

Code of Funding Practice summary of codes, criteria and success indicators

The *Code of Funding Practice* was launched by the Minister for the Community and Voluntary Sector for use by public service and community organisations in New Zealand from 1 October 2010 onwards.

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

Code 1. Respect

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 Indicators required to achieve this criterion will 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.

1.2 Any negotiation is conducted in good faith.

Indicators Indicators required to achieve this criterion will 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.

Code 2. Cultural context

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.

Indicators Indicators required to achieve this criterion will include:

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

2.2 Fair access to funding is made available.

Indicators Indicators required to achieve this criterion will 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.

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

Indicators Indicators required to achieve this criterion will 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.

Code 3. Transparency

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 Indicators required to achieve this criterion will 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.

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

Indicators Indicators required to achieve this criterion will 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.

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

Indicators Indicators required to achieve this criterion will 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.

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

Indicators Indicators required to achieve this criterion will include:

- 3.4.1** Opportunity is given for the views of non-profit organisations to be canvassed and included during the development of new programme, 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.

Code 4. Open communication

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

Indicators Indicators required to achieve this criterion will 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.¹

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

Indicators Indicators required to achieve this criterion will 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.

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 Indicators required to achieve this criterion will 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.

4.4 Opportunities for honest and constructive feedback will be provided.

Indicators Indicators required to achieve this criterion will 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

¹ Office of the Auditor General, 2008. Summary of features of, and expectations, for, the different categories of funding arrangements, Wellington, NZ.

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.

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

Indicators Indicators required to achieve this criterion will 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.

Code 5. Flexibility and innovation

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

Indicators Indicators required to achieve this criterion will 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.

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

Indicators Indicators required to achieve this criterion will 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.

Code 6. Integrity

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

Indicators Indicators required to achieve this criterion will 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.

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

Indicators Indicators required to achieve this criterion will 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.

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

Indicators Indicators required to achieve this criterion will 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.

Code 7. Accountability

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

Indicators Indicators required to achieve this criterion will 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.

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

Indicators Indicators required to achieve this criterion will 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.

7.3 The parties to the funding agreement will identify the risks² and together agree on risk minimisation strategies.

Indicators Indicators required to achieve this criterion will 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.

² AS/NZS ISO 31000:2009. Risk Management – Principles and guidelines provide guidance on dealing with risk in organisations.

The Office for the Community and Voluntary Sector (OCVS) led development of the *Code of Funding Practice* in collaboration with Standards NZ and a network of community and government people with funding expertise.

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Resources and good practice examples to help you implement the *Code of Funding Practice* are at

www.goodpracticefunding.govt.nz