



**PANPACIFIC**  
Safe Communities Network



Improving community safety through collaborative efforts

## **Safe Communities Foundation New Zealand**

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### **Funding and Contracting Discussion Document**

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Safe Communities Foundation New Zealand (SCFNZ) is a not-for-profit national organisation with charitable trust status. It supports and inspires communities in New Zealand to create safe environments and increase adoption of safe behaviours. Its key purpose is to support and enable safe community coalitions to be become and remain effective through areas such as collaborative governance, priority setting, effective strategies and continuous improvement.

Currently, just under 70% of New Zealanders live in an accredited Safe Community. These communities have successfully used the Safe Communities approach, as recommended by the World Health Organization, as an effective means of addressing community safety. Excellent examples of what is occurring through community engagement, problem solving and collaboration on community safety problems within individual communities can be found on the [SCFNZ website](#).

Safe Communities Foundation NZ is an Accrediting and Support Centre of the Pan Pacific Community Network.

# Funding and Contracting Discussion Document

*Acknowledgement: This paper has been prepared for Safe Communities Foundation NZ and borrows from Financial management for not-for-profit organisations, 2009, CPA Australia. The full document is available at: [http://www.ausport.gov.au/data/assets/pdf\\_file/0007/354787/financial\\_management\\_of\\_not-for-profits.pdf](http://www.ausport.gov.au/data/assets/pdf_file/0007/354787/financial_management_of_not-for-profits.pdf)*

## Introduction

Good governance requires Committees to understand and manage the risks associated with their organisation (Principle 4: Risk: Recognition and Management, Principles of Good Governance, SCFNZ).

Governance is the processes by which organisations are directed, controlled and held to account. It is concerned with the overall structures and processes for decision-making, accountability, control and behaviour and should be directed by the Committee. Financial management governance is a core component of the governance framework.

Financial sustainability is one of the most frequently reported organisational risks. Specifically, Safe Community Committees report having difficulty securing on-going funding to maintain the organisation and consequently are confronted with difficult management decisions concerning the terms and conditions for the employment of a coordinator.

An important responsibility of the Committee is to ensure that there are policies and procedures in place to support the good financial management of the organisation, and ensure its financial sustainability.

This document looks at; principles of prudent financial management; developing a budget; Safe Community funding needs; the current funding environment and includes some of the associated risks; and explores potential funding sources and opportunities.

### ○ Prudent financial management

Safe Community operations and activities are dependent on the receipt of grants, donations, contestable funding contracts and local authority funding as the principal sources of income. The adoption of appropriate good practice financial management will ensure that there are adequate resources to meet objectives, remain solvent and continue to support the community. Safe Community Committees need to ensure they have adequate cash flow to support their operations over the duration of their existence. Therefore, sound financial management for Safe Communities is important if people are to see how they have used the money they received, and to demonstrate the viability of the services provided, hence encouraging further community and government support.

By implementing good financial management Safe Communities will consistently deliver their strategic goals in a financially sound manner.

### ○ Financial systems and records

Good financial management starts with precise record-keeping that will generate accurate financial statements. Only accurate data that is recorded in a systematic way will provide the necessary financial information that can lead to improved financial performance. Financial statements provide information on how the organisation is operating financially and why. Once this is understood, the information can be analysed to show the areas of financial strengths and weaknesses.

It is important that regular financial statements – in particular, income and expenditure statements – be prepared so that the actual activities can be compared to the budgeted activities. Good financial management means that the financial information provided in the financial statements and budgets and forecasts can be used to improve operational activities and accomplish important daily and future financial objectives.

For Safe Communities, the fund-holder and financial reporting is situated within the host organisation: in many cases this is a local authority, but may also be a district health board, a Non-Government Organisation, or an incorporated body (Trust or Society) established for the purpose. In each case, there will be financial systems and processes in place including accounting, reporting, auditing/reviewing and so on. For example Charities Commission is implementing a tiered system of accountability for registered charities. It is important for the Committee to be aware of what financial systems are in place, and the reports that can be generated. Ideally, someone should be delegated as Treasurer to monitor the preparation of financial reports.

Responsibility for the financial management and viability of the Safe Community rests with the Committee: not the Coordinator, not SCFNZ, not any one partner agency eg ACC, and not the host agency. Funding is the 'life-blood' of the organisation and there is a significant risk if the Committee is not fully apprised of the financial position of the programme, and is not taking all steps to ensure its financial sustainability.

Risk: in the labyrinth of local authority accounting processes, it is unlikely that there is a clear financial reporting pathway for the Safe Community. Invoicing is generated in one place; income can be collected in another place; funds are transferred/journaled into cost centres; individual programme and activity funds may not be differentiated; all of which makes reporting to the Committee and to individual funders complicated. It is easy to lose track of funds. The Committee must decide if there is value in setting up a parallel accounting system that 'overlays' the local authority system in order to manage and track income and expenditure.

There is also the risk associated with annual accounting practice. Council budgets generally do not carry-forward funds from year to year so they may not have systems to accrue externally-generated funding across financial years. This can create issues when Safe Community funding contracts span the Council financial year.

- **Budgets and forecasts**

Budgeting and forecasting are the future financial plan of the organisation. They are where the strategic plans are translated into financial numbers to ensure that the strategic plans are financially viable.

In short, budgeting is the process of planning the finances over the budget period. Budgeting can also provide an opportunity to plan ahead for several years in an effort to identify and anticipate changing conditions that may impact on the organisation's operations and cause financial difficulty. Forecasting then reviews actual outcomes against budgeted activities, identifying changes in anticipated events. Forecasting provides the financial information that shows if plans need to be amended and enables the organisation to be proactive in achieving its goals.

Good budgeting and forecasting require the following:

- Preparation against strategic goals set and approved by the Committee
- Budgeted timelines aligned to the preparation of financial statements
- Regular comparison of budgets against actual financial results as disclosed in the financial statements
- Scope for amending activities and targets where actual results indicate that budgeted outcomes will not be met

It is always useful to record the underlying key assumptions, particularly with respect to income. For example assuming a level of funding from an agency will continue; or knowing that a funding source will terminate after a given time period; or becoming too reliant on one source of income.

## Safe Community Funding Needs

Safe Community funding can be divided into three categories:

- *Organisational funding*: these are the internal costs associated with the management and operation of the programme. Costs include items such as: HR; admin; printing and stationery; phone, laptop and other technologies; travel; office and motor vehicle expenses; organisational training, workshops and professional development; meeting and venue expenses including catering; regional and national Safe Communities obligations, etc
- *Coordinator funding*: this is primarily for the salary of a coordinator
- *Programmes and activities funding*: this is the funding for the delivery of programmes and activities
  - Organisational funding

Where there are tight funding constraints, it is prudent to source as much of these costs 'in-kind' from the host organisation and/or the strategic partners. Some host organisations charge or take a percentage of revenue to defray these costs. Operational costs are real and should be recorded, even if they are met in part or in whole by the host/partner organisation(s).

- Coordinator funding

This is the biggest investment by the Committee, and the most critical in terms of the viability and effectiveness of the Safe Community.

The evidence presented by Safe Communities in their annual reporting and governance group surveys clearly indicates that the role of a coordinator is essential to the successful operation of the Safe Community model within the community. As a guide, 30 hours (+- 5) is required to undertake the role to a satisfactory level, and this should not vary solely based on the population of a district.

The greatest challenge facing Safe Community governance groups is the recruitment and resourcing for this role. The risks are: creating a role with insufficient hours that limits the time available for key tasks and reduces opportunities to undertake new and innovative activities; offering inadequate remuneration that limits the potential skilled applicant pool; which in turn can lead to appointing someone into the role with insufficient skills and expertise.

If Safe Community governance committees are unwilling to take responsibility to appoint and resource the Coordinator role at an appropriate level, then they are setting it up to fail.

SCFNZ is actively working with central government agencies/funders to secure long-term commitments to funding for coordination. With this funding will come expectations concerning the performance of the Safe Community Committee, and the functions of the Coordinator. In particular there is an expectation that local communities will contribute towards these costs. SCFNZ will provide some guidance on this, but it is the responsibility of each Safe Community Committee (governance) to ensure there is a plan in place for sustainable funding.

- Programmes and activities funding

While the primary role of Safe Community governance groups is to coordinate and support collaborative networks and partnerships, there is also a role for Safe Community governance groups to lead activities and projects. These activities and projects often fall in the 'spaces' between sectors that are not the domain of any one agency. Using the Safe Community model, projects and activities may be initiated that might never otherwise be planned or attempted. Safe Community Committees may act as fund-holders for collaborative projects, or on behalf of another service provider or unincorporated collective.

Funding for programmes and activities comes predominately from contestable/discretionary funding sources: this may include targeted government agency funding rounds; funding by application for particular local projects; funding applications to national and local philanthropic funders; private sector sponsorship/partnerships; and sometimes from community fundraising initiatives.

Where there are multiple externally-funded contracts for a range of projects and activities, care must be taken to ensure robust financial systems are in place to properly account for income and expenditure.

Funding applications should always include a component for coordination. This reflects the role and input of the Coordinator in the development of the project, and the preparation of the funding application. As a general rule, 10-15% of the value of the contract is acceptable. For example, a \$50,000 contract would attract an additional \$5-7,500 coordination component. Three or four of those would contribute significantly to the funding pool for a coordinator.

### **Current funding environment**

The current central government funding environment is one of constraint.

- Government agencies are cutting funding, reducing the number of contracts, and tightly prescribing the activities and outcomes they are prepared to fund.
- Despite the rhetoric, compliance costs are increasing; no two contracts look the same; contract reporting is in different formats.
- It is increasingly difficult to get funding for community-led initiatives that don't fit neatly into prescribed priorities and formats.
- Despite the signals, multi-year and multi-agency funding contracts are still virtually non-existent.

Local government funding contributions are from:

- within existing budgets: this could include, admin support, office space, management support, access to resources, allocating staff hours for coordination
- discretionary grants programmes: 'match' funding, community grants
- Annual Plan and Long Term Plan (LTP) funding

Annual Plan/LTP funding provides a secure income stream and usually for three years. Wherever possible, Committees should exhaust efforts to have Safe Communities included in their local authority Annual and Long Term Plans. This can be achieved several ways:

- A budget line is included within a Council department (eg Community Development) budget. This is approved through the Council's management structure before being presented to Council as part of the overall Annual Plan; or
- A new budget line is created by the Council as the result of a submission to the Annual Plan and/or LTP hearings process.

The submission should be made by the Chair and representatives of the Safe Community Committee. To be successful, the submission requires a robust business case. Some Committees appear reticent to pursue this process. Other Committees have been successful and have secured funding for several years. One prospective Safe Community made the LTP submission process and funding a pre-condition of commencing the formal application for accreditation. Securing funding through the Annual Plan/LTP process is as much about gaining the commitment of the Council as it is about the actual sum of money.

➤ **Developing a business case/funding application**

Whether it is in support of the budget line for a Council manager, or an independent submission to Council, or making a funding application: a business case provides the rationale for the proposed funding.

A business case puts down on paper what your organisation will do to turn its vision into a reality. It summarises the activities, systems, skills and resources needed to achieve your short, medium and long term goals.

The first thing to remember when making a business case for funding is *assume the funder knows nothing*. It may have been discussed in depth with representatives of the Council or funder before and during the application process, there may even be 'agreement-in-principle', but there will inevitably be decision-makers who are poorly informed, or who may challenge or dispute the case.

- Do not assume there is a need for your service – demonstrate it
- Do not assume your service is understood and is seen as effective – demonstrate it
- Do not assume there is collective support for your service – demonstrate it
- Do not assume that you will become sustainable – demonstrate it

Be aware of the underlying legal, constitutional, financial and other drivers and constraints that will determine the decisions concerning your submission or application. Try to anticipate the questions and potential challenges to your business case – and ensure that the information you present is relevant and aids decision-making.

With local authorities, it is prudent to frame the submission/business case in the language of the Council's own plans and priorities. Understand the timeframes and processes for making a submission. In every case, demonstrate how the Safe Community organisation will deliver community safety outcomes and ensure that projects and activities are addressing high risk environments and target populations. Emphasise the collaborative nature of the organisation and identify the key strategic partners. Formulate a funding plan that shows that the organisation is not solely dependent on one agency for funding and resources.

### **Potential sources of funding**

There is simply no justification for Safe Community Committees to be unaware of potential funding sources for coordination, and for programmes and activities. A simple Google search reveals a wide range of opportunities. Local knowledge and relationships are also a key source.

GiveUS – Generosity New Zealand, formerly known as Fundview, is a comprehensive database that has the details of more than 1,000 funding sources. <http://apps.generosity.org.nz/givUS>

Government agencies such as MSD Community Investment and Internal Affairs including Lotteries Grants and COGS have community advisors that can advise on what funding is available and assist with application processes.

National and local philanthropic trusts and funds are recorded here:

<http://www.fundraisingideas.org.nz/Trusts.aspx>

National and local gaming trusts are recorded here:

[http://www.dia.govt.nz/diawebsite.nsf/wpg\\_URL/Services-Casino-and-Non-Casino-Gaming-List-of-Society-Websites](http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Services-Casino-and-Non-Casino-Gaming-List-of-Society-Websites)

