CRITERIA FOR JUDGING GOVERNMENT FUNDING ARRANGEMENTS FOR THE COMMUNITY SECTOR

The views of community social services providers

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NEW ZEALAND COUNCIL OF CHRISTIAN SOCIAL SERVICES

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EXECUTIVE SUMMARY

The New Zealand Council of Christian Social Services (NZCCSS), in partnership with the New Zealand Federation of Voluntary Welfare Organisations (NZFVWO) and in consultation with the New Zealand Council of Social Services (NZCOSS), has produced the following paper to make a positive contribution towards the work that the government is doing on improving funding arrangements for the community sector.

This paper builds on work done by a number of groups outlining concerns with current funding arrangements for community organisations. This paper summarises the views of community based social service providers on what they think a 'good' funding system would look like and the criteria that they are likely to use when judging any new funding arrangements.

This paper mainly represents the views of member community *social services* providers and should not be seen to represent the views of all community or voluntary organisations. Iwi, and groups providing social services mainly for Pacific Islander people and new migrants have not been specifically consulted in the development of this paper.

Part One: What is a 'Good' Funding System

We have defined a 'good' funding system as one which ensures that the resources of the government and community organisations are channelled to meet needs identified in the community in the most effective way.

A good funding system would recognise the accountability needs and resource constraints of government but would also recognise the needs and constraints

of community organisations. This means allowing and encouraging community groups to be responsive and accountable to their communities and clients not just to government.

Part Two: The Right Environment

The environment in which funding for community organisations takes place is as important to get right as the detailed rules and processes of the funding system. A good funding system cannot develop in the absence of a sound working relationship and a well defined framework for community funding.

Funding should take place in an environment that is based on the following principles:

1. Mutual respect;

2. Integrity;

3. Recognition of the diversity and complexity of the community sector and the communities that organisations work in; and

4. Clarity about what the government is funding and why

Part Three: 10 Elements of a Good Funding System for Community Social Service Providers

The more detailed elements of a funding system also have a significant impact on the quality and efficiency of services delivered to clients and the health of the community sector itself.

We consider that a good social services funding system would contain the following elements:

1. A pathway from innovation to funding stability;

2. Reasonable security of funding and reasonable stability in funding arrangements;

3.   Systems which encourage co-operation;

4.   Flexible boundaries between funders/funding pools;

5.   Explicit funding for community sector infrastructure;

6.   Systems which encourage responsiveness;

7.   Mutual and reasonable accountability;

8.   Realism in measurement;

9.   Regular investigation of changing services and unmet demand; and

10.   Reasonable accreditation arrangements.

INTRODUCTION

The New Zealand Council of Christian Social Services (NZCCSS) has produced the following paper to make a positive contribution towards the work that the government is doing on improving funding arrangements for the community sector. This paper has been developed in partnership with the New Zealand Federation of Voluntary Welfare Organisations (NZFVWO) and in consultation with the national and regional offices of the New Zealand Council of Social Services (NZCOSS). In all, over 250 community organisations have been consulted during the development of this paper.

In recent years a number of research and community groups have documented the concerns that social service providers have had with current government funding arrangements. NZCCSS's aim in writing this paper was to step back from some of the more detailed work that we have done on particular funding systems and instead to take a high level look at some of the common themes that have emerged in discussions with service providers about what is needed with regard to funding arrangements[1].

This paper summarises the views of community based social service providers on what they think a 'good' funding system would look like and the criteria that they are likely to use when judging any new funding arrangements. The themes that this paper outlines are drawn from the practical experiences of member community social service providers – the paper is not based on a literature review and is not an attempt to design a new funding system.

This paper mainly represents the views of member community social services providers. It does not represent the views of all voluntary and community

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[1] For a discussion of some of the more detailed concerns identified with current funding arrangements and suggested solutions see *"Towards a Real Partnership: A NZCCSS Review of the Relationship between Voluntary Social Services and NZCFA"* NZCCSS 1998 and *"NZCCSS Evaluation Survey of Funding Agencies"* NZCCSS 1998. For analysis of funding systems more generally and the implications for the community sector see for example *"Neither Mendicants Nor Deal Makers Be"* Garth Nowland-Foreman, NZCCSS 1995; *"Flavour of the Month or Mixing up a Menu: Models of Government Funding for Community Social Services"* Garth Nowland Foreman, NZCCSS, 1996; and *"Government Funding of Voluntary Services in New Zealand: The Contracting Issues"* Adrienne von Tunzelmann and Marcia Murphy for the Social and Civic Policy Institute, 1998.

sector groups. Iwi social services have not been consulted in the development of this paper. While a number of the organisations consulted do provide services to Maori clients, issues of particular concern for Maori and Treaty of Waitangi implications have not been specifically explored. Issues for Pacific Islander people and new migrant groups are also not specifically dealt with in this paper.

Part One – What is a 'Good' Funding System

We have defined a 'good' funding system as one which ensures that the resources of the government and community organisations are channelled to meet needs identified in the community in the most effective way.

We acknowledge that keeping the needs of the community and clients paramount and at the same time balancing the needs of government and community organisations is a very complex process. When we talk about a good funding system we do not mean one that is perfect. Instead we mean a system that treats parties with respect and allows problems or differences to be identified, debated and resolved in a way that is fair and reasonable.

In a good funding system the government would not necessarily fund all community activities. The government must be able to make choices about what services or activities it wishes to purchase and be able to test the efficiency, efficacy and effectiveness of what it has contributed towards. However a good funding system would allow provider organisations to be community based. This means:

- allowing and encouraging community organisations to be responsive to community needs (not just government determined priorities);

- allowing and encouraging community organisations to be held accountable to the community and to clients (not just government);

- allowing community organisations to bring particular cultural, philosophical or ethical beliefs to their service delivery, if that is one of their reasons for being, by not expecting that community

generated resources will be used to subsidise government priorities; and

- acknowledging and valuing the activities that community organisations undertake other than social service delivery (such as participating in policy making and community and civic development).

Part Two — The Right Environment

The environment in which funding for community organisations takes place is as important to get right as the detailed rules and processes of the funding system.

A key problem underlying many of the frustrations and difficulties with government funding for community and voluntary organisations is the absence of a sound working relationship and a well defined framework for community funding.

We consider that a good funding system will only evolve in an environment that is based on the following principles:

1. *Mutual respect*

Mutual respect needs to be based on the recognition of the community sector as an active partner with government as well as with the communities in which they work and that the sector has a variety of contributions to make to society.

In practice mutual respect means that the community sector acknowledges the constraints, priorities and accountability demands of government for example by:

- meeting reporting and accountability obligations to funders and clients;
- maintaining good governance practices and providing quality services as efficiently as possible;

- acknowledging the multiple demands on government resources;

- participating in government consultation processes and accurately representing the views of clients, staff and members; and

- encouraging the development and maintenance of a sound working relationship with government.

At the same time government should:

- recognise that the community and voluntary sector exists independently from government and has a diverse range of perspectives, values and reasons for being – the sector does not exists merely to provide cheap services for government;

- value the experiences and views of the community sector by acknowledging the role that the sector can play in identifying community concerns, contributing to policy development and improving the design and delivery of programmes;

- value the role that the community sector plays outside of direct service delivery. Community organisations have a wider role in promoting democratic and civil processes in New Zealand Society. They provide opportunities for volunteer activity and participation in communities which builds a sense of identity and involvement. This is an essential ingredient of a democratic society; and

- actively engage in dialogue with the community sector about what sorts of services are needed, how accountability is to be provided and how need and service effectiveness are to be measured.

2.   *Integrity*

Integrity and honesty is vital in any relationship and particularly so when the relationship is based around social values, concepts and services that are very difficult to precisely define. Honest and integrity build trust and can help reduce compliance costs for all parties, encourage the development and

achievement of common objectives and improve the quality and effectiveness of services.

An honest system is one which is upfront and explicit about the boundaries, aims and roles of participants.

An honest system would be one where, for example:

- it is clear in what situations the government is really interested in partnership and responsiveness and in what situations its main interest in the delivery of specific outputs to meet its own needs;

- consultation only occurs when the results are going to be used and reported back to the community sector – it should not occur if it is merely a compliance exercise for the government; and

- statistics and reports are only required when they are going to be read and used.

3. Recognition of the diversity and complexity of the community sector and the communities that organisations work in

A 'one-size-fits-all' approach to relationships between government and the community sector does not make sense given the diverse range of organisations involved and their very different objectives and activities.

It is important that the government relates to the community sector on a number of different levels (not just through funding) and supports different types of community organisations in different ways. For example:

- the government may want to support the sector not just through direct funding for services but by enabling it to maintain and develop expertise and infrastructure;

- the pros and cons of a range of funding approaches should be recognised so that there is not an unbending adherence to part-funding or full funding, granting or contracting etc but rather a mixture of approaches to meet

different objectives. There may need to be different funding models/approaches:

> ➢ for different activities undertaken in the sector (i.e. community development, services in line with government priorities, services in line with community priorities, policy development work etc);

> ➢ for different sorts of social services;

> ➢ for different sorts of community providers (i.e. rural providers, providers catering to different ethnic groups, experienced providers with a track record etc).

4.   *Clarity about what the government is funding and why*

While funding is only one part of the relationship between government and the community sector, it is an important part. It is important for the sector that the government is clear about what its objectives are in funding the community sector. The framework underpinning government decisions on community funding should be explicit, accessible and debatable.

Government should be able to simply and clearly explain:

- what it's overall objectives are in funding the community sector are;

- why or why not it will contribute towards/fund specific community sector activities including:

  > ➢ social service delivery;

  > ➢ infrastructure maintenance and development;

  > ➢ contribution towards policy making; and

  > ➢ contribution towards community development;

- why different funding models or approaches are used for different areas of activity; and

- how the government sees all of the different "bits" of funding for the community sector relating to each other. Clear and public protocols should exist between government and public funding bodies which outline

agreed areas of responsibility and processes for assessing the impacts of funding changes.

As far as possible the more detailed elements of any funding system should also be transparent. A funding system which contains systems and processes which cannot be easily explained or independently analysed causes unnecessary levels of frustration and misunderstanding and inhibits discussion between parties about possible problems.

Part Three – 10 Elements of a Good Funding System for Community Social Service Providers

The environment in which social service funding takes place and a well defined framework for community funding are vital for the development of a good funding system.

The more detailed elements of a funding system also have a significant impact on the quality and efficiency of services delivered to clients and the health of the community sector itself.

We consider that a good social services funding system would contain the following elements.

1. *A pathway from innovation to funding stability*

It is important that any funding system encourages innovation. But it must be clear how pilot programmes or seed funding can become more permanent. There needs to be a clear pathway from innovation to stable funding which is explicit from before a pilot programme begins. If there is no certainty of money or support for a programme regardless of how successful a pilot is, this needs to be clear from the very beginning. Endless piloting or piloting with no clear objective is resource intensive and frustrating for the community sector. Wasted evaluations and the lack of sharing of best practice information also mean that good ideas are lost.

Any pathway should clearly explain:

- how and when funding and accountability arrangements will change as a programme progresses from being untested and higher risk to proven; and

- how pilot programmes will be evaluated and evaluation data will be used. An accountability mechanism should exist which required that the Government make use of evaluation data in some way.

2. *Reasonable security of funding and reasonable stability in funding arrangements*

Community organisations need to have a reasonable level of funding security so as to:

- be able to plan effectively;

- ensure that community organisations devote the majority of their resources to actually providing services to the community, rather than chasing funding; and

- avoid the significant costs involved in the endless setting up and closing down of similar programmes.

There are no quick-fixes for most of the problems which community organisations deal with. Funding arrangements should recognise the on-going nature of most social service work. Funding arrangements should acknowledge that some programmes and providers have a lower risk of failure by having a proven track record. There should be opportunities for appropriate providers and services to be able to negotiate longer-term/multi-year-funding arrangements. From a consumer perspective, continuity of service delivery from the same service provider can help clients to build confidence and trust with providers.

We recognise the risk of funding capture by established providers and the impact this would have on new providers wanting to access funding.

However, there are ways to limit the impact of this while still allowing some level of stability of funding.

It is important that the *way* funding is provided is reasonably stable as well as the *amount* of funding. Continually changing (and usually expanding) application, reporting and compliance requirements are very disruptive and time consuming for community providers. Constant change means that providers have less time to concentrate on improving the quality and responsiveness of services to clients as they are too busy responding to the changing requirements of the funder. If definitions and measures are constantly changing it also means that it is more difficult to measure changes in service effectiveness and community need over time. The need for changes to funding criteria and processes should be carefully evaluated and only introduced after consultation and when the value and necessity of change is clear.

Constant change in the organisation of departments and agencies that provide government funding can also be detrimental. It is very difficult to build trust, respect and an understanding of common goals in an environment where personnel and organisational structures are often changing.

3. *Systems that encourage co-operation*

Good service for clients relies on providers sharing ideas and information and linking clients across providers. The funding system should recognise and encourage this in the community sector.

A funding system which encourages co-operation is likely to be one where:

* the trade-off between co-operation and competition is recognised. When tight competition exists there are strong incentive not to share information including best-practice information. The government needs to decide in which areas of social welfare funding a key aim is to encourage competition and in which areas it is at least as important to encourage co-operation. The government also needs to recognise that even where

competitive tendering does not exist, incentives not to share information can exist because of the number of providers seeking access to very small funding pools;

- the time and costs of co-operation between community providers are recognised in the price paid for services. Co-operation, communication and networking between providers should be valued as a key part of community based social service provision;

- an environment of trust co-operation and information sharing between government and the community sector is encouraged for example through the removal of gagging clauses in contracts, greater certainty of funding and greater transparency in the funding system; and

- the funding system does not create incentives for new organisations to form unnecessarily. Organisations should not be financially penalised for jointly providing services or for consolidating services. It is important that new organisations can enter a funding system, but this should not be unnecessarily encouraged by a funding system that rewards 'newness' over quality service delivery.

4. *Flexible boundaries between funders/funding pools*

The extent to which community organisations have to deal with boundaries between different government department's funding sources or different funding buckets should be minimised. The more difficult and complex the boundaries between funding sources are, the more community resources are wasted on applying for and reporting on funding.

However it is important that removing boundaries does not result in a one-size-fits-all approach or remove the possibility of a variety of funding methods existing to meet a variety of needs. It is also important that removing boundaries does not result in a centralised funding system that is disconnected from regional issues.

Government funding pools should be administered in a way that enables community organisations to focus on designing programmes that respond to identified needs rather than being forced to design programmes to fit into government structural arrangements to be able to access funding.

5. *Explicit funding for community sector infrastructure*

It is important that there are incentives for efficiency in funding arrangements for the community sector. But a funding system which over-stretches community resources as well as only providing resources for direct service delivery will quickly result in the depletion of infrastructure and the critical thinking capacity of the community sector. High quality, responsive services depend on the sector being able to plan, think about and improve the services they provide. Training, research and development and management support need to be recognised and supported as crucial to the effectiveness of service delivery.

6. *Systems that encourage responsiveness*

It is vital that community organisations are responsive to local client needs. However Government funding arrangements can stifle the ability and incentives for community organisations to listen to the needs of their clients and their communities.

A funding system that encourages responsiveness will:

- recognise the trade-off between responsiveness to clients and accountability to government. Responsiveness to clients and the community is inhibited when providers are tied to tight government accountability measures;

- reduce 'contract chasing' where-by community organisations provide government defined services (regardless of whether they think that these are the most pressing needs in the community or not) in order to attract funding that will keep them viable. Greater funding security and a clear pathway from innovation to permanency may allow those community

organisations that choose to do so to stay focused on client and community needs rather than government needs;

- be aware that responsiveness will mean allowing funding (either community-generated funds or government funds) to flow to programmes that are NOT government priorities. There needs to be different arrangements for programmes that are community priorities compared to those that are government priorities. This does not mean that the government has to support all community determined priorities. But, at the least, the government should not rely on community groups using community generated resources to subsidise government-determined priorities; and

- recognise the need to ensure independence of feedback and advocacy on behalf of clients. Organisations need assurance that accessing government funding will not compromise or invalidate this role. Independence is essential to the credibility of consultation comments and consumer input from funded groups.

7.   *Mutual and reasonable accountability*

A sound accountability system is important. Government needs to know how funding is being used and what the results of that are. However an accountability system needs to be appropriate and take account of the needs of providers, clients and communities as well as government.

An appropriate accountability system is likely to be one where:

- the level of accountability to government is linked to the level of resources provided by government and to the level of risk that the programme holds;

- the system recognises that community organisations are often accountable to a number of different funders. The government can only hold community organisations fully accountable for those services that the government fully funds;

- the government funder/s are also held accountable and should have similar penalties as providers for not meeting time-lines, targets etc; and

- the government funder/s should be held accountable for the information they collect and for consultations they undertake. Consultation and information gathering should not occur in a vacuum. Feedback on consultations should be required so that regardless of whether providers/clients/the community agree with decisions or not, they can clearly see how information was used, the basis on which decisions where made and who is finally responsible for those decisions.

8.   *Realism in measurement*

A good funding system will be based on an understanding of what can realistically be measured and known about social service provision and an appreciation of compliance costs in measurement. Data is vital for sound research, continued improvement and better services for clients. However, there are few areas in social service provision where totally robust, quality measurements that directly link programmes with outcomes will be available. A good funding system will therefore not be based on the premise that robust cause and effect data will always be available, nor that it is the responsibility of community providers to *prove* the effectiveness of a programme before they can access funding.

A funding system based on realistic measurements is likely to:

- require from providers a combination of input, output and outcome measures from which judgements about programme quality and success can be made. We consider that a total focus on outcome measures alone will not be possible or useful;

- focus on simple, useable, negotiated measurements. Simple measures should be developed in consultation with the service provider. Some standard measures across all programmes are likely to be required, but the system should also allow for adaptation and variation to suit different

programmes. The sophistication and quantity of measurements required should relate to the level of funding provided by government;

- recognise that full evaluations of programmes are likely to require quantitative as well as qualitative data, peer review by other service providers, review by community and clients and comparisons to international experience. Programmes should not be judged by routine data collection alone; and

- require providers to measure and report only when there is a clear purpose for the data. Information should not be collected unless it is going to be analysed and that analysis is going to be used. Providers should have input into what data is most likely to meet the purpose and on how that information should be collected.

9.   *Regular investigation of changing services and unmet need*

A good system will periodically review what is NOT being provided as well as what is.

This could provide an important check on:

- pockets of need that are not being addressed by providers or government;

- the extent to which prevention services are being balanced with crisis intervention services;

- whether the services currently being provided are more important or effective than services that are no longer provided;

- the extent to which innovation is being balanced with on-going need;

- the extent to which responsiveness to local community is being balanced with responsiveness to government defined need; and

- the existence of unintended incentives in the funding system.

We recognise that reviewing service provision and unmet need is difficult and time consuming. Review would not need to be totally robust nor occur on an annual basis. The aim of such reviews would be to keep track of trends in

service provision, to try to pick up on emerging needs and to act as a trigger for more in-depth review of particular aspects of social service provision and of the efficacy and effectiveness of the funding system itself.

10. *Reasonable accreditation arrangements*

Accreditation is an essential part of quality control. However the compliance costs of accreditation also need to be considered.

A balanced approach to accreditation is likely to be one where:

- new accreditation systems are not developed unnecessarily. If accreditation for a reason other than access to government funding already exists, that accreditation should be recognised. Analysis of what gaps there are in existing accreditation systems should be undertaken and new standards only introduced to cover the gaps; and

- as far as possible, accreditation processes are separate from funding allocation processes. This may help to ensure that accreditation processes focus only on those standards that are needed to determine the suitability of provider to provide a service, rather than also trying to ration funding.