



To Facilitate Optimum Delivery of Social Services to Our Community

Reviewing the Role of Funding Agencies in the Not-for-Profit NGO Sector

This discussion paper reviews the relationship between Funding Agencies and their clients in the Not-for-Profit sector in New Zealand. In particular it seeks to highlight certain weaknesses and failures in the system. The paper proposes that other Funding models should be considered, and one such model is briefly outlined.

It is a serious flaw in our system that results in the NGOs being the 'paupers' while the real power brokers are the Funders. This is also perhaps the underlying failure of our funding system, that results in community agencies finding themselves on an endless merry-go round of funding institutions.

In reality it is the NGO and community sector who is determining the quality of care that is delivered to our community across an enormous range of services: nurturing everything from health to environmental care, to youth and family work and the cultural wealth of our community. They are producing the measurable and quantifiable results whose consequence is a society that either is a leader or failure in community development and social outcomes.

We present this paper as a result of the many concerns that have been raised and expressed to us by a number of Agencies from the NGO sector that are working with MECOSS.

Alison Dyson

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How do we fund the NGO Sector?	<p>Funding of not-for-profit Non Government Organisations, or Charitable Organisations comes through a number of streams. The principle ones include:</p> <ol style="list-style-type: none">1. National Government funding which comprises multiple strands through various departments including: DIA, Health, Education, Tourism etc2. Local Government funding which also comprises multiple strands through various departments3. Charitable Foundations and Trusts4. Major Churches and similar institutions5. Private Fundraising and Appeals
	<p>Each of these, with the exception of Private Fundraising and Appeals, has their own criteria with their respective application and reporting or accountability requirements and varying levels of engagement with the fund applicant.</p> <p>There is no consistency in criteria or uniformity of application across any of these funding sources. Each one is approached by the applicant individually; hence many NGO's would make multiple applications over the period of a year.</p> <p>It appears that in a vast majority of cases the NGO applies for funds which it does not expect to receive as the common understanding is that applications are only ever partially funded, therefore the NGO sector is constantly scrambling to cut corners to 'make-ends-meet'.</p> <p>A significant amount of time and effort is expended in the NGO sector in seemingly endless funding rounds. The work load required is often unrecognised and not provided for in 'Administration time'; many NGO sector workers report working into the night and over weekends to keep up with the funding applications. This is one of the real barriers to seeking funding.</p>
What is the Premise from which Funders should be operating?	<p>We believe it is time Funding bodies recognised that the Community Sector is not there to work for them; on the contrary, Funders are there to work for the NGO sector.</p> <p>If we assume that the primary function of Funding bodies is not 'policing' of funds but rather the delivery of targeted and well conceived funding then they need to be approaching the sector in the following ways:</p> <ol style="list-style-type: none">1. Analysing what they need2. Working alongside groups to support and enhance them3. Ensure that they are properly provisioned and resourced, thereby enabling them to bring professional levels of service to our communities.
Funder success is measured by the impact of well positioned funding	<p>The community services sector is regularly lead to believe that they have triumphed when they find or secure a funding source; however it is the funder who should feel triumphant, that they have assisted an NGO offering services which achieve valuable outcomes for the community in which they work.</p>

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The Funding merry-go-round It is a serious flaw in our system that results in the NGOs being the 'paupers' while the real power brokers are the Funders. This is also perhaps the underlying failure of our funding system, that results in community agencies finding themselves on an endless merry-go round of funding institutions.

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A Change of Perspective is Required

Funding Agencies should see themselves as 'Enablers' and Partners Funders have an important role as the 'enablers', while the NGO sector and community organisations, are the 'implementers'. Unfortunately in too many instances we are failing as a society to be leaders in social outcomes because we are not funding our organisations in an efficient or sufficient manner, the 'enablers' are not partners in the process of service provision and therefore are not fully aware of the needs of the agencies they are funding.

Funders are Service Providers to the NGO Sector The Funding sector needs to recognise that they are service providers to the Community and NGO sector and they need to improve their service provision.

They need to align themselves so that a funding model is established which enables community organisations to transparently and fluidly make their applications.

Established agencies with a funding history should receive information annually which includes their funding history and all current data held on the group. This information should be stored and simply 'updated' by funders at each new funding round and at accountability periods. Instead of this, we have the nonsense of every funding form appearing as a whole new document which requires completion as if the Funding body had never heard of you before, although you may have been doing 'business' with them for years. Imagine how many banks would stay in business if they treated their clients in a similar way.

First time applicants should receive extra assistance with their initial approaches and Funders should take this as an opportunity to 'get to know' their potential new clients.

Sharing information and Joined-up Funding = Positive Outcomes for the NGO Sector and the Community Information on NGO groups could be shared across the funding sector, once approval for this had been given individually by each NGO. This would allow funders to simply and transparently review the financial status of NGO's applying for funding.

Improvements such as this are easily achieved; it is the work and responsibility of funding institutions to tackle this situation.

Transparent, joined-up and effective funding will lead to a more cohesive and competent community sector that can then spend its valuable time,

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resources and expertise on fulfilling their mission, instead of running the whirly-gig of endless funding rounds.

Organisations are not able to Fund basic requirements

The Government has allocated funds to redistribute into the community sector to tackle some of the serious social issues facing our country, including Domestic Violence, services for Older People and for Youth. However regularly these sectors report funding horror-stories – organisations that have 4 vehicles on the road to service clients and no funds to run them; 3 resignations recently of highly skilled women working in crises ‘immediate response’ work (90% of their work in Domestic Violence) due to lack of sufficient support, resources and staffing for them to continue. We doubt this is the outcome the government had in mind. Who is accountable for this? Who will sort out this mess?

A Serious Situation has Arisen with No-one having a ‘Birds-eye’ View

The situation is extremely serious and no-one appears to hold a ‘birds-eye’ view of the picture: There are signs of a burnt-out community sector due to poor delivery of funds throughout the MECOSS network. This, despite the fact that there does seem to be reasonable funding resources backed up in funder’s pockets or government pathways.

Our communities are facing some profound challenges and yet many community organisations working in the Social Services sector are floundering.

No-one has a strategic view of:

1. What services are funded where
2. Which geographic areas are over-serviced or under-resourced.
3. Which agencies are funded to provide services into which communities and whether that service delivery is being effected.

All this is a result of the funding sector being too focused on its niche areas of interest (– a ‘silo’ funding philosophy) and on ‘policing’ their funding applications. Poor outcomes result from the Funders lack of collaboration and working together effectively to enhance the relationship between funders and their clients, the NGO community sector.

Other Anomalies should be Recognised and Addressed by Funders

Other issues arise across the sector, which like so many others could be tackled with a united approach by Funders. Once such issue is **Audited Accounts**. Many Funders require Audited Accounts to accompany applications; this is an expensive operation, particularly for the many smaller NGO groups, funding is not usually provided for this purpose.

A simple solution would be for Funders to approach some Auditors and ask for an appropriate ‘Fee Schedule’ for auditing the not-for-profit NGO sector that is in receipt of funding through one of the recognised funding streams. After a successful negotiation of terms, this information could then be published for the NGO sector.

This sort of practical information and assistance would be a significant contribution to the dilemmas faced by the NGO Sector when they are required to fulfil Funders criteria which may be beyond their normal practices. Funders could also have a real understanding of the costs incurred and would perhaps consider covering those expenses.

It has been the practice of many organisations to use a ‘sympathetic’ accountant to fulfil this ‘auditing’ role; it has recently come to our attention that Accountants have been advised not to do this for the not-for-profit

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NGO sector if they are not qualified Auditors.

This is just one of several issues that the Funding sector could act on to facilitate easier access for their clients to necessary supports.

New Concepts & Funding Models Must be Explored

Managing a Diversity of Funders The Community sector welcomes and encourages a diversity of Funders and Funding streams; however the management of the system is clumsy and burdensome for the sector. A number of models could be imagined that would greatly streamline the system.

A New Model: Funding Panels Geographic areas, perhaps reflecting local government territories, would have Funding Panels around the main funding areas such as:

1. Arts
2. Sport and Recreation
3. Health and Social Services
4. Environment
5. Education

Each Panel would have representation from all funders (government and non-government) interested in that sector. Local groups would make a *single* Funding Application to the Panel (or to multiple Panels if that was appropriate for the Organisation).

Funding Agencies would then take copies of the applications relevant to their Agency back to their committees to consider. The Funding Panel would subsequently reconvene and each Funder would outline the extent/areas of funding they could contribute to each application.

An important picture would emerge of who was being funded, if they were funded to 'viable' levels and which geographic areas were under or over resourced.

Positive Outcomes for Funders It is clear that in a model such as this, Funders would retain independent consultative processes within their own committees and be able to respond to and fund applicants whose work meets their criteria.

It also follows that Funding Panels would have a good 'birds-eye' view of services, resources and community driven concerns in an area. Funders could be confident that they were 'funding for success' by seeing the full extent of funding requirements of groups and endeavouring to ensure that they were met.

Ideally the NGO sector would benefit most if multi-year funding was recognized as the norm (some funders are now doing this in limited circumstances). It can be difficult to plan from year-to-year when funding is so contingent annually, there are unforeseen events and patterns which emerge and need to be responded to by the sector, funding does not always allow this under the current structure.

Capacity-building and Partnering with Developing Groups It might be a further consequence of Funding panels that Funders would be able to assist some identified groups to become more robust by providing appropriate mentoring or partnering to support the groups to achieve good practices, something that is always a risk in management of

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Community Services.

As previously noted, with a 'birds-eye view' a broad picture of services will emerge and allow the NGO landscape to be analysed:

1. Gaps in services could be readily identified and flagged.
2. Long-term viable levels of staffing and resourcing could be assessed and assured
3. A sustainable NGO sector would grow out of this.

Administration resources must be built in to Funding grants to allow the NGO sector to effectively tackle this side of their work and particularly the business planning they should be doing.

Good Community
Outcomes
require a
"Joint Venture"
approach

Ensuring good social outcomes is a joint process between the community sector and the funding stream. Sadly, what leads to poor service delivery and inadequate resources is not the lack of fund capacity, but the delivery of the funding.

Funders must be held responsible for allocation of viable levels of funding, constant under-resourcing takes away the potential for professional levels of service to be achieved and maintained.

It is time to fix these anomalies before we destroy the community sector and along with it the potential to achieve good community outcomes.

Contrary to popular belief, funders are failing to assure success in the community sector; who will hold them accountable?