
GRANTS RE-CONFIGURATION

1. Purpose of Report

To seek the Strategy and Policy Committee's approval in principle to a new grants framework that streamlines processes and decision making.

2. Executive Summary

Grants are included in the Annual Plan to provide a flexible mechanism for the Council to respond to community groups that are undertaking projects that meet a need identified by the community. Grants provide the Council with the ability to encourage innovation, diversity and creativity as well as support the city's social, cultural and environmental infrastructure. Grants enable the Council to ensure particular activities occur without directly providing a service.

In 2003/04, WCC spent \$2,802,387 on grants in Wellington. There are ten grants pools, three of which offer both contestable and non-contestable grants.

There have been some concerns that some of the decision making processes have evolved in an ad hoc manner over the years particularly around non-contestable grants. There seems to be a need to revisit the grants framework to ensure that it is aligned with both strategic direction and operational reality.

This paper proposes a framework (attached as Appendix 1) that refines the focus of the grants pool to grants that are short term and project based in nature. It proposes that:

- organisations that perform activities and provide services either on behalf of the Council or that the Council has an interest in influencing should be funded through negotiated agreements managed by the relevant business unit (this includes organisations that the Council has an ownership interest in)
- organisations that are critical to the infrastructure of the city and have ongoing significance to the city should be funded through the LTCCP. These would be organisations where the Council has an interest in the outcomes but not the day to day activities of the organisation
- other organisations that are performing activities and providing services that the Council supports would be eligible to apply for short term grants for projects or to develop capacity (this would include community festivals and awards).

Further work is required to implement the framework. Key to that further work will be Councillor decisions regarding which organisations will be funded through the LTCCP, through negotiated agreements or be required to apply to the general grants pool for

funding. Those decisions will determine the future size and shape of the general grants pool. It is anticipated that the grants pool per se will be significantly smaller than it currently is. It is proposed that officers will provide further advice to facilitate those decisions and a workshop with Councillors will be held to make those decisions.

It is also recommended that, as a first step, the Committee agrees that community centres should be funded as part of business as usual and the funding be transferred to the relevant business unit for the 2006/07 financial year. It is anticipated that such contractual arrangements will give more appropriate tools to manage the relationship, that is, contract management provides for more active and day-to-day involvement between the parties. The proposal indicates that community centres would be supported with negotiated agreements and by taking the decision now, officers can commence consultation with the community centres about the elements of an agreement and operational processes to support them.

3. Recommendations

It is recommended that the Committee:

1. *Receive the information.*
2. *Agree in principle to the proposed framework attached to the officer's report as Appendix 1.*
3. *Agree further work will be undertaken to implement the framework and an initial step will be a Councillor workshop to consider the method of funding for organisations that are regularly funded through the grants scheme.*
4. *Note that following that workshop, the Strategy and Policy Committee will be asked to confirm decisions about the framework and the method of funding for particular organisations, at that time recommendations in relation to transfers of funding will be put to the Committee.*
5. *Note that those decisions will impact on the size of the grants pool and the design of processes to support the grants framework.*
6. *Agree that community centres be funded through negotiated agreements.*
7. *Note officers will work with community centres to develop funding and property agreements.*

4. Background

4.1 Objectives of the Grants Scheme

Grants are included in the Annual Plan to provide a flexible mechanism for the Council to respond to community groups that are undertaking projects that meet a need identified by the community. Grants are distinct from payments to community organisations for services that the Council seeks as part of business as usual. Grants are short term, enabling the Council to adjust its funding to different needs as they are identified and addressed by the community.

Grants provide the Council with the ability to encourage innovation, diversity and creativity as well as support the city's social, cultural and environmental infrastructure. Grants enable the Council to ensure particular activities occur without directly providing a service. They are a tool for funding and/ or facilitating the provision of services that are more appropriately provided by the community than the Council. Often the community and community organisations are better placed to identify the needs or gaps that exist in their communities and to find appropriate solutions or services for filling those needs or gaps.

There are some organisations or projects that would not be sustainable without financial assistance. In instances where the Council has a strong interest in the ongoing viability of an organisation or project, ongoing funding is appropriate.

Grants are a discretionary allocation and it is for Councillors to determine which organisations receive such payments and for what purpose in the context of priorities, resource constraints and emerging issues on an annual basis.

Funding of a longer term nature or of a greater quantum is more appropriately agreed and managed through the Annual Plan or LTCCP. The LTCCP allows for 3 year reviews of the funding.

4.2 Current Configuration

In 2003/04, WCC spent \$2,802,387 on grants in Wellington. There are ten grants pools, three of which offer both contestable and non-contestable grants as shown below. Non-contestable grants are approved for salaries on a three yearly basis whereas contestable grants are paid for a variety of purposes on an annual basis.

KAA	2003/04 Grants Scheme	Contestable Pools	Non-Contestable	Total Pool
CA	Arts and Cultural Grants	151,000	314,000	465,000
CHS	Salary Grants	310,000	575,537	885,537
CHS	Strategic Grants	165,000	0	165,000
NE	Environmental Grants	50,000	0	50,000
CHS	Tawa Community Grants	15,000	0	15,000
CHS	Community Grants	141,000	603,850	744,850
CHS	Community Festival Grants	142,000	0	142,000

CHS	Youth Initiative Grants	200,000	0	200,000
CA	Maori Arts	35,000	0	35,000
CHS	Safer Community Grants	100,000	0	100,000
	TOTAL	1,309,000	1,493,387	2,802,387

4.3 Issues with Current Configuration

It is important to ensure grant expenditure is the most cost-effective intervention for meeting WCC role and objectives. There must be clarity around the WCC objectives for each component of grants expenditure and an assessment that a grant is the best intervention that the Council can make to achieve those objectives.

Some organisations have had long term funding and the rationale for the Council’s support may need to be reconfirmed. By their nature these “grants” are long-term and to some extent non-discretionary. Criteria and rationale for grants expenditure were established several years ago and have evolved since then. Potentially they are no longer as relevant and effective as they could be. Current processes do not necessarily support levers to amend grant funding to be more relevant. There is no process in place to withdraw non-contestable funding. Some Councillors have expressed an interest in revisiting longer term grants to ensure their alignment with strategic direction and goals.

The existing criteria allow for an organisation that has received a contestable grant of \$10,000 or more (\$7,000 for contestable salary grants) for the previous four years to be eligible to receive a non-contestable grant. The criteria do not take into account:

- how the organisation’s services relate to Council’s strategic outcomes
- what level of reporting and planning is required from the organisation
- how the organisation benefits the local communities and Wellington City as a whole
- the distinction between non-contestable and contestable grants.

There are 14 organisations that meet the criteria but to date none have been moved into the non-contestable pool.

Currently different parts of the Council fund different community organisations for a variety of purposes and there is need for clarity about which payments fall within the grants scheme and are accountable through the processes within the grants scheme.

5. Discussion

5.1 Scope

This project has not addressed the amount spent on grants generally or on individual grants but rather has looked at the overall framework. Generally speaking there is a wide variety of payments made within the grants scheme and the common characteristic is that they are all payments to community or non government organisations. There are also Council payments to community groups that do not fall under the grants scheme.

The Council has different levels of interest in the various organisations and their activities. Different levels of accountability are appropriate for different organisations, depending on factors such as the size of the grant, its duration, the organisation's infrastructure and how critical the organisation or its activities are to the Council.

5.2 Principles of a Grants Scheme

The following principles have been developed to reflect the purpose of the grants scheme and from literature on grants and payments to external organisations.

- *Grants programmes should be designed to meet specific, measurable objectives.*
- *Grants should contribute to the achievement of Wellington City Council's strategic goals, or to its leadership role for the community.*
- *A well designed grants programme should have robust processes for assessment, approval and management of applications. Approved grants should be effectively monitored.*
- *Processes should support equity, transparency, simplicity and cost effectiveness for both the Council and the recipient.*
- *Compliance costs for both the Council and the recipient must be appropriate to the size, duration and risk associated with the grant.*
- *Grants should represent value for money.*
- *Grants will represent partial funding only. By ensuring other sources of funds are acquired there can be some confidence the wider community supports the project and the likelihood of partnerships is increased.*

5.3 Proposal

The Grants Sub-committee has been briefed on this proposal and supported its general direction. The key feature of this proposal is that the focus of the grants scheme is refined to payments that are short-term, project-based and/ or support community achievements or endeavour. The grants scheme would continue to support community and cultural festivals.

Sometimes the Council has a real interest in not only what an organisation does but how it does it and has an interest in ensuring particular activities occur that contribute to Council's strategies or policies. For example, community centres are seen as an important part of community infrastructure and their activities are important in building strong communities (the overarching theme of the Social Strategy). In addition, the Council has an ownership interest in many of the community centres.

This proposal recommends that grants which are paid to organisations that are performing services on behalf of the Council should be removed from the grants

scheme. In particular, community organisations working towards building strong communities and organisations where the Council has an ownership interest in relation to land and buildings. Funding to these organisations should be part of business as usual and managed through agreements negotiated by the relevant business unit. Any funding variations would be considered annually as part of the Draft Annual Plan process. Where there is an ownership interest property agreements will be put in place if not already operating. Community centres, and any other parties to a contract, would continue to be eligible to apply for a grant to support one-off or short term projects.

There are some organisations that are critical to Wellington, contribute to Wellington's sense of place and are part of the city's infrastructure. These are organisations that are sustainable in the long term but need some financial support and some certainty. The Council may be less interested in how those organisations go about their activities on a day to day basis. An example might be the Sinfonia. It is recommended that organisations funded by the Council and critical to Wellington's infrastructure should continue to receive funding but outside the general grants pool. It is proposed that their funding should be governed through the LTCCP. Criteria would include that:

- The organisation is well-established and with some Council funding is sustainable in the long-term
- The organisation is generally regarded as a feature of Wellington's infrastructure or unique sense of place
- The Council does not wish to influence its day to day activities but has a strong interest in the outcomes of the organisation
- A partner relationship is more appropriate than a negotiated agreement concerning levels of service delivery.

There will be a three yearly review of their funding. Those relationships are important to the Council and will be managed accordingly.

This leaves the balance that will need to apply for funding on a regular basis to a general grants pool. In the main these will be for instances where, in effect, the Council is operating on behalf of the community. The community has an expectation that the city will acknowledge achievement or support community endeavour. Examples might be the sports awards or community festivals. Closely related to this are grants that are concerned with offering support to community organisations as they develop or have special projects.

It is proposed that prior to the DAP round, the Committee will be asked to determine the size of the grants pool for the forthcoming year and the types of projects it wishes to support. Councillors will also be asked to determine the split of the pool across the well-beings. At that stage officers would provide advice on the previous years funding and alignment with strategic direction. It may be that Councillors want to ring fence some money for an emerging issue or a new policy initiative. Although grants by their nature are short term or project based, there may be instances where the Council may wish to provide medium term administrative support to an organisation. If that is the case, Councillors could choose to ring fence some grants funding for administrative support over a three year period.

All payments to community organisations that are not supported by a business as usual contract will be managed through the grants scheme in terms of accountability. Should a community organisation be included in new initiatives for the Annual Plan, the agreement and reporting back on the funding should be managed through the grants scheme.

A summary of the proposal is attached as Appendix 1.

5.4 Further work (implementation)

If Councillors agree in principle to the proposal, Councillors will need to consider which organisations should no longer fall within the grants scheme. That is, those payments that currently fall under the grants scheme but would be better managed through negotiated agreements or the LTCCP. It is proposed that a workshop is held with Councillors to determine the appropriate funding mechanism for those organisations that receive ongoing funding from the Council. Officers will provide advice on those organisations.

Those decisions will impact on the resulting size of the grants pool and the likely activities that the Council may wish to fund through the grants scheme. Those decisions will also impact on the final design of the grants framework. For example, if the number of organisations transferred to business as usual funding is very high, the grants pool as such will be significantly smaller. This would mean that the processes to support the grants pool will be different from a situation where the number transferred to business as usual was small. Councillors will be asked to confirm the size of the grants pool and determine the split of the pool across the four well-beings and identify priority areas for the forthcoming year.

Concurrently officers will be developing processes to support the payments to community organisations. This will include consultation with those organisations in relation to the likely elements of any agreements. Such consultation will take place following Councillors deciding whether the organisation is likely to be funded via contracts, the LTCCP or the general grants pool. It will be emphasised that this work is concerned with the Council's administrative and decision making processes and is not addressing the amount of funding.

5.5 Non-Contestable Grants

The non-contestable grants are approved in the context of the Annual Plan. It is not appropriate to enter each of these grants as a line item within the Annual Plan. It is proposed that Councillors will make decisions about those organisations receiving ongoing funding prior to the Draft Annual Plan. It would be good practice if some of those payments were based on a negotiated agreement that was explicit about the specific, measurable objectives being sought. Such agreements would give greater transparency and accountability around expectations of both parties. The funding for such agreements would be within business as usual budgets. Increases to the amount paid in non-contestable grants are sought through the Annual Plan and this would continue to be the case.

Some non-contestable grants payments may be of such a size and nature that it is more appropriate that organisations receive certain funding over a longer term. The mechanism for achieving this would be the LTCCP where funding could be set for three years with specific performance requirements being set and these being reviewed as part of the three year cycle. Processes for the management of the relationship between the Council and those organisations can be reviewed and refined and the purpose of the funding explicitly articulated.

In practice there may not be a significant difference between the funding and management of payments to organisations through a) the LTCCP and b) negotiated agreements. For both there would be a funding agreement with accountability requirements. The distinction between them is in the level of influence that the Council wishes to have over day to day activities and services provided and the size of the payments.

5.6 Community Centres

This paper asks the Committee to agree that community centres are funded through negotiated agreements. Currently the majority of community centres are funded through non-contestable grants. The rationale and assumptions behind this proposal indicate that community centres should be funded through negotiated agreements. Their funding is long term, the Council has an interest in the activities that they engage in and the Council also has an ownership interest in many of those centres.

The decision to fund some community organisations through a negotiated agreement will have little significant impact on those community organisations in relation to the funding per se. It is, in effect, an administrative change however the change is an opportunity to establish an explicit agreement around roles, responsibilities and expectations. With this in mind officers will meet with community centres to identify issues and priorities on the basis that the agreements will more accurately reflect the roles, responsibilities and expectations of both parties.

It is recommended that the Committee agree that community centres should be funded through agreements so that officers can hold discussions about both funding and property agreements.

6. Other Sources of Funding

The funding of the not for profit, non-government sector is complex and the availability of data is limited. Some councillors have expressed concern that there has been more pressure on the grants pool as a result of central government funding decreasing. On the available information this does not seem to be the case. To provide some contextual data, the following is drawn from a report for Philanthropy New Zealand – Funding New Zealand 2002. The report looked at funding made available to community and not for profit organizations in 2002. It was a follow up to a similar report in 1996. That report was utilized as it contains the most comprehensive data available.

The following table shows the amount of funding made available to community groups and not for profit organizations nationally. The amounts for Wellington are not available in any robust or coherent form. Much of the data collected for the 1996 report was based on 1994/95 figures and therefore the amounts for 2002 have been inflation adjusted to 1994 dollars to indicate the rate of real change.

Funding Source	2002 report	In 1994 \$	1996 report
Philanthropic Trusts	142,801,284	<i>130,520,373</i>	70,736,837
Local Government	28,200,000	<i>25,774,800</i>	26,000,000
Gaming Machine Trusts	131,241,000	<i>119,954,274</i>	n/a
Lottery Board	91,381,417	<i>83,522,615</i>	108,305,800
Personal Donations	281,905,620	<i>257,662,084</i>	258,825,000
Bequests	37,698,180	<i>34,455,972</i>	25,353,120
Central Government	920,595,000	<i>841,423,830</i>	669,950,000
Total	1,633,822,501	1,493,313,948	1,159,170,757

7. Conclusion

This paper proposes some reconfiguration of the grants system. The main practical change is that some community organisations will be funded through business as usual and hold contracts. Councillors will be asked to consider which organisations will come out of the grants pool at a workshop to be scheduled shortly.

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Supporting Information

1) Strategic Fit / Strategic Outcome

This policy has been developed to ensure there is greater alignment between the grants scheme and the Council's strategic direction.

2) LTCCP/Annual Plan reference and long term financial impact

Agreement to this proposal has implications for the annual plan and LTCCP in terms of how grants are managed however the proposal has been developed on the basis that the funds for grants remain at the same level.

3) Treaty of Waitangi considerations

Not applicable

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

At this stage consultation has not been carried out as the proposal is in its early stages and is predominantly of an administrative nature. When the funding arrangements for groups are known a consultation process will be carried out to ensure their needs are taken into account.

b) Consultation with Maori

Not applicable at this stage.

6) Legal Implications

Not applicable at this stage.

7) Consistency with existing policy

There is no inconsistency with existing policy.

APPENDIX 1

GRANTS FRAMEWORK

	Strategic Partners	Project/ Other Support		Contract Management
		One-off projects	Civic Leadership	
Characteristics/ Council Interest	On-going significance to Wellington City Critical to social, cultural or environmental infrastructure. Sustainable with funding contribution. Long-standing Not-for-profit Partial funding only	Supporting organisations to realise potential Support to organisations to develop Projects or organisations that contribute to a strategic or policy goal on a short term basis Enables WCC to react to emerging issues Not-for-profit Community based Partial funding only	Ratepayers expectation that WCC will acknowledge achievements (as part of WCC leadership role) Community support	Council ownership of land/buildings (asset management plan to reflect investment strategy) Groups delivering services on our behalf Core business of WCC
Governance	Through LTCCP/ annual plan as line items Three yearly review Memorandum of Understanding may be appropriate	Annually Councillors determine the split and priority areas (prior to DAP). Grants sub-committee determine the priorities for the next round to reflect the spend and priorities to date Consider split between social, cultural and environmental well-being.		Contract negotiated and actively managed by business unit Memorandum of Understanding may be appropriate Some contracts will focus on deliverables, others on services
Certainty for recipient	High	Low	Low – Medium	High

Accountability	Audited accounts. Business plan. Review through the annual plan. In-depth review 3 yearly	Report back on achievements Part funding delivered with balance on attaining milestones Unlikely to have more than one year funding for a project Processes to ensure appropriate internal controls	Processes to ensure appropriate internal controls	Ongoing monitoring Contractual relationship Processes to ensure appropriate internal controls
Possible examples (depending on Councillor decisions)	Sinfonia Professional theatres Carter Observatory St James Free Ambulance	Safety Youth Arts Access Downtown Community Ministry	Community festivals Sports Awards Chapman Tripp Awards	Community Centres Citizen's Advice Bureaux
Council influence on operations	Low	Low to Medium	Low	Medium - High