

A Survey of Government Funding of Non-profit Organisations

October 2007

Acknowledgements:

This report was prepared by the Local Government and Community Branch of the Department of the Internal Affairs, Wellington, New Zealand.

The Local Government and Community Branch would like to acknowledge the contributions made by all of the agencies who responded to the survey.

This publication is available for download at: <http://www.dia.govt.nz>

Foreword

In my roles as Minister for the Community and Voluntary Sector, Social Development and Employment, Senior Citizens and Disability Issues, I have seen first hand the indispensable part that volunteers and non-profit organisations play in the life and well-being of our country.

New Zealand has a long and proud history of an active community and voluntary sector. It has become an essential part of our lives. Volunteers and non-profit organisations help to develop communities with strong values, and form an integral part of building a resilient future for our country.

Last year, my predecessor and colleague, Hon Winnie Laban, asked the Department of Internal Affairs to gather available data about the size and scope of government funding to non-profit organisations.

This was the first time that a comprehensive survey has tested information about payments to this sector. The study received overwhelming support from those who were asked to participate.

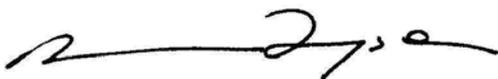
The results of the survey provide a broad overview of central government's funding of non-profit organisations.

The survey's benchmark funding information will be useful in many contexts and represents a key step in building a picture of government contributions to the non-profit sector.

This survey, together with the recently published Statistics New Zealand Non-profit Institutions Satellite Account and the upcoming Johns Hopkins University Comparative Study on New Zealand (due for publication in 2008), will present a better understanding of the role and value of non-profit organisations' contribution to the New Zealand way of life.

Non-profit organisations open doors to new experiences, support communities, promote volunteering and help to keep New Zealand a great place to live. Obtaining robust information about the non-profit sector is crucial to understanding how our Government can continue to support their efforts.

Kind regards



Hon Ruth Dyson
Minister for the Community and Voluntary Sector

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Summary

Non-profit organisations (NPOs) make a huge contribution to all aspects of New Zealand life and form a key part of the community and voluntary sector, yet little is known about the overall levels of funding they receive from the Government.

In June 2006, a survey was sent to government departments seeking information on the size of government funding flows to non-profit organisations.

The aims of this exploratory survey were to:

- see what information could be readily obtained by departments about their funding of NPOs;
- obtain a better idea of the overall size and nature of government funding to the non-profit sector; and
- complement other initiatives to improve information about the non-profit sector.

The scope of the survey excluded payments to individuals, for-profit organisations, and the allocation of lottery and gambling proceeds generated under the Gambling Act 2003.

This report outlines the findings from the survey.

Highlights

The survey has highlighted that in 2005/06:

- there are two distinct streams of funding:
 - payments of \$1.25 billion to NPOs from departments¹;
 - payments of at least \$141 million to NPOs from Crown entities;
- the largest amounts of departmental payments are made to NPOs in the social services, education and health activity sectors;
- contract payments for services dominate over grant funding;
- there are some classification and methodological matters that should be considered if any future surveys are undertaken; and
- there are difficulties tracking payment and funding arrangements through more than one agency to NPOs. The survey provided limited information about payments made by Crown entities to NPOs.

Key Findings

Although exploratory, the survey has provided useful benchmark information about the Government's interactions with the non-profit sector.

The key findings from the survey are:

- 21 of the 34 government departments surveyed report payments to NPOs – either through their own grant and contract payments, or indirectly through agencies such as Crown entities or local authorities;
- departments reported payments to NPOs of \$1.13 billion in 2004/05 and an estimated \$1.25 billion for 2005/06 (the increase in funding between 2004/05 and 2005/06 mainly relates to contract payments);
- contract payments dominated departmental funding. In 2005/06, 93% or \$1.15 billion of departmental payments related to contracts for services. Only 7% or \$92 million of payments were reported as grant funding; and
- some government payments to NPOs occur indirectly through a second tier of agencies such as Crown entities and local authorities. Although \$141 million was

¹ Amounts reported have been standardised as GST exclusive.

reported for 2005/06, departments noted difficulties tracking these types of payments because their information sources are geared to report on departmental funds rather than on the use of departmental funds allocated to Crown entities. Previous estimates of Crown entity payments to NPOs suggest this figure is likely to be significantly under-reported.

Further analysis of departmental payments reveals:

- the largest amounts paid in 2005/06 were from the Ministry of Health (\$552 million), the Ministry of Education (\$344 million), and the Department of Child, Youth and Family Services, now part of the Ministry of Social Development (\$119 million);
- the Ministries of Education and Health reported the largest amounts of contract funding;
- grant payments were spread across a wide range of activity groups. The Ministries of Culture and Heritage, Education, Foreign Affairs and the Department of Internal Affairs reported the largest amounts of grant funding;
- the activity² receiving the largest total amount of departmental payments was social services (\$593 million in 2005/06). Over 70% of this amount is contract funding by the Ministry of Health for disability support services provided by NPOs. The education and research activity received \$384 million, being mostly for early childhood education, and the health activity received \$126 million; and
- certain groups were identified in the survey as the recipients of NPO funding provided by departments. The most common groups identified were people with disabilities (37%) and child, youth or family groups (33%). As group information was not provided for 24% of the funding reported, the percentages of identified group recipients should be treated cautiously.

The report also identifies additional work being undertaken by various departments over the next 12 months to gain more information about the funding of NPOs.

Areas of Incomplete Information

The survey tested, for the first time, the ability of government departments to identify specific information about NPOs from the data they usually collect.

While departments were able to identify payments they made directly to NPOs, there were limitations in their ability to identify payments to NPOs provided via a 'second tier' of other agencies they fund or monitor, or at a regional level.

Indirect funding payments to NPOs of \$141 million were reported for 2005/06 from agencies such as Crown entities (e.g. Sport and Recreation New Zealand, the Tertiary Education Commission and Creative New Zealand) and some local authorities. This figure is incomplete, as information about many Crown entities could not be reported from departmental systems.

For example, last year it was estimated that payments in the order of \$2 billion³ were provided to NPOs for health and disability services from district health boards and other Crown entities in Vote: Health. This estimate could not be substantiated from the survey. The survey found that not all departments could identify information about Crown entities' payments to NPOs from information they have about the Crown entities they monitor or fund.

Another area where insufficient data was obtained to provide reliable information was the

² Activities were classified using the New Zealand standard for classifying non-profit organisations (NZSCNPO), Statistics New Zealand, April 2007. The social services category includes disability services.

³ Health and Disability Sector NGO-Ministry of Health forum, Auckland, April 2006.

regional breakdown of funding to NPOs. Region-related data was not available for about 90% of department payments to NPOs reported in the survey.

Developing Information about Non-profit Organisations

The survey results provide a benchmark of information about government payments to NPOs. The results contrast large amounts of contract funding for service delivery in a few areas and a smaller pool of grant and contract funding that is dispersed across a wide range of activities. This pattern of payments partly reflects changes to contracting as part of the public sector management reforms of the past 20 years. It also reflects the different roles, relationships and performance expectations the Government has when interacting with NPOs in different settings. Most payments are contracts for services in areas where NPOs have traditionally been service providers.

The current picture of the size and distribution of government funding flows to NPOs is not complete. The work underway, described below, will also contribute information about NPOs.

The Office for the Community and Voluntary Sector (OCVS) is undertaking work as part of an international comparative study by Johns Hopkins University, Baltimore. That work scopes the size and nature of the New Zealand non-profit sector. A country report is to be published in June 2008.

The Statistics New Zealand Satellite Account for Non-profit Institutions⁴, released in August 2007, provides a different picture of NPO funding when compared to this survey; using a wider range of information sources to identify grant and contract funding. This national accounts framework provides a high level overview of the sector and allows for consistent international comparisons of the relative size of the non-profit sector.

In relation to the health sector, the Ministry of Health was able to identify third party contract payments from Vote: Health, but the financial information available could not separate payments related to NPOs from Crown entities the Ministry funds or monitors. As a result of discussions following the survey, the Ministry of Health will work to identify the NPO organisations included in its database using the New Zealand Standard for Classifying Non-profit Organisations (NZSCNPO). The Ministry of Health will also investigate the feasibility of monitoring Vote: Health payments to NPOs from Crown entities in an ongoing manner.

Once this additional information is available it will be possible, together with the information from this survey, to build a more comprehensive picture of the aggregate funding flows to the non-profit sector. This will help to identify if there are any gaps in the high level picture of information about NPOs and determine the relative merits of options to address them.

⁴ "Satellite accounts" are recognised internationally as a way of presenting information in particular areas of interest not covered by conventional economic accounts...they enable additional information, both financial and non-financial, to be presented alongside standard economic measures such as Gross Domestic Product and household spending. "Identifying Non-Profit Institutions in New Zealand", Statistics New Zealand, April 2006.

Introduction

NPOs make a huge contribution to all aspects of New Zealand life, yet little is known about the overall levels of funding they receive from the Government. This report presents the results of the first survey of government departments to identify such funding.

In June 2006, a survey was sent to government departments (refer Annex 1). The aims of this exploratory survey were to:

- see what information could be readily obtained by departments about their funding of NPOs;
- obtain a better idea of the overall size and nature of government funding to the non-profit sector; and
- complement other initiatives to improve information about the non-profit sector.

This report presents the results of the survey, comments on apparent funding patterns, and discusses the findings, limitations and conclusions of the survey.

The research and report were prepared by the Department of Internal Affairs in consultation with officials from Statistics New Zealand, the Ministry of Social Development and OCVS. It has also been informed by discussions with officials from the primary funding departments.

The results of the survey are based on self-reported data, and should be regarded as indicative of broad patterns and trends.

Background and Context

The present survey of government departments was undertaken at the request of the Minister for the Community and Voluntary Sector, to help address a gap in information about government payments to NPOs.

This exploratory survey complements other work undertaken to examine the size, scope and significance of the non-profit sector⁵.

NPOs cover a variety of forms that are neither part of government nor for-profit business. NPOs are defined as organised, private, non-profit distributing, self-governing and non-compulsory⁶.

The Auditor-General has recently noted the effect of public sector management reforms over the past 20 years has been an increase in the use of contractual and quasi-contractual funding arrangements with non-government organisations⁷. Associated with this is a growing awareness of the need to address the effects of these new arrangements, including compliance costs and related matters⁸.

In 2002 the Philanthropy New Zealand (PNZ) report "Resource flows to the community non-profit sector" identified that central government provided \$920 million of the estimated \$1.6 billion income that NPOs received. It was estimated, taking into account corporate donations and other sources, that the total income of the voluntary sector was in the region of \$3 billion.

⁵ There is also "*Funding New Zealand 2002: resource flows to the community non-profit sector in New Zealand*" - by David Robinson and Pat Hanley (July 2002) and the recent BERL report "Giving New Zealand-Philanthropic Funding 2006" both prepared for Philanthropy New Zealand.

⁶ Margaret Tennant et al, "Defining the non-profit sector: New Zealand", working papers of the Johns Hopkins Comparative Non-profit Sector Project, No.45, Baltimore: The Johns Hopkins Centre for Civil Society Studies, 2006.

⁷ In 2006 the Office of the Controller and Auditor-General published a "good practice guide" on managing funding to non-profit organisations, "Principles to underpin management by public entities of funding to non-government organisations".

⁸ Statement of Government Intentions for an improved Community-Government Relationship, December 2001.

The biggest recipients of funding were health and social services (31%) and recreation and sport (29%). This report noted information about funding flows was difficult to obtain, so these amounts could be under-reported.

A recent Business and Economic Research Ltd (BERL) report⁹ estimated the amount of philanthropic giving provided by trusts and foundations, private donations and corporations at between \$1.26 billion and \$1.46 billion in 2005/06. Trusts and foundations provided 58% of this giving, and five-sixths of this was from statutory trusts.

OCVS has a project underway to scope the size and nature of the New Zealand non-profit sector. This work is part of an international comparative study by the Johns Hopkins University (Baltimore). In September 2006, OCVS launched the report "Defining the Non-profit Sector: New Zealand"¹⁰. The report has provided the classifications and some of the definitions used to interpret data from this survey. A more complete New Zealand 'country report' is to be published in 2008.

Statistics New Zealand has developed a Non-profit Institutions Satellite Account¹¹ (NPISA), as part of the set of National Accounts, to help identify the economic value of these institutions to the economy. This includes estimates of financial and non-financial data, such as NPO economic significance, employment and volunteer involvement, across a number of sub-sectors. Statistics NZ have used the data from this survey to check information obtained for the NPISA. However, there will be some differences between funding patterns identified in the NPISA and this survey due to the use of different data sources and collections over differing time periods. This makes a direct comparison difficult.

This survey provided an opportunity to test the NZSCNPO, developed as part of the NPISA. The standard provides a definition of NPOs and a classification scheme based on the NPO's dominant activity.

Statistics New Zealand has published a report describing the number of NPOs in New Zealand and grouping them according to their primary activity¹². These are the types of agencies that are captured as non-profit institutions in the satellite account.

⁹ BERL Report, op. cit., pg 8.

¹⁰ Johns Hopkins Study, op. cit., pg 8.

¹¹ Statistics New Zealand, op. cit., pg 7.

¹² Counting Non-Profit Institutions in New Zealand, Statistics New Zealand, April 2007.

Survey Method

The information reported here was obtained using a survey questionnaire developed in consultation with OCVS and Statistics New Zealand (refer Annex 1).

The questionnaire asked each department to:

- identify for 2004/05 and 2005/06 the amounts of grant funding, contract funding and other forms of funding provided to non-profit organisations;
- classify these payments according to:
 - the types of activities and target groups funded; and
 - whether funding was provided at the national/coordinating level or at a regional level.

Crown entities were not approached directly¹³. Departments were asked to provide details of final funding flows to NPOs, and to identify those cases where funding was provided to a Crown entity or other organisation which itself provided funding to NPOs. It was hoped that departments would be able to provide information about funding flows from agencies they either fund under contract or whose activities they monitor under the Public Finance Act 1989. This approach limited the number of agencies to be surveyed and reduced the potential for double counting (i.e. both a department and Crown entity reporting the same funding).

Funding from gaming proceeds and lotteries were excluded from the survey as these amounts are generated under the Gambling Act 2003¹⁴ and not by a Crown appropriation. Departments were also asked whether systems were in place, or planned, to provide the type of information sought, as it was not clear to what extent departments would be able to provide the full range of information requested.

On 22 September 2006, in addition to the questionnaire, the Department of Internal Affairs met with key agencies to obtain their views about the questionnaire process and identify any issues to be addressed. These views and the issues raised were incorporated into this report.

Further details about the methods, definition of terms and the questionnaire used are contained in Annex 1.

¹³ Crown entities as defined in the Crown Entities Act 2004.

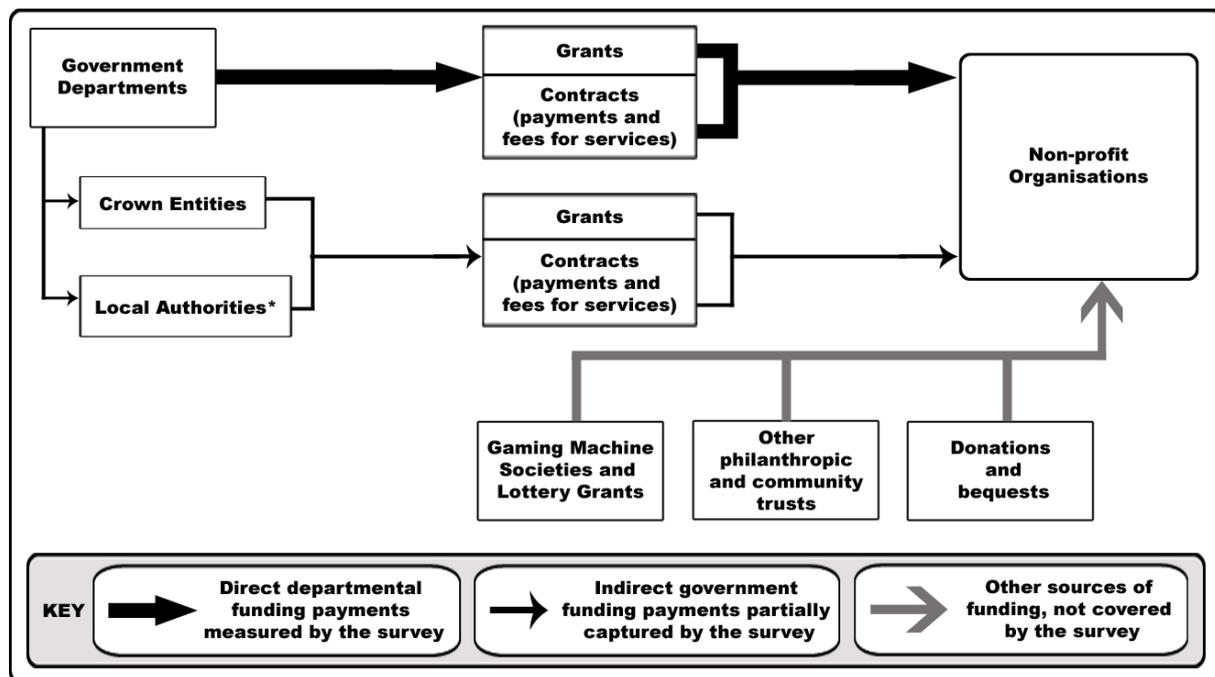
¹⁴ The Gambling Act 2003 provides for funding generated by the Lotteries Commission to be distributed by the Lottery Grants Board (\$138.5 million in 2005/06), and for non-casino gaming machine proceeds to be distributed by private sector non-commercial societies (approximately \$330 million in calendar 2005 was allocated to community purposes).

Survey Results and Findings

Survey Scope

Chart 1 below shows how the information obtained from this survey fits into the overall picture of funding for NPOs.

Chart 1: Funding to NPOs



*Local authorities are identified as they receive some funding via departments or Crown entities for activities such as sport or conservation, which may be subsequently provided to NPOs. Local authorities may also provide funding to NPOs from rates and other revenues (not included in this survey).

Funding Patterns

Thirty-four government departments were asked to provide a response to the questionnaire. Departments were asked whether they provided funding to NPOs directly, and to identify any Crown entities or organisations they funded, which then provide government funds to NPOs.

This latter option, referred to as “indirect funding” covers a second tier of government funding payments, including Crown entities (such as district health boards) and local authorities.

Table 1 presents a summary of departmental responses.

Table 1: Summary of Departmental Responses*		
Departments that reported direct and/or indirect funding for non-profit organisations		21
Departments that reported:		
<i>Direct funding only</i>	7	
<i>Indirect funding only</i>	2	
<i>Both direct and indirect funding</i>	12	
Departments reporting no funding non-profit organisations		13
Total departments in survey		34

*A full list of responding departments is provided in Appendix Table A.

The survey has provided a good picture of department payments directly to NPOs, both in the form of grants and contracts for the provision of goods and services.

Some departments could not provide information about subsequent funding payments from government agencies¹⁵ they fund under contract, or whose activities they monitor. As a result, only a partial picture of information about payments to NPOs through this “second tier” of agencies could be obtained.

Funding Totals

The total amount¹⁶ of funding for NPOs reported through the survey was \$1.26 billion in 2004/05, rising to \$1.39 billion in 2005/06. Table 2 shows how these amounts were split between direct or indirect funding payments, and between grants or contracts.

Table 2: Summary of Reported Funding Payments, 2004/05 and 2005/06				
In \$ millions	Grant funding	Contract funding	Other	All funding
2004/05				
Department payments direct to NPOs	95	1033	2	1131
Indirect funding via agencies (part)	102	23	3	128
Total direct and indirect funding reported	197	1057	5	1259
2005/06				
Department payments direct to NPOs	92	1153	3	1247
Indirect funding via agencies (part)	104	33	4	141
Total payments reported	196	1186	6	1388

Notes: Totals may not add exactly, due to rounding. Figures are GST exclusive

Table 2 shows that most of the funding payments reported were from direct departmental payments to NPOs; \$1.13 billion dollars in 2004/05 and \$1.25 billion in 2005/06. Over 90% of this funding was in the form of contracts rather than grants. Departmental contract funding amounted to more than \$1 billion in each year and has increased, whereas departmental

¹⁵ This includes various forms of Crown entities, statutory boards and local authorities.

¹⁶ Amounts are reported on a GST exclusive basis or have been adjusted to GST exclusive when GST inclusive was identified. In a few cases where GST basis could not be confirmed, data was adjusted assuming it was provided as GST inclusive (refer appendix for details). The impact of this conservative adjustment is less than 0.5% of the total funds reported.

grant funding has been relatively constant at \$95 million in 2004/05 and \$92 million in 2005/06.

Table 3 provides a breakdown of direct and indirect payments by agency and amount according to the data received. The main departments providing direct payments to NPOs are the Ministry of Health, the Ministry of Education and the Department of Child, Youth and Family Services. A full list of the amounts of direct funding payments by departments is provided in Appendix Table B.

Table 3: Payments Reported to NPOs			
		2004/05	2005/06
Direct departmental payments to non-profit organisations		\$1131 m	\$1247 m
<i>Includes:</i>	<i>Ministry of Health</i>	<i>\$500 m</i>	<i>\$552 m</i>
	<i>Ministry of Education</i>	<i>\$307 m</i>	<i>\$344 m</i>
	<i>Department of Child, Youth and Family Services</i>	<i>\$121 m</i>	<i>\$119 m</i>
	<i>Ministry of Social Development</i>	<i>\$70 m</i>	<i>\$91 m</i>
	<i>Ministry of Research, Science and Technology</i>	<i>\$39 m</i>	<i>\$44 m</i>
	<i>Other departments</i>	<i>\$94 m</i>	<i>\$97 m</i>
Indirect funding via second tier agencies (partial response)		\$128 m	\$141 m
<i>Includes:</i>	<i>Sport and Recreation New Zealand</i>	<i>\$36 m</i>	<i>\$37 m</i>
	<i>Tertiary Education Commission</i>	<i>\$24 m</i>	<i>\$22 m</i>
	<i>Creative New Zealand</i>	<i>\$17 m</i>	<i>\$18 m</i>
	<i>Accident Compensation Corporation</i>	<i>\$10 m</i>	<i>\$17 m</i>
	<i>Other reporting Crown entities</i>	<i>\$41m</i>	<i>\$47 m</i>

Notes:

1. Table B in the Appendix provides a list of departments and payment amounts reported.
2. Child, Youth and Family Services became a service arm within the Ministry of Social Development and some funds were transferred to MSD (Family and Community Services)
3. Table C in the Appendix provides some information about payments made by the limited number of Crown entities for which funding information was obtained.

Indirect Funding Payments

The amount of indirect funding by government departments via second tier agencies to NPOs cannot be reported because Crown entities and local authorities were not directly surveyed. Table C in the Appendix provides information about all of the indirect funding flows obtained by the survey. Table C reports payments to NPOs from a limited number of Crown entities. As shown in Table 3 above, the largest amount of payments reported in the survey were by Sport and Recreation New Zealand, the Tertiary Education Commission and Creative New Zealand.

In the time available for responding to the survey, some departments were unable to report how much funding flowed through to NPOs via second tier agencies using their existing financial systems. A number of potentially significant indirect funding flows have therefore not been reported. For example, a proportion of district health boards' contract funding for rest home care services would go to non-profit service providers; but these amounts are not included here. Health and disability sector payments to NPOs are estimated to be in the order of \$2 billion¹⁷, but this figure could not be substantiated by the survey.

Direct Funding Payment Patterns

The results presented in the remainder of this section concentrate on departments' direct payments to NPOs. As indicated earlier, the limited coverage obtained for indirect payments means that the indirect payments data does not give a complete picture and it is not presented.

Distribution Patterns

As noted for Table 2, most departmental payments reported were in the form of contracts. This is illustrated in Chart 2:

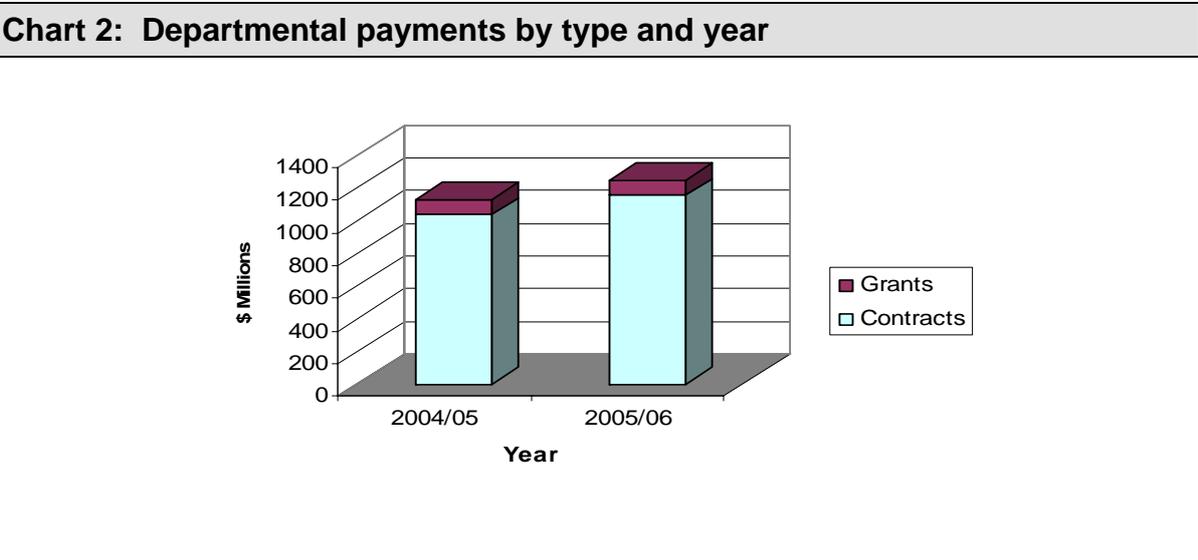


Table 4 demonstrates the concentration of direct departmental payments to NPOs to just three departments (the Ministries of Health and Education, and the Department of Child, Youth and Family Services), which together accounted for over 80% of payments in 2005/06.

Size of annual payments (in 2005/06)	Number of departments	2005/06 direct payments to NPOs	Percentage
Over \$100 million	3	\$1015.5 m	81.4%
\$10 - \$100 million	7	\$213.0 m	17.1%
\$1 - \$10 million	6	\$18.2 m	1.5%
Less than \$1 million	3	\$0.5 m	0.04%
Total	19	\$1247.3 m	100.0%

¹⁷ Ministry of Health forum, op. cit., pg 6.

Charts 3 and 4 illustrate the relative funding patterns identified for contract and grant payments for 2005/06. The distribution of departmental contract payments in Chart 3 follows the overall pattern noted in Tables 2 and 4.

The distribution of departmental grant payments is concentrated on a different set of agencies: the Ministries of Education, Foreign Affairs and Trade, Culture and Heritage, and the Department of Internal Affairs.

Chart 3: Departmental Contract Payments, 2005/06

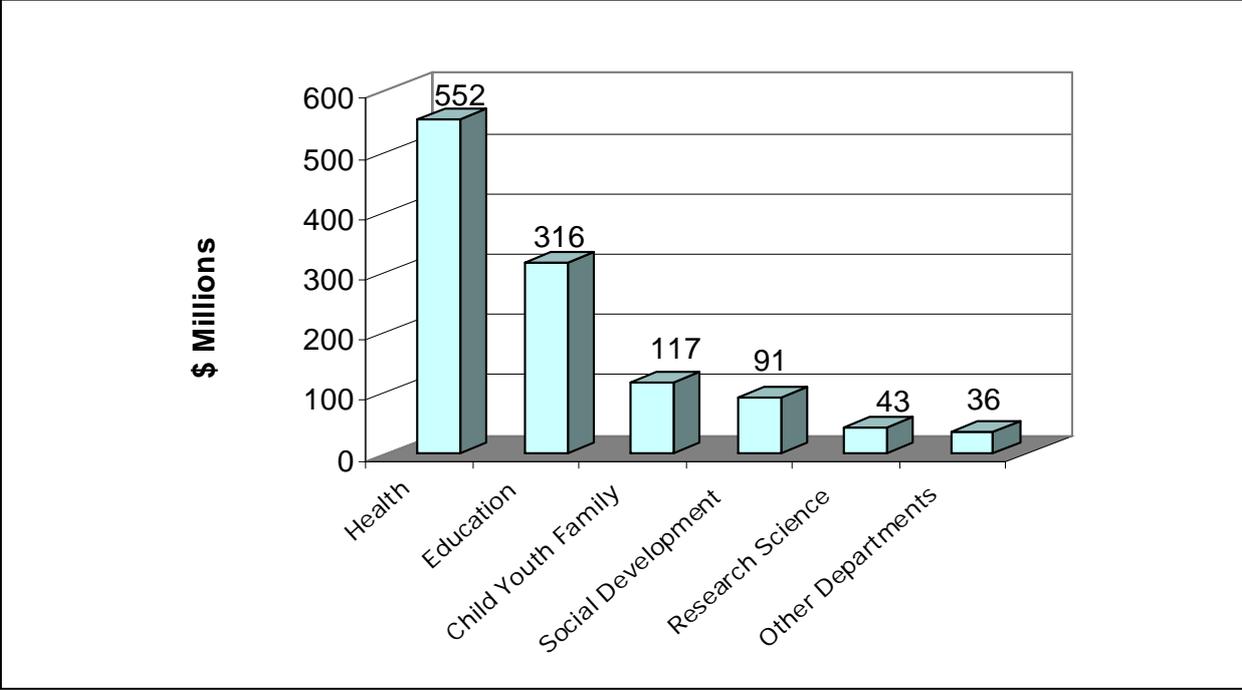
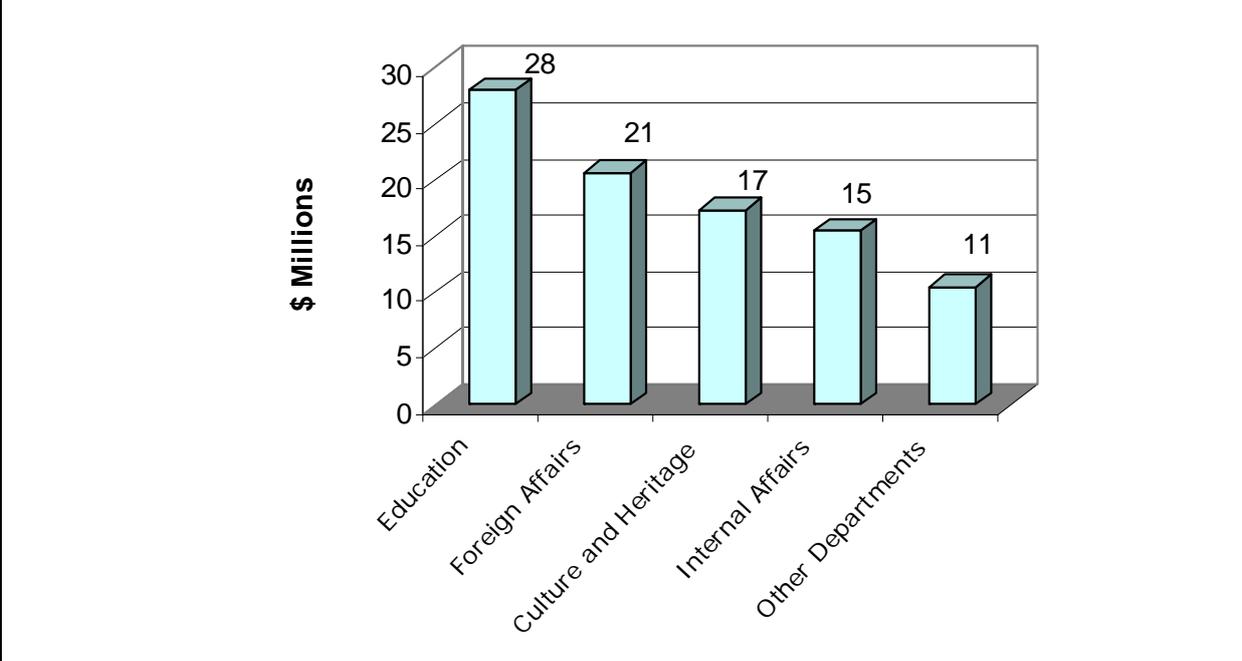


Chart 4: Departmental Grant Payments, 2005/06



Payments Across Activity Groups

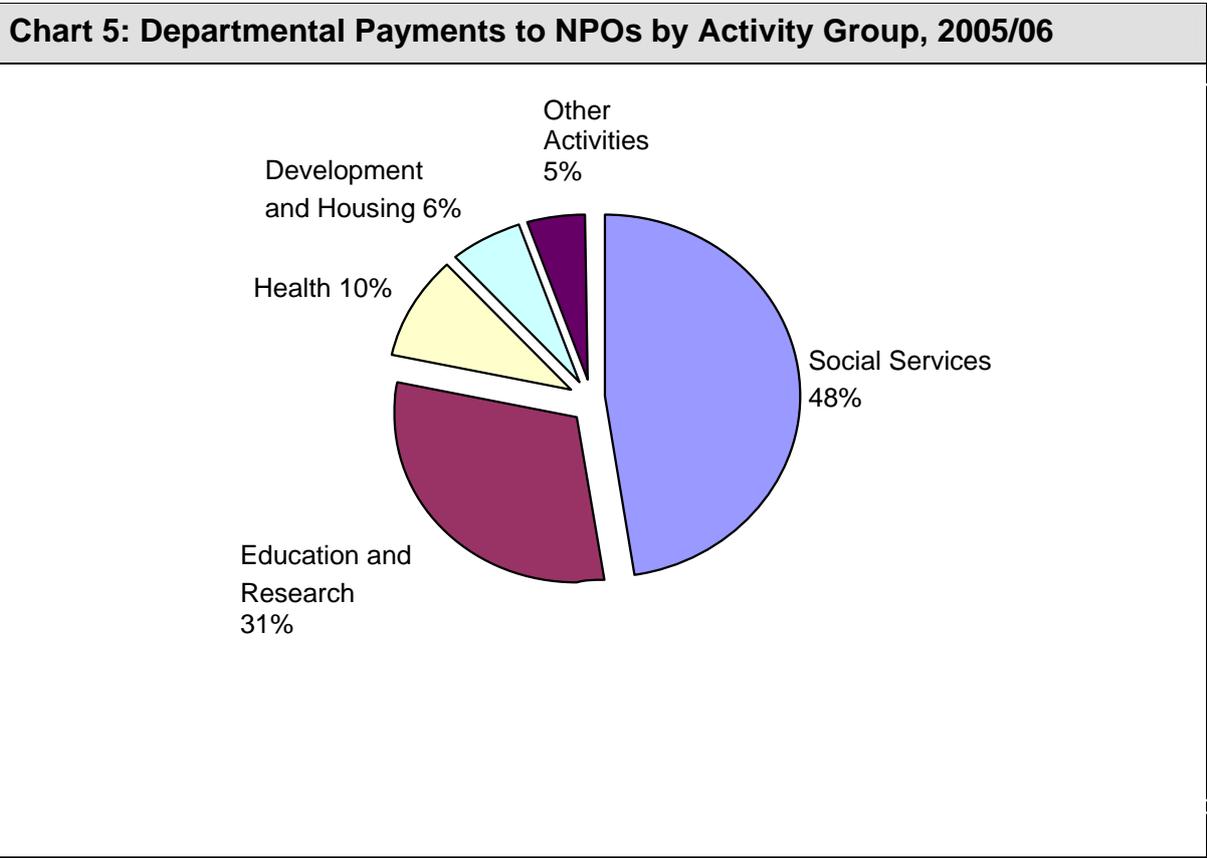
The survey collected information on types of activities funded, for example: early childhood education, recreation/sport, conservation, community health, arts or cultural activities.

Responses were coded according to the NZSCNPO¹⁸ activity groups. Where the NPO was not identified, the classification was made according to the area of activity reported (such as disability services).

Chart 5 shows the shares of the four largest activity groups that received payments directly from government departments.

In the social services activity, the majority of reported contracts were for the Ministry of Health's funding of NPOs for the provision of disability support services. Examples include home support, caregiver support and residential care. The NZSCNPO classified these services as a social support activity rather than a healthcare activity.

Payments classified in the education and research activity are dominated by early childhood education payments to kindergartens and playcentres. Ministry of Research, Science and Technology payments to NPOs are also included in this group.



¹⁸ NZSCNPO, op.cit., pg 6

As illustrated in Table 2, departmental payments are predominantly in the form of contracts rather than grants. As seen in Table 5, the pattern of contract funding versus grant funding varies significantly across different activity groups. Grant funding is spread mainly across four activity groups: education and research, international organisations, culture and recreation, and development and housing.

Table 5: Proportions of Grant Versus Contract Departmental Payments in 2005/06, by Activity Group

NZSCNPO Classification	\$ million		% of total funding type		% of activity group	
	Contract	Grant	Contract	Grant	Contract	Grant
4 Social services	583.8	9.4	50.6%	10.2%	98%	2%
2 Education and research	359.4	24.1	31.2%	26.2%	94%	6%
3 Health	125.2	0.5	10.9%	0.6%	100%	0%
6 Development and housing	64.8	15.2	5.6%	16.5%	81%	19%
7 Civic and advocacy	9.5	1.3	1.0%	1.4%	88%	12%
5 Environmental	2.9	2.8	0.3%	3.0%	51%	49%
11 Unions, business and professional organisations	3.1	0.1	0.3%	0.1%	98%	2%
1 Culture and recreation	2.1	18.2	0.2%	19.8%	10%	90%
10 Religious	1.8	0.0	0.2%	0.0%	100%	0%
8 Philanthropic	0.1	0.4	0.0%	0.4%	18%	82%
9 International organisations	0.0	20.1	0.0%	21.8%	0%	100%
Total (including n.e.c.)	1152.7	92.0	100.0%	100.0%	93%	7%

n.e.c. = not elsewhere classified. See Appendix Table E for more information.

Chart 5 and Table 5 show that over \$1 billion (90%) of the total departmental payments of \$1.25 billion in 2005/06 were for three activity areas:

- nearly half of all payments in 2005/06 (\$593 million or 48%) were to NPOs for social services activities. Of this amount, 70% was for disability support services purchased by the Ministry of Health¹⁹;
- nearly a third of all payments (\$383 million or 31%) were for education and research. Most of this amount (\$326 million) is for early childhood education services payments to NPOs by the Ministry of Education; and
- a further 10% or \$126 million was for health services. Of this amount \$95 million was for "Other health services", excluding mental health and crisis services, purchased by the Ministry of Health.

A more detailed classification of departmental payments at the activity subgroup level is provided in Appendix Table D.

Appendix Table E provides summary information on the amounts of departmental and indirect funding payments classified according to activity groups.

¹⁹ NZSCNPO classifies disability services as a social support activity rather than a healthcare activity.

Departmental Payments by Target Groups

The survey questionnaire asked departments to identify the types of groups who received funding. Examples of groups include older people, people with disabilities, and refugees.

The responses to this open-ended question were then grouped, using an analysis of key words, into two broad “target groups”:

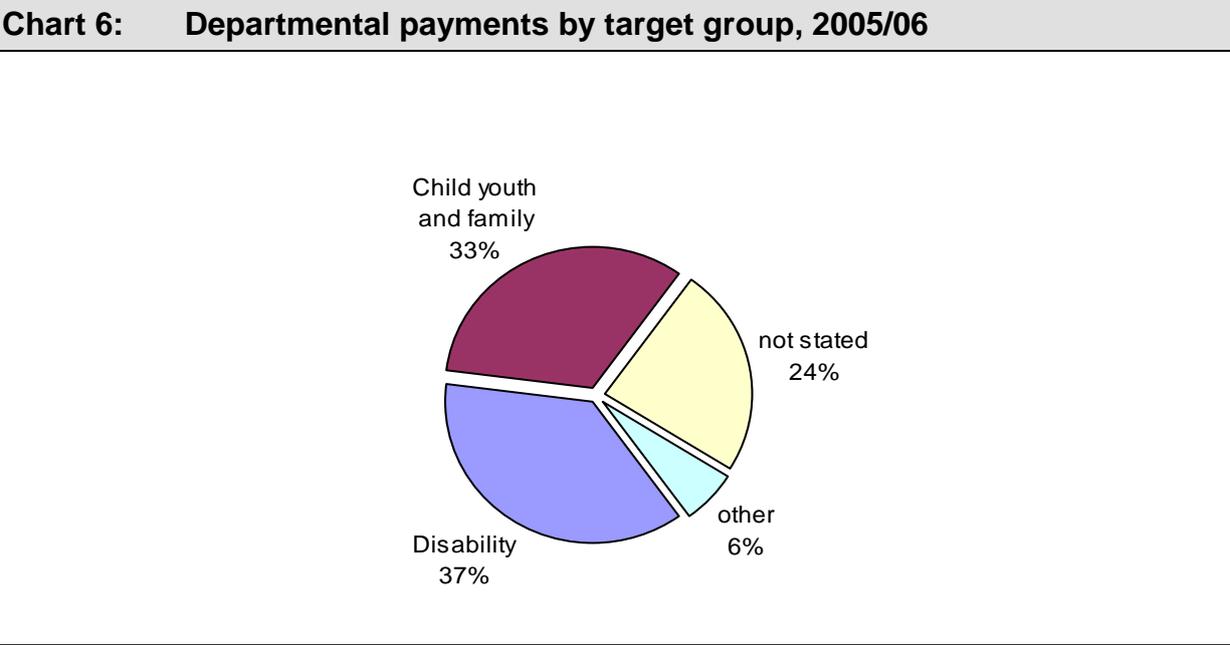
- population groups, based on age, ethnicity or gender; and
- other “sector” groups, based on an identifiable purpose or characteristic.

Table 6 provides the results of this target group analysis.

Target group	Type of payment (\$ million)				Share of total	Share of identified groups
	Contract	Grant	Other	Total payments		
Population groups	427.5	10.8	0.9	439.3	35.2%	46.0%
Child, youth or family	401.7	1.1	0.3	412.1	33.0%	43.2%
Māori	13.8	9.3	0.3	23.4	1.9%	2.4%
Older people	1.5	0.0	0.0	1.5	0.1%	0.2%
Pacific peoples	0.0	0.5	0.3	0.8	0.1%	0.1%
Women	1.5	0.0	0.0	1.5	0.1%	0.2%
Other “sector” groups	515.3	0.1	0.0	515.4	41.3%	54.0%
Disability	466.9	0.0	0.0	466.9	37.4%	48.9%
Education	42.3	0.0	0.0	42.3	3.4%	4.4%
Refugees and migrants	4.1	0.0	0.0	4.1	0.3%	0.4%
Labour market	1.8	0.0	0.0	1.8	0.1%	0.2%
Arts	0.3	0.0	0.0	0.3	0.0%	0.0%
No group identified	210.2	81.1	1.9	293.2	23.5%	
Total*	1152.7	92.0	2.6	1247.3	100.0%	

* This total excludes some double counting of items.

Chart 6 shows the most frequent responses. Two groups dominate the data: people with disabilities (37%) and child, youth or family groups (33%). Given the dominance of funding for disability support services, this is a consistent result. Group information was not provided for about 24% of the funding reported, so the percentages of identified group recipients should be treated cautiously.



Information Systems

One important objective behind the exploratory survey was to find out how difficult it is for departments to provide information in a number of different ways, given that their financial information systems are tailored to their own particular needs. The cost to each agency of generating non-standard reports to provide such information can be very high.

Table 7 summarises departments’ combined responses to the two questions:

- “Do you have systems in place to provide the type of information requested?”
- “If not, are you likely to put such systems in place over the next two years?”

Response	Number of departments	Total amount funded in 2005/06 (\$ millions)	Percent of funding
Yes	15	799.4	64%
No	3	356.8	29%
Other response*	1	91.1	7%
Total	19	1247.3	100%

*One department did not respond to this question. In another department, different branches gave differing responses.

The majority of the 19 departments that provide direct funding payments to NPOs answered that they did have such systems in place. However, three departments (29% of funding) provided some information but also reported that they did not have systems in place to provide some of the details requested.

Further discussion with departments revealed that while all departments could identify cash flows, many could not readily provide the level of detail requested, or could not align funding information they held with the NZSCNPO definitions of NPOs.

It is likely that most departments experienced difficulties answering some questions, despite reporting that they had systems available, because their systems could deal with only some of the classifications requested.

National or Regional Organisations

The survey asked for information on the amounts provided to national or coordinating organisations and for a breakdown of funding according to the region funded.

Responding to this question proved to be problematic and it was not well answered. Data associating payment with a region or national body was only received for about 10% of the funding reported, making the results unusable. The overall responses received are reported in Appendix Table F. Further discussion of this question is provided in the next section.

Observations on Methodology

One objective of this survey was to test how well departments could respond to the types of information requested. The primary source of all the data was self-reporting by departments. Over 20,000 records of payment to NPOs were received. As the survey is based on self-reported data, the results should be regarded as indicative of broad patterns and trends.

Set out below are some key lessons learned and issues identified in obtaining and working through this data. Some further discussion is provided in Appendix 1.

Discussions with officials indicated that some of the information sought in the questionnaire was difficult to obtain, or was not available in the form requested. This supported the responses to the question on information systems noted earlier.

The key areas of difficulty reported were:

- definitions and classifications used did not conform with departments' standard financial management information systems;
- lack of familiarity with the ways of categorising payments; and
- inconvenient timing of the questionnaire, when resources were not available.

Coverage

The survey obtained a full picture of information about the payments provided directly from departments to NPOs. The data identified a picture of some, but not all, of the government funding going to NPOs indirectly through a second tier of organisations such as Crown entities and local authorities. There were limitations in the ability to identify payments to NPOs provided via a 'second tier' of other agencies that a department funds or monitors, or at a regional level.

The questionnaire was provided only to departments. It had been hoped that they would be able to provide information about indirect funding flows. This information was not readily available for some key areas. At short notice, most departments could not obtain the requested details of funding flows to NPOs from the Crown entities they fund.

It is not possible to estimate how much of the funding that is provided to Crown entities is destined for NPOs. In many cases, the Crown entity determines the form in which a service is to be provided, and this may or may not involve contracting with a NPO.

The most reliable way to obtain details of payments to NPOs by Crown entities would be to approach all Crown entities. There are, however, several hundred such agencies and they vary in size and complexity. The potential cost and respondent burden of such a survey would need to be carefully weighed against the value of the additional information obtained.

A few Crown entities did provide information because their monitoring department referred the survey to them. Some departments indicated that, as a result of the survey, they had put processes in place to access such data more easily in future.

Some departments made considerable efforts to adapt their information systems to produce information in the form requested. Further, as a result of discussions following the survey, the Ministry of Health will work to identify the NPO recipients included in its database of contract payments. It will also investigate the feasibility of monitoring Vote Health payments to NPOs in an ongoing manner. The Ministry of Health could identify third party contract payments from Vote Health, but the financial information available could not identify payments related to NPOs from the associated Crown entities.

Many departments did not provide information about the regional characteristics of the NPO recipient (whether a NPO was a national body, a co-ordinating body or a regionally based organisation). This may be a reflection of the large number of organisations being funded making it too onerous to collate by region, or the location of a body was not obvious from its title. In any case, a more complete geographical breakdown would have been difficult to interpret because boundaries differ between sectors. For example, district health board boundaries generally differ from local authority boundaries, and both differ from iwi authority boundaries.

Identifying Non-profit Organisations

The NZSCNPO classifications are based on an international framework used by Johns Hopkins University. This was the first time that this classification scheme had been used by most of the respondents sourcing the data.

The framework and decision-making guidelines for identifying NPOs and their activities is useful, but not necessarily straightforward to apply. Although some examples and guidelines were provided, some 'errors' were identified in reporting.

For example, while coding responses, instances were found of relevant payments that had been excluded because they had been mistakenly considered out of scope. For instance, payments to kindergartens were initially omitted (these are now included). Conversely, examples were also found of payments being reported that were out of scope. Typically, where departments provided long schedules of payments, cases were found of payments to individuals or companies (these were coded as out of scope). Similarly, some agencies were found to not meet the NPO criteria, such as the Pacific Business Trust. Such information was recorded but classified as out of scope.

Ensuring respondents have good information about how to identify NPOs is important. Examples to clarify the types of agencies and payments that should be reported are helpful. For instance, it was useful to learn that kindergartens and primary healthcare organisations met the non-profit definition criteria, whereas public schools and district health boards did not. Case study examples such as these will be useful in clarifying some of the boundaries around the technical definition of NPOs.

Future information gathering exercises may also need to consider how rigorously to apply the definition of NPOs in a particular setting, and the type of explanatory information to be provided to guide respondents. Bedding in of the new NZSCNPO will take some time and will need to be supported to achieve consistent identification of NPOs.

Survey Timing

Discussions with departments suggested that September would be a better time than June-July to conduct any survey, as end of year financial data would then be available. Accordingly, some of the data reported were estimations based on budgeted amounts.

If such a survey is to be repeated in the future, collecting data after the financial returns had been completed may help to improve the quality of the information received.

Financial Values

The questionnaire did not specify the format for financial values for responses. Some departments provided figures GST-exclusive, others GST-inclusive and others did not specify which basis was used. As a result, follow-up efforts were required to clarify the basis used and to standardise the reported figures to a common GST-exclusive basis. Any future surveys should specify the GST format of responses.

Discussion

This exploratory survey has looked at NPOs from a government funding perspective. The non-profit sector's importance lies not only in the role of delivering taxpayer funded goods and services, but also in its intrinsic value and the associated ideals it embodies, such as philanthropy and volunteering, as a vehicle for developing and strengthening communities.

NPOs represent a sizeable part of the community and voluntary sector. Contract funding is evident in areas where NPOs are providing core government services and have traditionally been service providers. Grant funding is used in a more flexible way than a contract, to allow the recipient to determine how to meet the goals it shares with the grant maker.

The value of this survey is that it provides the first overall picture of government departments' payments direct to NPOs. The data collected reveals a contrast between:

- high value contract payments for service delivery in a few areas; and
- a pool of smaller value grant and contract funding that is dispersed across NPOs in a wide range of areas.

This contrast partly reflects the Government's different roles and relationships that have evolved when interacting with NPOs in different settings. It also reflects an increase in contract funding arrangements with NPOs that has accompanied the public sector reforms over the past 20 years²⁰. Associated with this increase is a growing awareness of the potential impact of these new funding arrangements on NPOs²¹.

This survey has provided benchmark information about government payments to NPOs. Direct flows from departments to NPOs are large – \$1.25 billion in 2005/06. The picture is not complete, as the survey was not designed to record all other sources of finance available to NPOs. The survey has revealed the challenges and limitations departments face in monitoring and reporting funding flows through more than one agency and identifying the final destination of these funding flows (i.e. from government department to Crown entity to NPO). The survey could not measure all these indirect funding flows, because information systems used by departments are generally not designed to collect this type of information.

The fiscal and community impact of NPO funding means that this area needs to be well informed and monitored carefully.

There is a question of whether these specific gaps in the existing picture could be assisted by a smaller, more targeted survey. The Statistics New Zealand Principles and Protocols for the Production of Official Statistics²² provide some guidance on this matter, as this data constitutes official statistics. The principles include:

- considering the availability of other sources of relevant information;
- efficiency in data collection; and
- respondent burden before embarking on any research.

The principles of efficiency and minimising respondent load suggest that alternatives to a full enumeration of all Crown agencies would need to be considered. Similarly, the principles of relevance and quality suggest that any such survey might need to be re-focused on certain activity groups and types of transaction, and should include indirect, as well as direct, payments.

²⁰ Office of the Controller and Auditor-General, op. cit., pg 8.

²¹ Statement of Government Intentions, op.cit., pg 8.

²² Principles and Protocols for the Production of Official Statistics, Statistics New Zealand website, www.statisphere.govt.nz

There is, however, other work recently completed or planned that will contribute to the NPO funding picture when considered in conjunction with the results of this survey.

The Statistics New Zealand Satellite Account for Non-profit Institutions²³ (NPISA), published in August 2007, gathers financial and non-financial data from a sample of NPOs and government agencies to provide an official measure of the total income and its components (sales, donations, grants and investments) of the non-profit sector in New Zealand. The NPISA was prepared using data collected from the Annual Enterprise Survey relating to 2004, which is based on responses from individual NPOs.

This data broadly describes major income streams flowing into NPOs. Individual NPOs surveyed for NPISA may define government grant and contract funding differently to government agencies. For instance, grants accompanied by a high level of reporting may be perceived as contractual. For these reasons, there will be some differences between funding patterns identified in the NPISA and this survey. The national accounts framework provides a high level overview of the sector and allows for consistent international comparisons of the relative size of the non-profit sector.

OCVS is undertaking work as part of an international comparative study of the non-profit sector by Johns Hopkins University. This work scopes the size and nature of the New Zealand non-profit sector and places it in an international context. As part of that study, a complete country report is due to be published in June 2008.

In relation to improving data about Crown entities, the greatest potential appears to be in the health and disability sectors. As a result of the survey, the Ministry of Health will work to identify the NPO organisations included in its database, and will investigate the feasibility of monitoring Vote Health payments to NPOs in an ongoing manner.

The more complete picture of the size and distribution of government funding flows to NPOs provided by the work above would improve our understanding of the value and significance of the non-profit sector.

This initial survey was justified in terms of its aims to test what information could be readily obtained by departments' existing information systems to measure the overall size of government funding payments to NPOs. It is likely that little would be gained by repeating the current survey in its present form, given the other sources of information noted above that have or are to become available.

Once this additional information is available, it will be possible, together with the information from this survey, to build a more comprehensive picture of the aggregate funding flows to the non-profit sector. This will help to identify if there are any remaining gaps in the high-level funding information picture and determine the relative merits of options to address them.

²³ In the satellite account non-profit institutions have the same meaning as non-profit organisations.

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ANNEX 1: Survey Method and Questionnaire

Information on government funding flows to non-profit organisations (NPOs) was gathered using a survey questionnaire that was developed in consultation with OCVS and Statistics New Zealand. A copy of the questionnaire is included with this report.

The Minister for the Community and Voluntary Sector wrote to all Ministers²⁴ asking them to forward the questionnaire to their chief executives to obtain information about government funding to NPOs. The letter stated the importance of the information to government, and that all Ministers were to be approached to obtain a comprehensive picture of Crown funding to NPOs from departments. A corresponding letter was also sent to the chief executive of each department.

The questionnaire asked each department:

- to identify for 2004/05 and 2005/06 the amounts of grant funding, contract funding and other forms of funding they provided to non-profit organisations;
- to classify these payments according to:
- the types of activities²⁵ and target groups funded; and
- whether funding was provided at the national/coordinating level or at a regional level.

Crown entities were not approached directly. Departments were asked to provide details of the final funding flows to NPOs, and to identify those cases where funding was provided to a Crown entity or other organisation which itself provided funding to non-profit organisations. This approach was considered the most efficient way to gather maximum information with the resources available.

Funding from gaming proceeds and lotteries were excluded from the survey as these amounts are generated under the Gambling Act 2003 and not by a Crown appropriation.

The questionnaire included guidance material as to which entities should be classified as NPOs, based on the conceptual framework used in the Johns Hopkins Comparative Non-profit Sector Project²⁶. This framework excludes from the non-profit sector government payments to individuals, local authorities, district health boards and public schools. It also excluded most bodies that have Crown appointments. One of the issues tested was how successfully departments interpreted and applied these guidelines to identify NPO.

In keeping with its exploratory nature, the questionnaire was designed to obtain both quantitative and qualitative information. Departments were free to report amounts on whatever basis they found most convenient. Officials were unsure of the extent to which departments would be able to provide the full range of information requested. Therefore, departments were also asked whether systems were in place or planned to provide the type of information sought.

²⁴ All Vote Ministers were contacted except for those related to the security and intelligence services (SIS, GCSB), Biosecurity, the Attorney General, Crown Research Institutes and State Owned Enterprises.

²⁵ The questionnaire responses were coded according to an advanced copy of the Statistics New Zealand's NZSCNPO published April 2007. This is a New Zealand adaptation of the United Nations International Classification of Non-Profit Organisations (ICNPO). Groups are classified according to their dominant activity.

²⁶ This framework uses a set of criteria that emphasise the basic structure and operation of entities. An entity is part of the non-profit sector if it is organised, private, non-profit-distributing, self-governing and non-compulsory.

In addition to the questionnaire, on 22 September 2006, the Department of Internal Affairs met with key funding agencies to obtain their views about the questionnaire process and identify issues to be addressed. These views and the issues raised were incorporated into this report. There were also discussions with departmental officials inquiring about aspects of the survey or in follow up as data was checked and coded.

Data Processing

In general, departmental responses have been coded in the form they were provided. However some adjustments and additions have been made:

- Funding information provided in the report is presented exclusive of goods and services tax (GST). Figures reported as GST inclusive were adjusted to GST exclusive. Where the reporting basis was not clear, responses were checked with departments. In a few cases, recipient funding could not be clarified in the time available. In these cases it has been assumed conservatively that the reported figure was GST inclusive, and the figure has been adjusted to be GST exclusive. This adjustment had an impact of less than 0.5% of the total funding reported.
- Responses to the question on the general purpose of funding according to activity were coded using the classification of activities set out in the NZSCNPO.
- The open-ended questions about groups and regions were classified according to key words recorded from the responses provided. In some cases, where this data was not provided separately but was obvious from the nature of the funding activity reported, this information was recorded as part of the data entry process.

Values were received in a range of formats, from a single multi-million figure to schedules listing several hundred payments that were as small as \$500. For payments over \$1 million, confirmation was sought that the amounts reported were attributable to NPOs under the NZSCNPO (for example compared with Crown entities, companies and individuals). In some cases, data outside the scope of non-profit organisations was received. This applied particularly to community-based activities in social services, health and education, where there is a range of providers with different organisational forms.

The request for a breakdown of funding according to whether the recipient was a national or regional organisation proved problematic. In most cases, no breakdown was provided. In some cases addresses were provided but it was not practical to assign these to a region due to the volume of records and/or variations in how regions are defined. For example, district health board boundaries generally differ from local authority boundaries, and both differ from iwi authority boundaries. National and regional information was reported for only a small proportion of the data.

Overall, due to the exploratory nature of the survey and as the results of the survey are based on self-reported data, the results should be regarded as indicative of broad patterns and trends in payments to NPOs.

Community Funding Questionnaire

INTRODUCTION

The purpose of this Questionnaire is to obtain headline data about the flow of funding from government to non-profit organisations.

Please note:

- An electronic form is available on request
- If you require more space please use a separate sheet and number the question to which you are replying
- The terms non-profit, grant and contract are defined in the attached guidelines
- If you have any questions about completing the form, please contact telephone 495-9393 or email for assistance
- **Please return responses by 30 June 2006. Please advise if you are having difficulty meeting this timeframe.**

PART A – PLEASE COMPLETE ALL QUESTIONS (Circle the appropriate response)

1) Name of your department and contact person

Department

Contact name telephone

Email

- 2) Do you provide funding to non-profit organisations? (see definition attached) Yes / No
- 3) Do you provide funding to a Crown entity or other organisation which provides funding to non-profit organisations? Yes / No
- 4) Do you have systems in place to provide the type of information sought by these questions in Part B and Part C? Yes / No
- 5) If you replied **no** to question 4, are you likely to put such systems in place over the next two years? Yes / No

IF YOU ANSWERED **NO** TO BOTH QUESTIONS 2 AND 3, YOU HAVE COMPLETED THIS QUESTIONNAIRE.

PLEASE FOLLOW THE INSTRUCTIONS AT THE END OF THIS FORM ON PAGE 5 TO RETURN.

PART B – PLEASE COMPLETE IF YOU ANSWERED YES TO EITHER QUESTION 2 OR QUESTION 3 IN PART A

Please circle appropriate response or write in data. Use a separate sheet if necessary and head it with the question number. If the information requested is not available please write in NA.

- 6) Do you provide **grant funding** to non-profit organisations?
 - a) Yes please go to question 7
 - b) No please go to question 8

7) **For Grant funding** can you please specify for each of your schemes

- a) The amount funded for the year 2004-05
- b) The amount you expect to fund for the year 2005-06.....
- c) The general purpose/s of funding
 - i) The types of activities funded (and if possible the amount allocated to each activity).....
.....

Some examples of activities are: early childhood education, recreation/sport, conservation, community health, arts, cultural activities

- ii) The types of groups funded (and if possible amount allocated to each group)
.....
.....

Some examples of groups are: older people, people with disabilities, refugees

- d) The amount funded to a national or coordinating organisations
.....
.....

and/or by region (please state amount, region and type of region)

Some examples of region type are: regional council, district health board, and local territorial authority

.....
.....

- 8) Do you provide **contract funding** to non-profit organisations?
 - a) Yes please go to question 9
 - b) No please go to question 10

9) **For contract funding** can you please provide the following information for each of your contracted programmes or services

Please circle appropriate response or write in data. Use a separate sheet if necessary and head it with the question number. If the information requested is not available please write in NA.

- a) The amount funded for the year 2004-05

- b) The amount you expect to fund for the year 2005-06.....
- c) The general purpose/s of funding
 - i) The types of activities funded (and if possible the amount allocated to each activity).....
 -

Some examples of activities are: early childhood education, recreation/sport, conservation, community health, arts, cultural activities

- ii) The types of groups funded (and if possible amount allocated to each group) ...
-

Some examples of groups are: older people, people with disabilities, refugees

- d) The amount funded to national or coordinating organisations
-
-

and/or by region (please state amount, region and type of region)

Some examples of region type are regional council, district health board, and local territorial authority

-
-

10) Do you provide **any other forms of funding** to non-profit organisations?

- a) Yes please go to question 11
- b) No please go to Part C

11) For **other forms of funding** can you please specify

Please circle appropriate response or write in data. Use a separate sheet if necessary, numbering the question. If the information requested is not available for any question please write in NA.

- a) What **other form(s) of funding** do you provide to non-profit organisations?
-
-

- b) The amount funded for the year 2004-05
- c) The amount you expect to fund for the year 2005-06.....

Question 11 continued – For other forms of funding please specify

d) The general purpose/s of funding

i) The types of activities funded (and if possible the amount allocated to each activity).....
.....

Some examples of activities are: early childhood education, recreation/sport, conservation, community health, arts, cultural activities

ii) The types of groups funded (and if possible amount allocated to each group)
.....
.....

Some examples of groups are: older people, people with disabilities, refugees

e) The amount funded to national or coordinating organisations
.....
.....

and/or by region (please state amount, and region and type of region)

Some examples of region type are: regional council, district health board, and local territorial authority
.....
.....

PART C – PLEASE COMPLETE IF YOU ANSWERED YES TO QUESTION 3, PART A

12) Please state the names of the Crown entities or organisations you fund which then provide government funds to non-profit organisations

13) Are you able to provide responses on the questions in **Part B** for all or some of these agencies? Yes / No

14) **If yes**, please specify the agency and data as requested in Part B on a separate sheet headed Question 14.
.....
.....

Please note if this step of the exercise cannot be completed within the time requested, please notify us of when it can be provided and send the responses covering your agency funding to us in the interim.

15) **If you do not have details** for an agency's disbursement of funds, please advise for that agency:

Please write in data or use a separate sheet if necessary, headed with the question number. If the information requested is not available for any question please write in NA.

a) The name and contact details of the agency

Name of agency

Contact name

Telephone..... email

b) The amount funded for the year 2004-05

c) The amount you expect to fund for the year 2005-06.....

d) The general purpose/s of funding

i) The types of activities funded (and if possible the amount allocated to each activity).....

.....

Some examples of activities are: early childhood education, recreation/sport, conservation, community health, arts, cultural activities.

ii) The types of groups funded (and if possible amount allocated to each group)

.....

.....

Some examples of groups are: older people, people with disabilities, refugees.

THANK YOU FOR COMPLETING THIS QUESTIONNAIRE.

PLEASE RETURN TO:

**Principal Policy Analyst
Community Policy,
Department of Internal Affairs,
P O Box 805, Wellington
email**

Guidelines

NON-PROFIT ORGANISATIONS

Sourced from <http://www.ocvs.govt.nz/the-sector/definition.html> and <http://www.stats.govt.nz/people/communities/non-profit-institutions/default.htm>

Non-profit organisations form part of the Community and Voluntary Sector. Consistent with the United Nations definition of the non-profit sector, the Office for the Community and Voluntary Sector defines an organisation as part of the non-profit sector if it meets the following five criteria:

- There is some degree of internal organisational structure, meaningful boundaries, or legal incorporation;
- It is non-profit, i.e. it does not return profits to its owners or directors and is not primarily guided by commercial goals;
- It is institutionally separate from government, so that while government funds may be received, the organisation does not exercise government authority;
- It is self-governing, which means the organisation controls its own management and operations to a major extent; and
- It is not compulsory, which means that membership and contributions of time and/or money are not required by law or otherwise made a condition of citizenship.

Further information about this definition can be found in the Statistics New Zealand document “Identifying Non-profit Institutions in New Zealand” at:

<http://www.stats.govt.nz/people/communities/non-profit-institutions/default.htm>

GRANTS OR CONTRACTS

Sourced from <http://www.goodpracticefunding.govt.nz/tools/glossary.html>

Grants/Grants in aid

A grant is money awarded to finance a particular activity or group. Government grants can be defined as funding received from an external source that has a designated purpose, and has reporting or compliance requirements attached as conditions of acceptance.

A grant is not usually as prescriptive as a ‘contract’. Grant funding does not have the level of specification usually applied to contracted funding. A grant may allow the recipient more flexibility in determining how it meets the goals it shares with the grant maker. This relative lack of prescription can be useful for both funder and recipient (e.g. when the funding is a contribution or part payment to support the work of an organisation where the Government does not seek a high level of control of the funded activity).

This situation is more likely to apply to low-risk activities that are not seen as core government services being delivered by non-government organisations.

Contracts

A set of undertakings between two or more parties. In principle, a contract is based on the predetermined view of the purchaser of 'what we know we need' and 'who can provide this at the best quality and at the best price'.

A contract must contain the following elements:

- mutual agreement;
- genuine intent;
- legal capacity;
- consideration (usually meaning payment); and
- lawful purpose.

Over the years, the common law courts have developed a number of requirements that a promise had to meet before it would be considered a contract. These are:

- an Agreement (an offer and an acceptance of the offer);
- supported by consideration (with some exceptions);
- voluntarily entered into by parties having capacity to contract to do a legal act or to act; and
- the formal legal document that sets out what has been offered and accepted.

Further discussion of grants and contracts can be found on the Good Practice Funding Guide website published by the Office for the Community and Voluntary Sector.

<http://www.goodpracticefunding.govt.nz/tools/glossary.html>

APPENDIX TABLES

Table A List of departments responding to the survey questionnaire

Departments reporting only direct payments	
Department of Child, Youth and Family Services	Department of Corrections
Department of Internal Affairs	Department of Labour
Inland Revenue Department	Ministry of Economic Development
NZ Police	
Departments reporting only indirect payments	
Department of Building and Housing	Ministry of Transport
Departments reporting both direct and indirect payments	
Department of Conservation	Ministry for Culture and Heritage
Ministry of Foreign Affairs and Trade	Ministry for the Environment
Ministry of Education	Ministry of Research Science and Technology
Ministry of Tourism	Ministry of Health
Treasury	Ministry of Justice
Te Puni Kōkiri	Ministry of Social Development (including Ministry of Youth Development)
Departments reporting no payments	
Archives New Zealand	Department of Prime Minister and Cabinet
Land Information New Zealand	Ministry of Agriculture and Forestry
Ministry of Defence	Ministry of Fisheries
Ministry of Pacific Island Affairs	Ministry of Women's Affairs
National Library	New Zealand Customs Service
New Zealand Defence Force	State Services Commission
Statistics New Zealand	

Table B Direct payments to NPOs by departments

Department	Payments for 2004/05 (\$ Millions)			Payments for 2005/06 (\$ Millions)		
	Total	Grant	Contract	Total	Grant	Contract
Department of Child, Youth and Family Services ¹	121.0	4.1	116.9	119.4	2.3	117.1
Department of Conservation	2.2	2.2	0.0	2.0	2.0	0.0
Department of Corrections	9.7	0.0	9.7	11.3	0.0	11.3
Department of Internal Affairs	14.9	14.6	0.3	15.8	15.5	0.3
Department of Labour ²	10.6	5.1	5.1	6.0	0.0	5.8
Inland Revenue Department	0.1	0.1	0.0	0.1	0.1	0.0
Ministry for Culture and Heritage	17.4	17.4	0.0	17.4	17.4	0.0
Ministry of Economic Development	3.9	0.6	3.3	1.9	0.1	1.7
Ministry of Foreign Affairs and Trade	18.1	18.1	0.0	20.7	20.7	0.0
Ministry for the Environment	3.3	1.8	1.4	4.1	1.8	2.3
Ministry of Education	307.3	28.6	278.7	343.7	28.0	315.7
Ministry of Research Science and Technology	38.6	0.4	38.2	43.8	1.1	42.7
Ministry of Tourism	1.2	0.9	0.3	0.4	0.1	0.3
Ministry of Health	499.7	0.0	499.7	552.5	0.0	552.5
Ministry of Justice	1.6	0.0	1.6	2.0	0.0	2.0
Ministry of Social Development (including MYD)	70.4	0.0	70.4	91.1	0.0	91.1
NZ Police	1.3	0.2	1.1	2.2	1.2	1.0
Te Puni Kōkiri	9.2	0.3	8.9	13.0	1.7	11.3
Treasury	0.0	0.0	0.0	0.1	0.1	0.0
Grand Total	1,130.5	94.3	1,035.3	1,247.3	92.0	1,154.7

Notes: (1) Child Youth and Family became a service arm within the Ministry of Social Development and some funds were transferred to MSD (Family and Community Services) (2) In 2005 funding was transferred from the DOL (Community Employment Grants) to MSD (Enterprising Communities).

Table C Indirect funding flows to NPOs

Second tier agency	Funding/Monitoring Department	\$ million	
		2004/05	2005/06
Accident Compensation Corporation	Department of Labour	10.5	16.8
Asia NZ Foundation	Ministry of Foreign Affairs and Trade	2.0	2.0
Broadcasting Commission	Ministry for Culture and Heritage	2.0	2.3
Creative New Zealand	Ministry for Culture and Heritage	17.0	17.8
Earthquake Commission	Treasury	1.9	1.9
Energy Efficiency and Conservation Authority	Ministry for the Environment	1.5	3.1
Environmental Risk Management Authority	Ministry for the Environment	0.0	0.0
Housing NZ Corporation	Department of Building and Housing	5.2	6.5
Legal Services Agency	Ministry of Justice	6.9	8.5
Maori Language Commission	Te Puni Kōkiri	1.6	1.6
NZ Antarctic Institute	Ministry of Foreign Affairs and Trade	8.8	9.3
NZ Film Commission	Ministry for Culture and Heritage	10.9	10.9
Pacific Co-operation Foundation	Ministry of Foreign Affairs and Trade	0.6	0.6
Securities Commission	Ministry of Economic Development	0.0	0.1
Sport and Recreation NZ	Ministry for Culture and Heritage	35.8	37.0
Tertiary Education Commission	Ministry of Education	23.6	22.4
	Grand Total	128.2	140.8

Table D Departmental payments to NPOs by activity subgroup and largest department by funding amount

Note: funding that is channelled through a Crown agency is not included in this table.

Activity subgroup	\$ million		Largest funding department*
	2004/05	2005/06	
1 100 - Culture and arts	21.6	19.3	Ministry for Culture and Heritage
1 200 - Sports	0.1	0.7	
1 300 - Other recreation and social clubs	0.3	0.3	
2 110 - Early Childhood Education	289.0	325.9	Ministry of Education
2 120 - Primary and Secondary Education	5.9	5.3	Ministry of Education
2 200 - Higher Education	0.4	0.8	
2 300 - Other education	2.6	2.9	
2 400 - Research	37.8	43.4	Ministry of Research Science and Technology
2 999 - Education and research nec	5.0	5.2	Ministry of Education
3 100 - Hospitals and rehabilitation	2.3	4.3	
3 300 - Mental health and crisis intervention	24.3	26.7	Ministry of Health
3 400 - Other health services	93.4	94.7	Ministry of Health
3 999 - Health nec	0.0	0.0	
4 100 - Social services #	533.4	592.9	Ministry of Health
4 200 - Emergency and relief	0.6	0.5	
4 300 - Income support and maintenance	0.1	0.0	
5 100 - Environment	4.1	4.7	
5 999 - Environment nec	1.2	1.0	
6 100 - Economic, social and community development	28.6	34.9	Ministry of Social Development
6 200 - Housing	0.5	0.3	
6 300 - Employment and training	45.1	39.0	Ministry of Social Development
6 400 - Tangata Whenua governance	0.1	6.3	Te Puni Kokiri
7 100 - Civic and advocacy organisations	0.2	0.2	
7 200 - Law and legal services	10.7	12.2	Department of Corrections
8 100 - Grant making foundations	0.0	0.0	
8 300 - Voluntarism	0.8	0.7	
9 100 - International activities	17.4	20.1	Ministry of Foreign Affairs and Trade
10 100 - Religious congregations and associations	0.0	0.1	
10 999 - Religion nec	1.4	1.8	
11 100 - Business associations	0.4	0.4	
11 200 - Professional associations	1.1	0.7	
11 300 - Labour unions	0.3	0.3	
11 999 - Business & Prof assoc., unions nec	1.8	1.8	
12 400 - Response Unidentifiable	0.0	0.0	
Grand total	1130.5	1247.3	

* Identified only where subgroup funding exceeds \$5 million.

Notes: nec = not elsewhere classified

#The activity **subgroup 4100** - social services - is supported by a number of departments: In 2005/06 significant payments were reported by Ministry of Health (\$426 m), Department of Child, Youth and Family Services (\$119 million), Ministry of Social Development (\$35 million), Ministry of Education (\$6 million), Department of Labour (\$4 million) and others.

The activity **subgroup 6100** – economic, social and community development – included primarily payments from the Department of Internal Affairs (\$14 million), the Ministry of Social Development (\$13 million) and Te Puni Kōkiri (\$5 million).

Table E Departmental payments, indirect and total funding reported, by activity

Activity group	\$ millions		Direct funding		Indirect funding		Total funding	
	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06
1 Culture and recreation	22.0	20.3	69.4	72.7	91.4	93.0		
2 Education and Research	340.7	383.5	33.2	32.9	373.9	416.4		
3 Health	120.1	125.7	5.3	6.9	125.3	132.6		
4 Social Services and emergency/relief	534.0	593.4	3.3	4.6	537.3	598.0		
5 Environmental/animal protection	5.3	5.7	0.0	0.0	5.3	5.7		
6 Development and housing	74.3	80.4	7.5	10.2	81.8	90.5		
7 Civic and advocacy	10.8	12.5	7.0	8.6	17.8	21.1		
8 Philanthropic and other intermediaries	0.8	0.7	0.0	0.0	0.8	0.7		
9 International organisations, aid and relief	17.4	20.1	2.6	2.6	20.0	22.6		
10 Religious congregations and organisations	1.4	1.8	0.0	0.0	1.4	1.8		
11 Unions, business and professional organisations	3.6	3.2	0.0	2.3	3.6	5.5		
Total^	1130.5	1247.3	128.2	140.8	1258.7	1388.1		

^ includes a small amount of funding not elsewhere classified.

Note: Only limited amounts of indirect funding were reported.

Table F Departmental payments to national or coordinating organisations and regions by year

	Total funding(\$ m)		Percentage composition	
	2004/05	2005/06	2004/05	2005/06
National Body	101.2	69.7	9.0%	5.6%
Region specified	12.1	19.5	1.1%	1.6%
Auckland	6.5	9.5	0.6%	0.8%
Wellington	2.9	5.8	0.3%	0.5%
Canterbury	0.2	3.0	0.0%	0.2%
Northland	0.1	0.4	0.0%	0.0%
Otago	0.3	0.3	0.0%	0.0%
Other regions	2.0	0.7	0.2%	0.1%
No region specified	1007.9	1157.9	89.2%	92.8%
Total	1130.5	1247.3	100.0%	100.0%

Note: at least 90% of funding reported did not include a reply to this question. These results are therefore of very limited value. Data for the indirect funding payments shows a similar picture.

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