomes are valued by all parties to the agreement.
- 7.1.4** The methods of achieving the agreed outcomes are, where possible, evidence based and clearly linked to the purpose for the funding.
- 7.1.5** Flexibility in the funding agreement exists for the non-profit organisation to determine how the agreed outcomes may be best achieved for specific clients. These outcomes should be negotiated prior to the establishment of the agreement.
- 7.1.6** An agreed term of sufficient duration, to allow for the implementation and achievement of the agreed outcomes.
- 7.1.7** An additional criterion exists on adequate notice for discontinuation, recognising the reasonable commitments of the non-profit organisation, and the needs of clients or communities served.

### **Criterion 7.2 Adequate and reasonable notification is agreed to in the funding agreement for reporting and monitoring requirements.**

Indicators required to achieve this include:

- 7.2.1** Goals, targets, and milestones are reasonable and agreed to by all parties to the funding agreement.
- 7.2.2** The reporting and monitoring requirements reflect the risk of the funding agreement.
- 7.2.3** The reporting and monitoring requirements in the funding agreement are proportional to the type of activities and level of funding.

**Criterion 7.3 The parties to the funding agreement will identify the risks<sup>6</sup> and together agree on risk minimisation strategies.**

Indicators required to achieve this include:

- 7.3.1** The sharing of information is encouraged to ensure that all relevant risks are identified.
- 7.3.2** The risk minimisation strategies are jointly agreed, focus on working together, and support the relationship between the parties.
- 7.3.3** Risks are allocated to the organisation best equipped to manage them.

**Good practice tip: Managing Risks with Diverse Organisations**

- Making application and accountability standards and procedures flexible enough to accommodate a diversity of approaches and the limited capacity of smaller organisations, while still ensuring effective protection of, and proper accountability for, public money.
- Agreeing on well-defined results.
- Ensuring mutual respect for diversity, and recognising that different community groups can manage their resources in different ways, while still meeting the government's accountability requirements.

These comments come from Lyall Wilson, National Contracts Advisor with the Ministry of Social Development and agreed by Lynda Millington, CEO of Interactionz, a provider of vocational services for people with disabilities in Hamilton, as a true reflection of their contractual relationship and experiences.

This example of Code 7 Accountability is 'currently an active' contract that has been extended for a further 2-year period and was signed early July 2010.

**The Ministry has contracted with providers of vocational services for people with disabilities, such as Interactionz in Hamilton, since 1998**

Key contract features included:

**Risk management** - At the beginning of each contract year, I completed a risk assessment and monitoring plan. This ensured an appropriate amount of contact was made, and focused the meetings on what the Ministry needed to know. One result of this process was that we moved from annual contract terms, to 2-yearly terms. This was appreciated by providers (so we were told), as it gave more stability and security.

**Improving the quality of management and financial system and processes** - As the Ministry gained knowledge of the disability sector, the policy for this funding was developed (Pathways to Inclusion). One of the strategies in this policy was to improve the quality of services. This was set about by engaging independent reviewers who focused on general service delivery, as well as financial and management processes. Providers were given advice and direction that ensured we could trust providers' systems. This enabled the Ministry to have faith in the integrity of information and services provided financial viability, governance, and management. Many services became more accountable than before and appreciated the recommendations made.

<sup>6</sup> AS/NZS ISO 31000:2009. *Risk management – Principles and guidelines*.

**Following up after reviews** - I believe it was just as important for me to follow up on the recommendations made in the reviews, as it confirmed the importance of the review process, and focused providers on making the necessary improvements. It was made very clear that any recommendations were for the benefit of the service user first. If providers disagreed with any part of a review, their views were listened to, and where appropriate, recommendations were overruled.

A second example is the Community Conservation Fund, managed through the Department of Conservation which approved a grant of \$13,585 to Tiakina Te Taiao Ltd, for restoration of Kaiteriteri Recreation Reserve, Nelson.

Key contract features included:

At the time of application, Tiakina had funding for project management from another funding source. This was subsequently withdrawn, and the project was unable to continue as approved due to limited capacity to manage the scale of the initial project. The Community Conservation Fund worked with Tiakina to reduce the amount granted and the corresponding outputs (number of plants to be purchased and planted). This enabled Tiakina to succeed with the project on a smaller scale, while still being accountable for the expenditure of public monies.

A third example is the Department of Internal Affairs Community Partnership Fund recipients completing a full risk assessment plan with mitigating strategies as part of the application process. They are required to report on risks, and update their plan as part of the reporting process throughout the life of the project.

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