

Good Practice Guidelines for Funding Non-Government Organisations

INTRODUCTION

The Northern Territory Government is committed to building a strong society and a confident culture through *Framing the Future*. The NT Government and the non-government organisation (NGO) sector, share a vision of a society where everyone has the same access to opportunities and the resources to make a contribution to, and fully participate in the economy and society.

A large number of NGOs receive NT Government funding to provide a diverse range of services and initiatives which support individuals and the development of stronger communities. In this context, a service provider includes any NGO which is funded by the NT Government to provide any service to the community, including peak organisations or for-profit organisations.

The integrity of funding practices is essential to the maintenance of trust between government agencies and service providers. The purpose of the NT Government Good Practice Guidelines for Funding Non-Government Organisations (the Guidelines) is to set the context for the provision of funding to service providers and establish fundamental principles and good practice guidelines that can be applied to funding practices across all NT Government agencies which meet the needs of both the NT Government and service providers.

The Guidelines aim to encourage a more productive working relationship between the NT Government and NGO sector by:

- guiding interactions between the NT Government and service providers
- providing clear and consistent funding practices within agencies and across government
- minimising unnecessary administrative processes.

The Guidelines include the full cycle of NT Government funding from program planning, through funding agreements to program monitoring and evaluation. However, the Guidelines do not cover what is funded or who should be funded. This is managed by individual government agencies.

1 NT GOVERNMENT LEGISLATIVE AND POLICY CONTEXT

NT Government Good Practice Guidelines for Funding Community Services fit within an existing regulatory and policy framework.

1.1 NT Government Funding

Funding is the process of identifying a suitable provider for a specific, defined service and entering into an agreement between the NT Government and provider for the provision of that service.

While the NT Government is focused on improvement in social outcomes and increased efficiency of funded services, it recognises that the funding of community services is fundamentally different to the general procurement of goods and services and requires a degree of flexibility. However, the NT Government also needs to be assured that public funds achieve value for money, represents an accountable use of public money and that the best results for individuals and communities remains the ultimate goal of funding arrangements.

The NT Government uses two main procedures to ensure that the most appropriate service provider is selected to deliver the services required. The difference depends on whether the services are to be provided to the NT Government as the end user, in which case a procurement (tender) procedure is used. If the service is provided to the community and the community are the end users, then a funding agreement (grants procedure) can be used. Grant funding and procurement operate under different rules and the appropriate processes should be applied in both cases.

Procurement Process

The NT Government's [Procurement Framework](#) is prescriptive and underpins all procurement activity undertaken by the NT Government through a tender (and quotes) process. It ensures that all procurement achieves best value for money in supporting government services. The Framework comprises:

- the *Procurement Act*
- Procurement Regulations
- Procurement Directions
- the Northern Territory Procurement Code
- Procurement Circulars.

The *Procurement Act* and Regulations establish the legislative powers and responsibilities of the Minister responsible for Procurement, Northern Territory Government agencies, Chief Executive Officers and employees. The Procurement Directions are the guidance to agencies on procurement in government; they are subordinate to the *Procurement Act* and Procurement Regulations.

The Procurement Code establishes a set of minimum standards for the conduct of business with the government; compliance with this code is a condition of tendering for any of government's contracts. There are also five principles underpinning the Government's Procurement Framework. These are:

- best value for money
- open and effective competition
- enhancing the capabilities of local business and industry
- environmental protection
- ethical behaviour and fair dealing.

Grant Funding Arrangement

The provision of grants must be in accordance with the NT Government financial management framework which includes the [Financial Management Act](#), Financial Management Principals and Treasurer's Directions, in that appropriate management, accountability and control arrangements are in place over the assessment of applications, approval, payment, ongoing monitoring and acquittal of grants. Generally, the NT Government provides two types of grants:

- grants for external service provision. A grant funding agreement makes explicit links between the funding and the outcomes or outputs required.
- community grants which are usually provided annually under specific programs and for discrete target groups. These grants are one-off and usually provided for equipment, an activity or event. The processes and eligibility for these grants are clearly stated as part of the program.

The Guidelines cover the funding arrangements for grants for external service provision. However, some of the good practice principles, such as monitoring and reporting are also equally applicable to community grant programs.

1.2 Northern Territory Government and NGO Sector Statement of Principles

The NT Government and NGO Sector Statement of Principles was developed by the [NT Government / NGO Partnership Group](#) which was formed to provide leadership and facilitate the relationship between the NT Government and the NGO Community Services Sector. The Statement of Principles sets out how the NT Government and the NGO Community Services Sector will work together in order to provide quality and appropriate services for Territorians (Appendix A).

1.3 NT Government Departmental Policy and Guidelines

A number of NT Government agencies have their own specific grants management policies and program guidelines, which should be informed by these guidelines. They include: the Grants Management Policy (Department of Health), the Grants Management Framework (Department of Correctional Services), the Grants Management Policy (Department of Housing) and the Peak Sporting Body Investment Program Guidelines (Department of Sport and Recreation).

2 PROGRAM PLANNING

Prior to funding any services, the NT Government must identify the issue and the desired outcome. Relevant stakeholders should be consulted on the needs for the relevant service within the community, as well as the type and mix of possible responses. It is important to recognise the value of sharing knowledge, information and expertise in planning and developing services.

A good service design is clearly defined, realistic, can be delivered, is informed by good practice and where possible draws on evidence from existing or past programs. Service design should also consider how the outcomes of the program can best be sustained.

During the planning and design phase, consideration should be given to how the NGO sector can partner most effectively with the NT Government and how the program can contribute to the long-term capability or capacity of the NGO sector.

NT Government will:

- establish programs with clear and non-conflicting objectives which are based on evidence of need
- develop performance measures at the planning phase to provide a basis for reviewing and evaluating the program's objectives and outcomes
- use sound evidence for policy and program development and service delivery.

Where possible, NT Government will:

- obtain the views of service providers during the development of new programs or projects or the renewal and reshaping of existing ones
- make information available on agency priorities and long-term plans and provide an opportunity for feedback – this will usually be in the form of strategic plans and frameworks.

3 FUNDING PROCESS

3.1 Contestability

Within the grants procedure, there are four different approaches which relate to the degree of contestability – that is, the degree to which service providers have access to apply for funding, and the extent to which barriers are removed or reduced to their participation. These approaches are:

1. An open process – a fully contestable process where an opportunity is advertised and open to any prospective service provider to respond to specified assessment criteria. A fully contestable process ensures fairness and transparency and protects both the NT Government and the provider against claims of preferment. It also provides an opportunity for the NT Government to 'test the market'.

2. A select process – a partially contestable process where a limited number of prospective service providers are invited to submit a proposal in response to specified criteria. A select process may be a one-stage process or the second stage in a two stage process (see below). A select process can be used when the service is specialised or regulated and there are a limited number of known providers or the NT Government wishes to supplement a range of existing providers by supporting particular service models.
3. A multi-stage/Expression of Interest – a partially contestable process where interested service providers declare their interest in a possible opportunity. Generally, the first stage or expression of interest establishes the level of interest in a service and the experience, capacity and/or expertise of the service provider to undertake specified requirements, before entering into a select process. This process is useful if the potential market of service providers is unknown, a mix of service providers is required or the services required are not clearly defined and are seeking innovation in service delivery.
4. Direct negotiation – an approach is made to one potential service provider. This may be appropriate when renewing an existing service agreement if, for example, the service is in a remote location with only one service provider, the service need is immediate and there is no time for new start-up operations, it is known and accepted that only one provider has the relevant expertise, experience, capacity or continuity of service provision is required.

The key to selecting the most appropriate funding process is based on the characteristics of the service to be provided, the type and level of funding available, the nature of the relevant market, and the expertise and community relationships/networks of any known providers.

When renewing service agreements by direct negotiation government needs to ensure the service is meeting service delivery standards and continuing to represent value for money. This must be balanced against the potential for new service providers to enter the market. This is particularly important when community needs or government priorities change.

A partnership arrangement or collaboration between service providers can often maximise the outcomes from a service by taking advantage of complementary skills, expertise and experience. Establishing a new partnership takes time and resources. This is particularly the case for development of appropriate partnerships between non-Indigenous and Indigenous organisations which are based on strengthening Indigenous organisational capacity and control.

NT Government will:

- use the most appropriate funding process.
- use appropriate selection criteria and criteria weighting.
- ensure the selection criteria do not create unintended barriers for particular organisations, particularly smaller organisations with limited resources.

Where possible, NT Government will:

- provide adequate timelines for service proposals to be developed, particularly when partnership arrangements are being encouraged
- include selection criteria which demonstrate cultural appropriateness such as that a service provider requires a Reconciliation Plan and/or Aboriginal Employment Strategy and/or a particular percentage of Aboriginal staff
- consider select processes where there are strong relationships and networks already existing between service providers, particularly communities and/or Aboriginal organisations
- make information on the opportunity to apply for funding widely available and easy to understand
- subject every funded service to a contestable process at least, every six years.

3.2 Assessment of proposals

Funding any service through a contestable process will require an assessment of the individual proposals received. A good assessment process is transparent and is likely to select the best proposal that best represents value for money in the context and outcomes of the required service. The process should also be free from the risk of claims of bias or conflicts of interest. Decisions must also be based on the established criteria. Government procurement has well defined assessment processes; however, whilst the assessment process for grants will vary, the documentation should satisfy accountability requirements in relation to the distribution of public funds.

NT Government will:

- assess proposals in a timely manner
- provide feedback to applicants regarding the process and the reasons for decisions.

Where possible, NT Government will:

- invite NGOs to be part of the assessment process, where conflict of interest does not occur.

3.3 Negotiation

Through the grants process there are a number of opportunities for negotiation between the NT Government and service providers. Better outcomes are achieved following collaboration and negotiation. Negotiation adds value to funding arrangements by making the best use of a service provider's expertise and experience; allows for flexibility and innovation and more successful and sustainable service delivery.

NT Government will:

- conduct negotiations in good faith and in a timely manner
- recognise the independence and autonomy of the service provider
- recognise the expertise of the service provider to manage its affairs consistent with its constitution and other legal obligations
- provide key personnel with the authority and ability to make decisions in relation to the agreement
- recognise service providers as a potential source of innovation and ideas that could be used to enhance program priorities.

Where possible, NT Government will:

- allow a reasonable and flexible transition period when major changes are made to a funded activity already underway.

4 FUNDING AGREEMENTS

Funding agreements are a legally binding contract between the NT Government (usually represented by an individual NT Government agency) and a service provider or consortium of service providers.

4.1 Length of term

There are a number of benefits in providing service providers with longer term funding including stability of service provision and better outcomes for clients and communities. The service provider can engage in longer term planning and investment leading to staff retention, development of expertise and quality and often, for Government, better value for money. There will also be a reduction in red tape for both the NT Government and the service provider and allows for an improved relationship between both sectors. In comparison, annual funding means a considerable level of uncertainty for funding bodies, providers and clients and can create undesirable financial difficulties for the provider.

In some circumstances other funding periods may apply such as specific project funding programs, time-limited, one-off grants or tied funding from the Commonwealth Government. Funding periods of less than three years should be approved by the agency Chief Executive Officer or appropriate delegate.

The appropriateness of service agreements longer than three years needs to be assessed on a case-by-case basis.

NT Government will:

- provide three year funding agreements for recurrent funding, where funding has been confirmed. However, funding in the second and third year of an agreement will still be conditional upon the service provider meeting their requirements for performance monitoring and accountability.

4.2 Indexation

The major problem with renewable funding is the erosion of its value over time, which has resulted in viability and service delivery issues for many services and programs.

Uniform application of indexation will ensure that all NGOs (with recurrent funding) will receive the same indexation level, regardless of which agency is funding them, reducing inequities across program areas.

NT Government will:

- apply indexation to NT Government funding (consistent with the parameters applied to NT Government agency grant budgets) to all eligible recurrent grant funding from the second year of continued service delivery. Noting Commonwealth Government grants which are administered by the NT Government may not include indexation
- factor indexation into multi-year funding agreements.

4.3 Equal Remuneration Order

In 2012 Fair Work Australia made an Equal Remuneration Order (ERO) to increase the wages by 23-45 % (in nine equal instalments over an eight year period) to those employed under the Modern Award in the Social and Community Services Sector.

At the time, budget allocation was provided to NT Government agencies for affected grants that the NT Government was fully or partially funding at the time of the submission. This was to meet the additional cost of wages paid by the NGO resulting from the decision, which were not part of an original grant agreement.

Since then, if NGOs have applied for new NT Government grants, the additional ERO costs should be included as part of the total wages budget in the application.

Where NT Government agencies have not increased the amount of funding to an NGO, agencies should not expect the same level of service provision, as this would in effect equate to a reduction in funding. Instead, NT Government agencies should be engaging with NGOs to identify actual costs and alternative solutions or negotiate reduced service provision by the NGO.

NT Government will:

- pass on funding for affected grants for the additional cost of wages paid by an NGO resulting from the ERO decision
- ensure that NGOs are aware they need to factor ERO costs into new grant agreements so there are no surprises for either party.

4.4 Funding Cycle

In view of the time that may be required to negotiate a satisfactory form of agreement, government departments need to initiate negotiations well in advance of the expiration of current agreements to avoid one or more agreement extensions pending negotiation of the new agreement. However, it must be recognised that the NT Government does not have jurisdiction over funding decisions by the

Commonwealth Government and passing-on of Commonwealth grants will be in line with Commonwealth arrangements regarding the funding.

NT Government will:

- complete negotiations three months prior to the expiration of existing agreements where services are solely funded by the NT Government or funding from other sources, including the Commonwealth Government has been confirmed.

Where possible, NT Government will:

- initiate negotiations six months in advance of the expiration of existing agreements
- align funding agreements with the financial year, unless an alternative arrangement is negotiated, particularly for organisations which operate on a calendar year.

4.5 Payment of Goods and Services Tax (GST)

In line with the Australian Taxation Office Ruling GSTR2012/2, GST is not automatically included in payments to organisations even though they have an ABN and are registered for GST

Depending on the type of grant funding, GST may or may not be applicable and will be assessed on a case by case basis.

4.6 Administration costs

It is legitimate for a service provider to include reasonable and relevant administrative costs in their budget to provide a service. Insufficient administrative resources to manage service provision increase the risk that the program will not meet its outcomes in an effective and timely manner. Conversely, the NT Government is unlikely to accept a proposal with excessive administrative costs which reduce funds available for service provision.

The level of administrative costs will vary from service to service therefore it is not appropriate for the NT Government to set a percentage benchmark. However, it is reasonable for the NT Government to query how the administrative costs have been calculated as part of any negotiation.

5 MONITORING AND REPORTING

Monitoring and reporting is part of the whole process of service provision and is generally stipulated as part of any procurement process or funding agreement. The NT Government needs to collect information from service providers to establish funds are being spent correctly (financial reporting) and to assess the results or performance of the service against the planned outcomes (performance monitoring).

Significant issues concerning reporting requirements include the inconsistency of reporting requirements between different programs and agencies, and that unnecessary reporting places an undue burden on service providers.

5.1 Financial reporting

All NT Government funding needs to be properly accounted for with adequate safeguards in place to prevent misuse.

It is reasonable for the NT Government to expect audited financial reports after the Annual General Meeting (AGM) of a service provider. Audited reports or other evidence should account for the funding provided at a program level, rather than a whole of organisation level, so that funding streams are identifiable.

NT Government will:

- align the reporting requirements to the amount of funding and the level of the risk associated with the funding agreement. For example, the need for an audited financial statement
- expect funding streams to be identifiable in a service provider's audited report for the financial year
- ensure reporting requirements are explicitly defined in service agreements
- acknowledge the receipt of reports and provide timely feedback to the organisation about the quality and content of the reporting
- encourage financial reporting in accordance with the National Standard Chart of Account data definitions for not for profit organisations
- report all grant payments annually in each agency's Annual Report.

5.2 Performance monitoring

Information should not be used just to assess the individual service performance but where possible, designed to be aggregated to help identify need and feed back into the planning/funding cycle. An approach is to distinguish between the different purposes of data collection (for example research, planning or performance monitoring) and consider the most effective and efficient way of collecting for each purpose.

NT Government will:

- explain and clearly express data collection and reporting information requirements
- ensure information gathering and reporting requirements are well targeted, proportional to the intended use of the information and the level of funding
- ensure goals, targets, and milestones are reasonable and agreed to by all parties to the funding agreement within the constraints of the scope of service
- acknowledge the receipt of reports and provide timely feedback to the organisation about the quality and content of the reporting.

Where possible, NT Government will:

- focus on outputs and outcomes rather than input and process measures
- analyse all reported information within a reasonable time and provide the analysis of information collected back to the reporting organisation in a timely manner

- move to standard data definitions, common output specifications and performance measures for similar services
- regularly review the effectiveness of monitoring activities
- define the purpose of each substantive piece of information to be gathered and reported to assist to understand program performance and inform performance improvement.

6 EVALUATION

Evaluation is a review process of assessing, on the basis of evidence, the achievements of a program or service. It also provides feedback and a guide for future planning in relation to the program objectives and intended outcomes. Evaluation can also build knowledge and organisational learning. The key difference between monitoring a program or service and evaluation is that evaluation is about placing a value judgement on the information gathered, including the monitoring data.

NT Government will:

- use the gathered information not just to assess an individual service providers performance but also to:
 - assess the effectiveness of programs and/or service models
 - aggregate to help identify need and feedback into the planning/funding cycle
- report the outcomes of an evaluation to the appropriate stakeholders.

Where possible, NT Government will:

- provide the opportunity for parties to a funding agreement to share lessons learned and to provide feedback after the completion of an agreement
- build an evaluation framework into the planning and funding of services.

Northern Territory Government & Non-Government Community Services Sector

Statement of Principles

The NT Government and the NGO Community Services Sector will work together according to these principles in order to provide quality and culturally appropriate services for Territorians.

1. **Achieving the best outcomes** – the overriding goal of government policies and programs, and the prime objective of those organisations that implement them, is to ensure that service delivery maximises public value and improves the quality of life of, and empowers the people and the communities who use them.
2. **Partnership** – a culture of partnership is expected, between and within, the NT Government and the NGO Sector. The collaborative relationships should be founded on appreciation of the constraints under which all organisations operate and include the following values:
 - **Mutual respect and reciprocated trust**
 - **Authentic consultation and genuine collaboration**
 - **Recognition of a common purpose.**
3. **Accountability** – public accountability should focus on outcome performance rather than simply complying with process, with an emphasis on the effective use of funding to achieve agreed outcomes and on measuring the longer-term social impact of programs and services. Where possible, the burden of reporting should be minimised and streamlined.
4. **Provider diversity** – the diversity of community service organisations is recognised as a strength with the range of providers delivering a greater choice of programs either individually or in partnership to respond to the needs of the community in different ways.
5. **Program and service design** – policy, program development and service delivery should work progressively towards the following:
 - **A holistic approach** – the elements of multiple disadvantage are complex and so the support services provided should be ‘joined-up’ and ‘wrapped-around’ the individual or family in need.
 - **Program flexibility** – services should be evidence-based, culturally appropriate and responsive to the distinctive needs of the individual, community group or region and tailored to the particular circumstances. Where evidence is unavailable, services should be based on a risk assessment business case that allows and encourages innovation.
 - **Citizen responsibility** – individuals, families and communities who require support should be encouraged and empowered to take greater control and responsibility of the services they require to live a full and independent life.

- **Primary prevention and early intervention** – the immediate need for expenditure on tertiary services must be acknowledged; however, there should be also be a focus on investment in primary prevention and early intervention.
- **Shared governance and service design** – all providers of publicly-funded services (whether public service agencies, not-for-profit organisations, social enterprises or private businesses) should be regarded as ‘co-producers’ of government services, jointly contributing to service design and sharing responsibility for program delivery.
- **Long-term outcomes** – services should focus on the long-term benefits for the individual, community group or region