

**ORDINARY MEETING
OF
GRANTS SUBCOMMITTEE
AGENDA**

Time: 9:30am
Date: Wednesday, 17 March 2021
Venue: Ngake (16.09)
Level 16, Tahiwī
113 The Terrace
Wellington

MEMBERSHIP

Mayor Foster
Councillor Day
Councillor Fitzsimons (Chair)
Councillor Foon
Councillor Matthews (Deputy Chair)
Councillor Pannett
Councillor Paul

Have your say!

You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 04-803-8334, emailing public.participation@wcc.govt.nz or writing to Democracy Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number, and the issue you would like to talk about. All Council and committee meetings are livestreamed on our YouTube page. This includes any public participation at the meeting.

AREA OF FOCUS

The Grants Subcommittee is responsible for the effective allocation and monitoring of the Council's grants.

To read the full delegations of this Subcommittee, please visit wellington.govt.nz/meetings.

Quorum: 3 members

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1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

Whakataka te hau ki te uru,	Cease oh winds of the west
Whakataka te hau ki te tonga.	and of the south
Kia mākinakina ki uta,	Let the bracing breezes flow,
Kia mātaratara ki tai.	over the land and the sea.
E hī ake ana te atākura.	Let the red-tipped dawn come
He tio, he huka, he hauhū.	with a sharpened edge, a touch of frost,
Tihei Mauri Ora!	a promise of a glorious day

At the appropriate time, the following karakia will be read to close the meeting.

Unuhia, unuhia, unuhia ki te uru tapu nui	Draw on, draw on
Kia wātea, kia māmā, te ngākau, te tinana,	Draw on the supreme sacredness
te wairua	To clear, to free the heart, the body
I te ara takatū	and the spirit of mankind
Koia rā e Rongo, whakairia ake ki runga	Oh Rongo, above (symbol of peace)
Kia wātea, kia wātea	Let this all be done in unity
Āe rā, kua wātea!	

1.2 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

1.3 Conflict of Interest Declarations

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

1.4 Confirmation of Minutes

The minutes of the meeting held on 2 December 2020 will be put to the Grants Subcommittee for confirmation.

1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows.

Matters Requiring Urgent Attention as Determined by Resolution of the Grants Subcommittee.

The Chairperson shall state to the meeting:

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

The item may be allowed onto the agenda by resolution of the Grants Subcommittee.

Minor Matters relating to the General Business of the Grants Subcommittee.

The Chairperson shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Grants Subcommittee for further discussion.

1.6 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 31.2 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

Requests for public participation can be sent by email to public.participation@wcc.govt.nz, by post to Democracy Services, Wellington City Council, PO Box 2199, Wellington, or by phone at 04 803 8334, giving the requester's name, phone number and the issue to be raised.

2. General Business

INDEPENDENT REVIEW INTO WELLINGTON NIGHT SHELTER AND GRANTS MANAGEMENT; RECOMMENDATIONS AND IMPLEMENTATION

Purpose

1. This report provides the Grants Subcommittee with:
 - the reviews commissioned by Wellington City Council (WCC) in response to concerns raised by the Wellington City Mission (WCM) regarding the management of the Wellington Night Shelter (WNS),
 - a summary of the findings and recommendations of the reviews and,
 - an overview of the implementation plan and actions WCC has taken to date to give effect to the reviews' recommendations.

Summary

2. In response to concerns raised by the WCM in May 2020, WCC commissioned independent reviews of the grants given to the WNS and WCC's wider grants management processes.
3. The purpose of the reviews was to determine whether WCC had met its obligations as a funder of the WNS and whether, considering the WNS experience, there were improvements that could be made to grants management processes. The review had a particular focus on the processes and approach for grants provided to organisations working with vulnerable people and communities.
4. The reviews found that WCC had appropriately discharged its role as a funder of WNS – there was an appropriate contract agreement in place and reporting and monitoring of the contract was in accordance with requirements (with one exception). There was a positive working relationship between WCC and WNS, and, when issues were raised by the WCM, WCC took an appropriate step of seeking a response from the WNS Board who are responsible for the WNS operations and management.
5. The reviews found that, over the term of the funding contract, one monitoring report had not been provided by WNS and not followed up on by WCC. The reviews also found that, while WCC staff were actively working to support WNS with management and financial issues in early 2020, the emerging risks could have been escalated in a more timely way to WCC management.
6. The reviews concluded however that the issue with WNS was likely to be a one-time problem, that has been effectively dealt with by the transfer of the service to the WCM and its transformation to a new model of service and support for residents.

7. The reviews made several recommendations for improvement to grants processes, contracts and relationship management, including by drawing on experience and practices at other councils.
8. WCC has accepted the findings of the reviews and has begun to implement the recommendations. All recommendations will be implemented before the end of the 2020/21 financial year, in time to apply to new funding contracts for the 2021/22 financial year.

Recommendation/s

That the Grants Subcommittee:

1. Receive the information.
2. Note that the reviews have made several recommendations for improvements to grants processes which have been accepted by Wellington City Council.
3. Note that recommendations will be implemented by the end of the 2020/21 financial year, in time to apply to new funding contracts for the 2021/22 financial year.

Background

9. In response to concerns raised by the WCM in May 2020, WCC commissioned independent reviews of the grants given to the WNS and WCC's wider grants management processes.
10. WCM took over operations of the WNS in the lead up to COVID lockdown when it was apparent that guests at WNS could not be adequately supported through lockdown in WNS premises.
11. The reviews had two objectives:
 - To confirm WCC's role and responsibilities as a funder, and to determine whether the WNS and WCC had met their responsibilities under the funding agreement.
 - To complete a desk-based review of WCC funding agreements for services delivered to organisations meeting the needs of vulnerable people, to identify any lessons and improvements needed to funding processes and oversight and monitoring.
12. WCC has accepted the findings of the reviews and has begun to implement the recommendations. All recommendations will be implemented before the end of the 2020/21 financial year, in time to apply to new funding contracts for the 2021/22 financial year.

Discussion

13. The key findings and conclusions from both reviews are set out below and the full reports are attached as Attachments 1 and 2. The implementation plan for the recommendations is also set out below.

Wellington Night Shelter Review – Report on Part One

14. WCC's role and responsibility as a funder of WNS were discharged appropriately – there was an appropriate contract agreement in place and reporting and monitoring of the contract was in accordance with requirements (with one exception). There was a positive working relationship between WCC and WNS, and, when issues were raised by the WCM, WCC took an appropriate step of seeking a response from the WNS Board who are responsible for the WNS operations and management.
15. The funding contract required WCC to provide funds for a specified series of outcomes and in return WNS was obligated to provide information to verify the outcomes and documents to evidence organisation health. The funds were provided, and the WCC contract monitoring system ensured that WNS obligations were fulfilled, except for the provision of a six-month report.
16. Given the seriousness of the issues raised in the memo, WCC took an appropriate step to ensure that the WNS Board was asked to respond to the allegations. The WNS Board did respond to the memo, however, WNS had ceased operating by the time they received the memo and WNS guests had been transferred to WCM premises for the COVID lockdown.
17. Part one of the review identified four lessons from the WNS experience. Potential for improvements to the monitoring and accountability systems were also covered in the second part of the review (see below):
 - When working with WNS, officers should have followed up on the overdue six-month report
 - The reliance on the MSD/HUD accreditation audits as part of the WNS contract monitoring system should have been formalised
 - Officers need to ensure potential risk events are escalated to management in a timely manner, and
 - Regular briefings for Portfolio Councillors on the community organisations funded by WCC would fill an information void and increase Councillors' understanding and confidence in the work of officers in this space.

Independent assessment of the process for monitoring grant funding by the Wellington City Council

18. The problem that occurred in respect of the WNS was likely to be a one-time problem, that has now effectively been dealt with by the transfer of that service to the WCM and its transformation to a new model of service and support for residents.
19. There were several warning signals ('red flags') for the Council in terms of the management and operation of the WNS that, if acted upon with greater urgency or escalated decisively, might have resulted in earlier change and a different outcome.
20. Discussions with providers undertaken for the review showed that, in terms of the Council staff's engagement with organisations dealing with vulnerable people, there are several layers of activity and indeed a strong and collaborative relationship between the Council and the organisations working in this sector.
21. Council might usefully consider a change to its approach to the relationship with some key funded providers. For some organisations, especially where a provider is delivering what might be seen as a part of a core Council strategy, and therefore akin to a partner of the Council in this respect, a new 'strategic relationship' framework is proposed.
22. Other grant recipients could be asked to sign the funding contract as per normal, but that contract itself also needs review, and new clauses may be required. The most important insertion will be a strengthened health and safety clause. The review also recommended that the standard contract include an indemnity clause to protect the Council's role as a grant funder (i.e. not to be liable or responsible in any way for the activities funded).
23. Reporting on health and safety matters should be required as part of all providers' reporting. Funding recipients should provide the Council with information about any health and safety matters relating to the funding agreement and there should be strict obligations on the recipient to report any notifiable events. The health and safety clause could provide for the Council or its representatives to carry out an audit of the recipient to ensure compliance with all obligations set out. These provisions would give the Council sufficient authority to assure itself that appropriate health and safety measures were being taken by a recipient organisation.

Review recommendations

24. WCC has accepted the reviews findings and recommendations and has begun to implement necessary changes. The key recommendations are summarised here, and the implementation plan discussed below:
 - The grants monitoring system should effectively monitor, follow up overdue reports and implement a new process for reviewing following up on accountability reports
 - Officers to keep management informed of emerging issues with funded organisations

- Grants monitoring system should include consideration and, if appropriate, formal recognition of MSD/HUD monitoring work
- Funding contracts should include a specific health and safety clause
- Reporting on health and safety matters should be required as part of the providers' reporting to the Council
- The Council's standard funding contract should be reviewed and amended, taking account of the review findings
- In addition to standard funding contract, consider developing a strategic relationship agreement with selected organisations as part of the contract funding programme
- Consider regular briefings for Portfolio Councillors and the Grants Subcommittee on the organisations funded by WCC.

Implementation and next steps

25. While the reviews had a focus on addressing concerns regarding community organisations working with vulnerable clients, the recommendations are relevant more broadly to WCC grants management.
26. Officers have developed a plan to implement the recommendations and have outlined below which actions are underway and those planned for the future.

Changes to funding contracts and agreements

27. The review recommended that Council's standard funding contract be reviewed and amended. This will include changes to monitoring processes and strengthening of health and safety provisions, in line with practices in other Councils. This will be updated by 30 June 2021.
28. Updated funding contracts will:
 - a) incorporate a set of outcomes and specific measures for health and safety
 - b) require the funded organisation, on request, to provide WCC with information about any health and safety matters relating to the agreement
 - c) place obligations on the recipient to report any notifiable events - WorkSafe inspections, investigations or information requested in connection with the supplier's performance of the services being funded
 - d) provide for the WCC or representatives to audit the recipient to ensure compliance with all obligations set out
 - e) require reporting on health and safety matters. If there is a red flag raised in future about a health and safety matter, WCC will have a defined process to follow and escalate.
29. WCC is also reviewing clauses and schedules in funding contracts including health and safety clauses, defining the schedule of meetings and reporting. These will build on the existing requirements for funded organisations to provide policies, risk registers, strategic plans, minutes of board/governance meetings and any other relevant policies.

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30. The review outlined the need for funding agreements to refer to the key Council strategy under which they are being funded to deliver programmes and services.
 31. Officers will ensure that funding will be clearly aligned with new Council long-term plan (LTP) strategies and will provide a suitable mechanism to review the criteria and focus areas (priorities) for grants and funding relating to strategy.

New Grants Management System

32. WCC is implementing a new Grants Management System (GMS) which will be in place June 2021, which will improve the process for funding applicants and WCC.
33. The GMS will provide effective processes for tracking and monitoring reports and updates from funded organisations. It will also provide a mechanism and processes for escalation and information sharing via designated relationship managers. It will improve processes for both multi-year and one-off grants.

New relationship framework

34. WCC staff have strong relationships with many of the funded organisations, particularly those supporting priority populations. The reviews pointed to a strong, pragmatic and collaborative working relationship between WCC staff, WNS and the wider sector, a good understanding on the part of WCC staff of the financial and management issues facing WNS, and an intent to resolve these. The reviews do identify however, that the issues could have been escalated more quickly.
35. The approach, in response to the review, aims to provide consistency of process, further define and clarify expectations and obligations, and provide oversight across the breadth of funded organisations.
36. The review outlined the need for strategic relationship agreements with particular organisations. These agreements would sit alongside existing (and new) funding contracts and would serve to set out expectations and obligations and the role of appointed relationship managers.
37. A new relationship framework will be implemented during 2021/22 alongside the implementation the GMS. The framework will involve three parts: a set of criteria to define the level of engagement required between WCC and funded organisations; consistent levels of engagement and reporting for each level of engagement; and an escalation process if issues arise.

Criteria used to define the level of engagement required

38. Criteria have been developed to define an appropriate level of engagement between WCC and funded organisations. Table 1 & 2 (Attachment 3) has further explanation of these criteria:
 - (i) the level of engagement that the funded entity has with vulnerable/priority communities
 - (ii) the level of financial investment being sought
 - (iii) the extent to which the funded entity or its service delivers strongly to a core Council strategy or strategic priority

Relationship management tiers and levels of engagement

- 39. Each category can determine the frequency and type of engagement required by WCC Officers with the respective organisation. Engagement could include the number of face to face meetings and the format of these meetings (e.g. inspection of premises), The criteria also determining the nature of the associated supporting documentation required (e.g. relevant policies, procedures and registers of risk/incidents).
- 40. Additional systems and tools will be developed to support staff and provide oversight across Council funding, for example consistent filing of reports, template of questions for six-monthly meetings, monitoring reports with risk status included.

Escalation process

- 41. A consistent escalation process is proposed that will be initiated where issues that pose a risk to an organisation successfully carrying out funded services or completing the funded project are identified. Contract terms and conditions will include the trigger points for escalation and describe what steps WCC would take and what would be required of a funded organisation at each step of the process.

Timeframes and next steps

- 42. Table 1 sets out the timeframes for completion of the reviews' recommendations. Recommendations will be implemented in time for the new 2021/22 financial year.

Table 1: next steps on implementation

Next steps	Timeframe
Develop new contract clauses that appropriately reflect WCC role as funder in relation to Health and Safety and other obligations.	March – April 2021
Develop systems and implement tools to support Council relationship managers alongside the introduction of a new Grants Management System (GMS).	February – July 2021
For existing and ongoing multi-year funding contracts Officers will implement changes to monitoring and reporting requirements for organisations within the 'high engagement' categories.	June/July 2021
Council provide guidance to all organisations at the start of the 2021/22 financial year and implement updated processes.	July 2021

Attachments

- Attachment 1. Wellington Night Shelter Review- Report on Part 1 [↓](#)  Page 16
- Attachment 2. Independent assessment of the process for monitoring grant funding by the Wellington City Council [↓](#)  Page 24
- Attachment 3. Criteria tables- relationship management [↓](#)  Page 49

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Authoriser	Gisella Carr, Manager Arts, Culture and Community Services Claire Richardson, Chief Operating Officer

SUPPORTING INFORMATION

Engagement and Consultation

N/A

Treaty of Waitangi considerations

N/A

Financial implications

The Long-term Plan makes provision for community grants in several places: 2.1.6 – Community environmental initiatives, 3.1.4 – Grants and creative workforce, 4.1.4 – (Arts and Cultural grants), 5.2.4 – Grants (Social and Recreation). The Social and Recreation Fund comes under project (157.1124).

Policy and legislative implications

Council funds have been created to assist community initiatives in line with Council strategy. Council Officers engage and consult widely with a range of groups and organisations before funding applications are made and throughout the assessment process.

Risks / legal

Officers are working with Legal and Risk team to review existing funding contracts and make changes that give effect to the recommendations. New contracts will be in place for the 2021/22 financial year.

Climate Change impact and considerations

N/A

Communications Plan

Changes to processes and contracting for externally funded organisations are included within Communications and Engagement planning underway.

Health and Safety Impact considered

The grants review reports made recommendations to strengthen health and safety requirements in grants funding contracts. These recommendations will be implemented through revised contracts which will be used for this one-year funding extension.

Projects seeking support from Council are delivered by organisations and groups who are legal entities and responsible for health and safety of the project, events, etc. The contracts in place for funded entities will clearly set out the Council's responsibilities for health and safety and other risks, and included strengthened requirements for funded entities.

Wellington Night Shelter Review- Report on Part One

Review conducted and report written by Karen Wallace, Independent Contractor

1. Background

On 19 May WCC became aware of concerns about the service provided by Wellington Night Shelter (WNS), contained in a memo written by person(s) unknown from WCM and supplied by the Wellington City Missioner Murray Edridge. The memo had three areas of concern – the lack of appropriate health and safety processes and protocols, lack of care of the physical environment (existence of rubbish mould rodent droppings rubbish etc) and concerns about the quality of care of the clients.

As a funder of the service, WCC asked the WNS Board to provide a response to these concerns and, at the same time, asked for an internal review to determine whether WCC had fulfilled its responsibilities under the funding agreement. The review was divided into two parts – the first to focus on the WNS contract and the second part to review other contracts that fund organisations who work with vulnerable people.

This report covers the initial findings from review of the WNS contract.

2. Review Approach

The review objectives are to:

- Confirm WCC's roles and responsibilities as a funder of the organisation and the steps that WCC has taken to fulfill those responsibilities and
- Work with WCC staff to determine any lessons from recent interaction with WNS and improvements that could/should be made to funding agreements, supporting relationship management, and agreement monitoring and oversight.

After reviewing the WCC WNS funding contract, and other supporting documents, I interviewed relevant WCC officers and management involved over the period. I then met with the Ministry of Housing and Urban Development (HUD) officials to confirm or not what the WCC staff had said and to understand their perspective as the major funder of the service. WCC did not want me to meet with WNS or Wellington City Mission (WCM). Lastly, I spoke with Councillor Fleur Fitzsimons Portfolio Leader Community Wellbeing and Chair of the Grants Subcommittee and Councillor Teri O'Neill Associate Portfolio Community Wellbeing to hear their concerns.

3. About Wellington Night Shelter

WNS is a charitable Trust, established in 1969 and is governed by a Board of Trustees who come from other social sector organisations. Their mission is to provide quality short term accommodation and support for men experiencing homelessness in Wellington. The service is open seven days a week, every day of the year. They work together with other organisations that support and help men experiencing homelessness. Each of these agencies provide advocacy and support for the men.

They operate from a building owned by WCC in Taranaki Street. Their 2019/20 budget had income of around \$1m, including \$500k from MSD/HUD, \$160k from WCC, \$125k rents from clients and the remainder from grants and donations. The financial position appeared to be deteriorating in early 2020 with a forecast deficit of over \$100k, twice that budgeted. This was explained by WNS as being due to lack of grants (not applied for while manager away sick) and costs from HR issues.

4. Wellington Night Shelter Funding Contract

WNS has a three-year funding contract with WCC covering 1 September 2018 to 30 June 2021. It provides for annual funding of \$95,615 (inclusive of cpi) for operational support to deliver a series of outcomes related to crisis and transitional shelter outlined in the Appendix to the contract. In 2018/19 they received \$160000 in total. The additional amount was to move to a new model of service. In 2019/20 the additional \$65,000 was continued, so they received \$161,615 to assist with project management of the planned upgrade of the facility.

The contract clauses include a required minimum of two meetings a year with the designated Council Officer, asks them to invite relevant Councillors to events and AGM, notes that monitoring will be done looking at the funding given and the specific outputs. It specifies the six-monthly and annual reporting noting that the funding will not be paid until a satisfactory 12-month report has been provided.

The contract outcomes for 2019/20 are split into four areas each with priorities, outputs and reporting broken into six-month and annual periods with evidence specified.

Outcome 1: Wellington Night Shelter provides shelter and support to homeless men in ways that assist them to address their needs and achieve sustainable housing. This is broken down into crisis and transitional shelter and connecting the men with support services. The data required in reporting includes occupancy statistics, number turned away and why, list of individual outcomes of each crisis housing client, evidence of working with other agencies, sharing service trends, and emerging issues with WCC.

Outcome 2: Wellington Night Shelter is an organisation that respects and reflects Te Reo Māori and tikanga Māori This is broken down into organisational commitment to encourage and enable participation by Maori both as staff and clients and use of te reo, tikanga etc. The data required is a copy of the strategic plan and narrative.

Outcome 3: Wellington Night Shelter has an effective governance structure and sufficient funds to operate with enough in reserves to continue for six months if primary funder withdrew funds. This has requirements of the annual budget financial monitoring and audit and is evidenced by budgets; finance board meetings copy of audited accounts.

Outcome 4: Wellington Night Shelter has Health and Safety and organisational resilience. This requires an updated BCP and Health and safety plan.

5. Summary of key dates and events

In order to understand what happened and when the following timeline provides a summary of key dates and events/activities. There are multiple sources for this information and the critical dates and information have been substantiated.

20 December 2019	WCC officer visited WNS premises as part of normal monitoring, met with the WNS manager. A file note prepared on the meeting noted the dormitory space definitely needed refurbishing, especially the carpet.
14 Jan- March 23 2020	(Covid Lockdown 23 March) WCC officers became aware that the current manager was struggling and raised concerns with the Board. In March WCC officers became aware of a worsening in the WNS financial position. As planning for COVID was required, WCC officers saw noticeable disorganisation on this front so they facilitated discussions with WNS HUD/MSD and WCM.

21 January	Councillor Fitzsimons requested briefing on WNS renovation plans
Unknown date In Feb	Councillor Fitzsimons met with WCC officer and was briefed on the renovation plans, heard about concerns with the Board and employment issues
March 23-27	In response to COVID level 4, WNS locked in the 40 men – it was not set up for this (normally overnight only and not set up for 24/7 needs) and nor was this appropriate for the COVID requirements.
March 26	WCC, MSD, City Mission and HUD confirmed a facility with 38 self-contained units to assist with the COVID-19 response for the Street Community. City Mission agreed to run this facility as a Kaupapa Māori service - with the support from the DHB and other service providers.
March 27	WNS Board concluded the Night Shelter was no longer safe environment for guests during level 4 lockdown and agreed to reduce number of guests at the WNS premises.
March 30	19 of the men moved from WNS to Manners Street facility. WCC continued to provide support and resources to ensure the wellbeing of the remaining guests; and discussions continued about the transfer of management of the Taranaki site to City Mission.
April 1 – 8	Discussions with WCC, HUD and Wellington City Mission as the WNS indicated they were looking at options for the handover of services to City Mission.
April 9	WNS and City Mission agreed transfer of services at the Taranaki Street site to the City Mission as an interim period – while under level 4 and into recovery. Services would be a “sister” service to that at Manners street – that is a Kaupapa Māori service with appropriate support services in place
April 14	WCC emailed Councillor Fitzsimons the media release covering the WNS change to WCM.
April 16	City Mission assumed total control of the management of the facility and service for the period of 16 April to 6 July; no WNS staff moved across to the City Mission. WCC continued to assist in providing support to both sites, offered to assist with communications around the change – this support also is from partner agencies such as the DHB, MSD and HUD
20 April	Wellington City Missioner Murray Edridge said in an email on 18 May that the “handover memo was compiled 4 days after WCM took over from WNS” i.e. 20 April.
30 April	WCC officers became aware of a “report” from WCM expressing concerns about WNS but did not receive a copy. At this time WNS were not running the premises and COVID level 4 lockdown was in place.
May 1-8	Number of discussions with HUD, WCC, WNS board and City Mission. All agencies were supporting WNS to review their capacity to be able to provide new services past July 6 – a service that would continue with 24/7 wrap around support and with the wellbeing of the men at the centre. These discussions clearly indicated WNS board would consider permanent arrangements with Wellington City Mission. The WNS Board resolved to cease operating from Wednesday 8th July 2020, wind up its affairs and dissolve the Trust. This supported WCC’s interest in addressing concerns and providing a sustainable future service reflecting Housing First principles.
May 8	WNS board notified HUD and WCC they had resolved to cease operating from July 8, to dissolve the Trust and the assets (the building) would be transferred to the City Mission; that The City Mission will begin operating a new supported, transitional housing service from Taranaki street from July 8. WNS had not appreciated the HR requirements with staff consultation so later took advice and called the resolution interim until they undertook staff consultation.

May 15	Media calls WCC and Councillor Fleur Fitzsimons re the existence of a “report” on the state of WNS. WCC discusses the media approach with Councillor Fitzsimons. The Councillor understands there to be employment issues so declines to comment to the media.
May 18	Murray Edridge offers to send Councillor Fitzsimons a copy of the report. Councillor Fitzsimons forwards the “handover memo” (not a report) to WCC CEO.
May 19	WCC COO and staff get a copy of the memo
May 25	WCC CEO requests review and response from WNS
May 25-28	WCC officers request WNS Board Chair to respond to the issues raised in the memo. (Exact date unknown but request was made before 29 May)

6. Contextual Information

There were a number of contextual factors/events that should be noted before considering the findings of this review.

The “handover memo” provided by Murray Edridge was written around 20 April. It is not known who wrote it other than it is the view of WCM a few days after taking over the WNS service. Murray Edridge was a WNS Board Member and his organisation is part of the governance structure. It is unknown when WNS became aware of this memo.

WCC became aware of this memo on 30 April by which time the WCM had completely cleaned the premises and had taken over the operation and the WNS staff were on furlough. When WCC was given a copy of the memo on 18/19 May the content of the memo was unable to be substantiated, again as the building had been cleaned and WNS was now being operated by WCM. WNS Board have said they accept some of what was in the memo but also reject some of the memo. They will not provide any more detail on their view. This review is unable to conclude on the accuracy of the content of the memo.

WNS, supported by the funding agencies, was in the process of reviewing the WNS service model as it needed to move from a custodial model of provision of crisis beds and some transitional beds with minimum support services to a supported transitional accommodation facility. WNS had also been working on an upgrade of the physical building for the last year or so and was working through funding and plans with MSD/HUD and WCC. WCC had provided additional funding of \$65000 in 2018/19 and 2019/20 to assist with these two pieces of work.

The WNS long standing, experienced manager left in August 2019. Officers had identified concerns with the performance of WNS under the new manager in early 2020 and had brought them to the attention of the WNS Board.

The WNS Manager returned from holiday around the period of lockdown so was quarantined. As a result, the WNS staff had no direct supervision for a reasonable period of time.

COVID level 4 imposed new requirements on WNS which created an urgent and immediate situation that WCC and others supported the WNS to resolve. The eventual solution was viewed as very satisfactory by WCC, WNS and the other agencies involved particularly as the quality of accommodation and care was a significant improvement on what was provided by the WNS model of care. Having this happen in an emergency situation provided the opportunity to change the WNS model. The WNS Board saw what was needed and this, along with the building project, was seen as

too much change for them to manage and this underpinned their decision to wind the organisation up.

WCC officers were also managing the welfare response needed for the Covid lockdown and were dealing with the requirements of these additional roles.

There were a number of management changes and new appointments at WCC during this time, including changing reporting lines while new management arrangements were established.

7. Findings

7.1 WCC's Role and Responsibility as Funder

WCC role with WNS is limited to that of a funder. It provides a level of grant funding, approved by Councillors, supported by a three-year contract with an appendix for each year detailing outputs and reporting requirements.

The funding contract is then monitored through periodic staff contact and provision of six-monthly and annual reports, supporting by documents such as budgets, health and safety plans and others as required. There was no requirement to inspect the premises or audit the documents to verify the content as accurate. The reports are received, reviewed and then filed by WCC Officers. Any concerns about the reports are followed up with the organisation or escalated if required.

WNS is a properly constituted Charitable Trust with a governance Board. The operations of the WNS are the responsibility of the WNS and its governors. WCC is entitled to rely on the WNS assertions that the required outputs are delivered, that the Health and Safety plan is complied with etc. The issues raised in the "handover memo" are the responsibility of the WNS Board and the staff.

Conclusion: In WCC's role as funder the first appropriate response for the WCC CEO upon receipt of this information was to ask the WNS Board to explain/respond to the allegations. This was done. If WNS had not already resolved to wind up the next appropriate step would have been to work with WNS to see what support they needed, if any, to address the issues and potentially vary the current funding contract to provide support. The final step was for WCC to assure itself that the contract monitoring processes had been followed and this is being done through this review.

Despite the clear role of the WNS as being responsible for the operations of the WNS, there may still be a perception that WCC has a role or responsibility in this situation because WCC works with and funds this organisation. This perception can be addressed by making clear the Council's role, following the steps above, and assurance that the Council will work with the organisation to assist them (although the latter couldn't happen in this case as WNS had dissolved itself.)

7.2 Monitoring of the WNS Contract

7.2.1 Reporting

WNS provided an Annual Report to WCC covering the 15 months ended 30 June 2019, around the middle of July 2019. The report was 20 pages long, well laid out with additional explanatory information and analysis of the data along with a suite of supporting documents. The report was reviewed as satisfactory by the WCC staff as it provided all the evidence required by the Contract appendix. I sighted the supplied Health and Safety Plan, Incident reporting procedure and the Emergency Action Plan as they were pertinent to the review. There was nothing in the report that could be taken as an indication of the types of concerns raised in the "handover Memo".

The six-month review which was due by 30 January has not been received. WCC staff advise that this is fairly typical because it is not mandatory to deliver these reports to get their payments. By contrast, for the majority of contracts, the 12-month reports are required before any payments are made and therefore are timelier.

7.2.2 Monitoring by Other Agencies

MSD/HUD have an accreditation process where they audit organisations that receive funding. The 2017 audit had an 11-page report assessing the WNS against Social Sector Standards. They utilise a traffic light approach – the WNS had lots of greens, two yellow issues requiring fixes by the time of the next review and no red issues. In mid-2019 the follow up review recorded all green bar one yellow and no red. These reports were reviewed by Council officers and filed. There were no issues that could be taken as an indication of the type of issues detailed in the “handover memo”.

The level of review is clearly more resource intensive and does have an element of audit, where they are looking to verify what the organisation is representing to them in key/risk areas. In this case the MSD/HUD funding is five times that of WCC’s funding, (and 50% versus 15% of the WNS annual income) so the level or resource is relative. The WCC is entitled to rely on these reports and was informally included in the monitoring approach for WNS.

Recommendation: That the grants monitoring system for WNS (or its replacement) includes consideration and if appropriate, formal recognition of MSD/HUD monitoring work.

7.2.3 Relationship management

The staff contact in December 2019 was evidenced by a file note. The matters covered looked appropriate and covering what you would expect. The file note included a comment that the state of the dormitory accommodation needed refurbishment, especially the carpet. Upon inquiry, WCC officers did advise there was a smell of urine but that this was not new or unexpected given the nature and number of men living in close quarters. Officers had not seen any evidence of the other issues raised in the memo. More generally, officers agreed that there was an acceptance that the WNS model of care needed to improve and WCC officers had been working with WNS to effect change.

Throughout January to April there was much more staff contact than normal due to the Covid issues. So the relationship was very strong and it was through the more frequent interactions that they were able to ascertain the manager was struggling and advise the Board, and the financial issues were highlighted and eventually saw they needed help to manage the COVID lockdown. This contact was by phone and Zoom, and whilst they did drop off resources, they were unable to go into the premises during this time so unfortunately, they saw no evidence of the issues raised in the memo.

7.2.4 Escalation of Issues

The monitoring system expects issues to be escalated when appropriate. Officers ensured that management was aware that the WNS had a looming financial problem. Officers also informed management about the need to move the men from the dormitory due to the COVID lockdown, and the change to WCM managing the WNS. This was recorded in the WCC Pandemic response sitrep reports so it is assumed other managers would have been advised. Officers were asked to ensure the relevant Councillor, Fleur Fitzsimons, was made aware of this, which she was, and she was also included in the information about the media release.

Upon inquiry about were there any learnings out of the situation, officers stated that during COVID escalation of issues did not happen as quickly as would have ordinarily happened. This learning would cover the lack of escalation of the existence of the handover memo on 20 April 2020.

Conclusion: The monitoring of the WNS contract was in accordance with the contract documentation with the exception of the missing Dec 2019 six-month report. That said the level of interaction from January to April 2020 would have provided more insight into what was happening than the provision of an interim report. WCC officers had a close and accurate understanding of the challenges being faced by the WNS in the lead up to Covid and worked with other officials to produce a good outcome for the WNS and its clients. I saw no evidence that WCC staff had knowledge of the issues raised in the handover report other than the existence of a smell of urine. The broader issue of the service model not being appropriate was obviously known as WCC had increased funding to support this including hiring an additional social worker. This did not extend to knowing about the examples given about the quality of care. The only failure in the monitoring system was the failure to escalate the existence of the memo two weeks before it was provided to the WCC CEO by Councillor Fitzsimons.

Recommendation: The monitoring system should follow up on overdue reports and WCC officers need to be reminded on the need to keep management informed of potential issues with organisations they fund.

7.3 Additional Observations about lessons that could be learned

7.3.1 Councillor Briefings

The contact/briefing of Councillors on matters related to their portfolio appears to be ad hoc. The two Councillors interviewed requested (and received) a briefing about the WNS building changes in January 2020 and Councillor Fitzsimons was appropriately briefed on the transition of the WNS to WCM management during COVID. These briefings were reactive to the Councillors' request or reactive to an emerging issue leaving Councillors feeling under informed about their portfolio.

Recommendation: A regular briefing for Portfolio Councillors, perhaps organised by clusters of community groups, to talk about trends, developments, possible issues would be informative, allow Councillors to develop confidence in the work of officers, and provide some context for when issues arise. This could also cover how the contract and monitoring systems work although this may be more properly achieved via a briefing to the Grants Subcommittee.

7.3.2 Speed of Change

There seems to be a general acceptance that the WNS model was old and outdated and needed to shift to a Housing First model. Furthermore, there was also a general understanding that the configuration of the WNS building needed to change. Whilst plans have been underway to change both of these things and WCC has given additional funding to assist, it appears this has been going on for at least two, if not three years. WCC has limited ability to influence the pace of change more greatly when it is only providing modest funding but, in the meantime, WCC is continuing to fund a model that does not meet modern standards.

The emergency situation with WNS caused by COVID resulted in changes that delivered much better outcomes for the men. Was there an opportunity somewhere for WCC as part of its advocacy for Homelessness to arrive at this change other than via an emergency.

Recommendation: WCC officers should review the situation and its history to identify lessons about the best way to engage with and influence change. If a change in policy or funding levels is required that may inform advice to politicians.

8. Conclusion

WCC 's role and responsibility as a funder of WNS were discharged appropriately. The funding contract required WCC to provide funds for a specified series of outcomes and in return WNS were obligated to provide information to verify the outcomes and documents to evidence organisation health. The funds were provided, and the WCC contract monitoring system ensured that all WNS obligations were fulfilled with the exception of the provision of a six-month report. Given the seriousness of the issues raised in the memo, the WCC CEO ensured that the WNS Board were asked to explain/respond to the allegations.

There are four lessons that can be learned from the WNS experience. Note that potential for improvements to the monitoring and accountability systems are being covered in the second part of this review.

- When working with WNS, officers should have followed up on the overdue six-month report
- the reliance on the MSD/HUD accreditation audits as part of the WNS contract monitoring system should have been formalised
- Officers need to ensure potential risk events are escalated to management in a timely manner and
- Regular briefings for Portfolio Councillors on the Community organisations funded by WCC would both fill an information void and increase the Councillors' understanding and confidence in the work of officers in space.

**Independent assessment of the process for monitoring grant
funding by the Wellington City Council.**

Report to the Chief Executive of Wellington City Council

13 October 2020

Ross Tanner

Confidential

EXECUTIVE SUMMARY

The brief that I was given was to undertake a desk-based review of high-risk funding agreements – those that fund services or agencies supporting vulnerable members of the community – and to draw conclusions about the shape of future funding agreements; and relationships, roles and responsibilities with funded entities and funding partners.

The catalyst for this review has been the situation that the Council faced leading up to and during the COVID-19 lockdown with the Wellington Night Shelter (WNS), and concerns raised by Councillors about the Council's role in relation to that situation. A key concern of Councillors to whom I spoke is to focus on how the Council should mitigate and manage risks around health and safety and financial sustainability in organisations dealing with vulnerable people in the city.

The key conclusion that I have drawn from my review is that the problem that occurred in respect of the Wellington Night Shelter was likely to be a one-time problem, that has now effectively been dealt with by the transfer of that service to the Wellington City Mission and its transformation to a new model of service and support for residents. There were however in my view several warning signals ('red flags') for the Council in terms of the management and operation of the WNS that, if acted upon with greater urgency or escalated decisively, might have resulted in earlier change and a different outcome.

Putting that in in a wider context however, it was apparent during my discussions with providers that in terms of the Council staff's engagement with organisations dealing with vulnerable people, there are several layers of activity and indeed a strong and collaborative relationship between the Council and the respective organisations working in this sector. The attitude of Council staff was described to me as being pragmatic, helpful and communicative.

I have concluded that the Council might usefully consider a change to its approach to the relationship with some key funded providers. For some organisations, especially where that provider is delivering what might be seen as a part of a core Council strategy or service, and therefore akin to a partner of the Council in this respect, a new 'strategic relationship' framework is proposed. This would entail a new strategic relationship agreement being signed with those (relatively few) organisations, in addition to the standard funding contract.

The new relationship agreement should specify the specific Council strategy to which the key services that the Council wishes to have delivered by the recipient organisation relates, what those services are, and also the expected outcomes (i.e. results) from that service delivery. The agreement should seek to establish mutual expectations for and obligations imposed by the implied new relationship.

Other grant recipients would be asked to sign the funding contract as per normal, but that contract itself also needs review, and a number of new clauses may be required. The most important such new insertion will be a health and safety clause, and a series of suggestions as to how this can be framed have been made in this report.

Reporting on health and safety matters should be required as part of all community providers' reporting to the Council. Recipients should be required to provide the Council with information

about any health and safety matters relating to the funding agreement (and therefore, in respect of the services being funded). There should also be strict obligations on the recipient to report any notifiable events; and WorkSafe inspections, investigations or information requested in connection with the supplier's performance of the services being funded; The health and safety clause could provide for the Council or its representatives to carry out an audit of the recipient to ensure compliance with all obligations set out.

Such provisions would give the Council sufficient authority to assure itself that appropriate health and safety measures were being taken by a recipient organisation. This would include assurance about both the quality of premises, as well as health and safety considerations relating to the delivery of services.

I have also recommended that the Council's standard funding contract should be reviewed and amended, taking account of the topics listed in Appendix 2 to this report. This would include, in particular, an indemnity clause to protect the Council's role as a grant funder i.e. not to be liable or responsible in any way for the activities funded.

1. Introduction

The following report provides an independent assessment of the Wellington City Council's approach to funding agreements with organisations for which it provides grants, and the role and responsibilities of the Council. It draws conclusions and makes some recommendations about the shape of future funding agreements and relationships between the Council and funded entities.

2. Background and context

The catalyst for this review has been the situation that the Council faced leading up to and during the COVID-19 lockdown with the Wellington Night Shelter (WNS), and concerns raised by Councillors about the Council's role in relation to that situation.

The Wellington City Council (WCC) had provided funding support through a three year operational grant (September 2018 to June 2021) of \$95,000 p/a to the WNS (with additional support of \$65,000 per annum in 2018/19 and again in 2019/20). The WCC was, nevertheless, only a part funder of the WNS. The Ministry of Housing and Urban Development (HUD) was the primary funder (\$536,000 p/a).

In February 2020, WCC raised concerns about the financial viability and operational management of the WNS and officers began working with the WNS Board, HUD and the City Mission to consider future options for this service.

The COVID-19 welfare response that escalated during March 2020, resulting in the national Level 4 lockdown on 26 March, provided an opportunity to take some immediate action to address some of these concerns by transferring some of the residents to a newly opened supported accommodation facility funded by MSD and HUD, and managed by the WellingtonCity Mission.

In the process of picking up management responsibility for a three-month period, the City Mission raised concerns about the quality of the WNS premises and also the services being provided to residents. This concern became a matter of public information during the lockdown.

The Wellington Night Shelter Trust has now been dissolved, and its assets have been transferred to the Wellington City Mission, which will provide a new type of service to clients of the shelter.

WCC wishes to ensure that its funding agreements and processes, particularly for organisations dealing with vulnerable/ at-risk people, place sufficient emphasis on the health, safety and wellbeing of Wellingtonians who receive services that it funds.

One Councillor is also of the view that there are implications for monitoring of organisations in other parts of the social services sector (children, older people and community centres) that are funded by the Council.

3. Terms of reference

The brief that I was given was to undertake a desk-based review of high-risk funding agreements – those that fund services or agencies supporting vulnerable members of the community – and draw conclusions about the shape of future funding agreements; and relationships, roles and responsibilities with funded entities and funding partners.

This is the second stage of the overall review process. An earlier review sought to confirm WCC's roles and responsibilities as a funder of the Night Shelter and the steps that WCC had taken to fulfill those responsibilities. A report on that earlier review is complementary to this report.

I was asked particularly to focus on how the Council should mitigate and manage risks around health and safety and financial sustainability/failure in terms of the services provided by funded organisations, and to include consideration of:

- a. Funding application and approval processes for agencies and services that funded by WCC
- b. Contracting requirements, including any changes to contractual obligations or processes for WCC or funding recipients
- c. Framework for relationship management with funded entities and roles and responsibilities with any other funding partners
- d. Monitoring and oversight arrangements in place in WCC to provide confidence that the Council is funding high quality, efficient and effective services
- e. Internal audit findings and recommendations related to contract management processes, and their implementation.

I have interpreted the overall terms of reference for my piece of this two-stage review to include the need to determine any lessons from recent interactions with WNS, and improvements that could or should be made to funding agreements, supporting relationship management, and agreement monitoring and oversight.

A key concern of Councillors to whom I spoke is to focus on how the Council should mitigate and manage risks around health and safety and financial sustainability/failure in organisations dealing with vulnerable people in the city.

4. Method

As noted above, the initial intent was for my review to be desk- based i.e. on a review of the papers. However, in discussion with Council officers, it was agreed that I should meet with some of the key organisations in the city that deal with vulnerable people and that are funded by the WCC. Accordingly I met with the CEs and/ or senior staff of the Downtown Community Ministry (DCM), the Wellington City Mission, the Boys and Girls Institute (BGI), and with Ngati Kahungunu ki Pōneke Whānau Services. I met with relevant City Council staff, and also held discussions with community grants staff at the Christchurch and Auckland City Councils.

5. Wellington Night Shelter aftermath

It was not in my brief to review the night shelter experience and issues in detail. Nevertheless in the course of my work, I did meet the CE's and staff of both the Wellington City Mission and DCM, both of which organisations had been represented on the WNS Board.

Their description of what had happened in respect of the Night Shelter, and my interviews with relevant WCC staff, have led me to the following perspective:

- Since the Council was not the main funder of the WNS, Council staff did not consider that the Council had primary responsibility for monitoring its performance. Council staff believe that the Trust Board had primary governance and operational oversight. Moreover the main grant to the WNS Trust Board was regarded as being for operational support, and not a contract for services. The additional grant first made in 2017/18 was intended as transitional funding to facilitate a change in the model of care undertaken by the WNS towards a more individual case-oriented approach.
- The main funder, HUD, is itself neither funded nor resourced to carry out any monitoring or accreditation of social housing agencies that it funds.
- The HUD funding was provided for the Night Shelter's transitional housing service, not for the 'crisis beds' i.e. the dormitory accommodation. What might be described as 'traditional' night shelters are not part of HUD's response to homelessness. HUD staff view funding to night shelters from Councils, including Wellington, as part of the local Council's responsibility. The fact that the dormitory was therefore seemingly unregulated is therefore a problem, but one which has of course subsequently been resolved by the transfer of the service to the City Mission and its transformation to a new model of care.
- HUD relies on the Social Service Accreditation Agency (SSA) (part of the Ministry of Social Development), for accreditation and monitoring services. See further comment on this point, below.
- Council staff appear to have relied on a HUD/ SSA accreditation and audit process which did not actually cover dormitory accommodation.
- Council staff also referred to the purported 'monitoring processes' supposedly embodied in the SSA's role. I make further comment in the next section of the report below.
- Nevertheless, Council staff were in periodic contact with the WNS as part of the Council's overall strategy to deal with street homelessness, and had been aware of various issues to do with this service, including the expressed need for the WNS premises to be refurbished and upgraded, and also concerns about the existing model of care (hence the transitional funding to facilitate change).
- There were clearly several warning signals ('red flags') for the Council in terms of the management and operation of the WNS that, if acted upon with greater urgency or escalated decisively, might have resulted in earlier change and a different outcome.
- Council staff appear to have placed heavy reliance on the previous manager of the WNS, although they would have been aware of concerns about the model of care (an old-style charitable approach).
- Concerns expressed at WNS Board level by Board members (themselves also involved in the sector), and at least one subsequent resignation from the Board appear not to have been seen as 'red flags' at the time.

My conclusion from the interviews I have undertaken is that Council staff demonstrated perhaps too much forbearance and optimism about the capacity of the WNS Trust to 'transform itself'. My recommendation would be for Council staff to act promptly and decisively on any 'red flag' signals or questions in future relating to organisations (i.e. not just the equivalent of the WNS) on which it is relying to provide important ('core') social services and to which it is granting significant amounts of funding.

Later in this report, I will describe and recommend a new framework for relationship management with funded providers that deliver vital – indeed 'core'—services on behalf of the Council. I will also discuss what might be considered as a core social service in terms of aspects of the Council's overall strategy for Wellington City.

6. The role of the SSA

I have noted above that HUD relies on the Social Service Accreditation Agency (SSA) (part of the Ministry of Social Development), for accreditation and monitoring services. Wellington City Council staff also referred to the purported 'monitoring processes' supposedly embodied in the SSA's role.

In order to understand the SSA's role, I met with the General Manager of the SSA.

The SSA is primarily an accreditation agency, not a monitoring agency in the sense that it might undertake regular assessment of, and engagement with, a social services provider. The SSA maintains a framework that allocates different types of social services to different accreditation levels. There are 5 levels, from 1 to 5, with 1 requiring the highest level of accreditation assessment, and 5 requiring no accreditation on the basis that the provider has no direct contact with clients, or is providing a low risk deliverable paid for by a grant, and will undergo due diligence with the contracting organisation.

For ongoing assurance and compliance purposes, SSA generally carries out scheduled reviews of each accredited provider at intervals that reflect the level of accreditation and the results of SSA's risk assessment of the provider. Reviews focus on the provider's ongoing compliance with the applicable Accreditation standards.

The general review frequency bands are as follows:

Level of accreditation	Review frequency (risk assessment dependent)
Level 1	6-12 months
Level 2	1-2 years
Level 3	2 years
Level 4	2 years

In respect of the Wellington Night Shelter, I was advised during my review work that the WNS had accreditation at Level 3, thus resulting in a reassessment every two years. The initial accreditation was done in June 2017 and a reassessment in May 2019. Nine level 3 Standards were assessed. Of the nine, 8 were met and one was partially met.

By contrast, the Wellington City Mission and DCM are accredited at level 2, thus requiring reassessment every 1-2 years.

As a result of the WNS experience, the SSA is now likely to seek to accredit all night shelters and other crisis housing providers at Level 2.

The accreditation standards at both levels 2 and 3 include health and safety requirements that specify compliance with all legal and regulatory requirements and regular, recorded maintenance inspections of premises and facilities. The accreditation standards also require the provided to complete Police checks and any other relevant vetting for all staff at least every three years. Whether Police checks had been completed for WNS and other social service provider staff was one of the concerns of Wellington City Councillors, as reported to me. Councillors can be assured therefore that the regular use of police checks for staff vetting is part of the SSA accreditation process.

Various stakeholders can and do raise complaints, issues and concerns in relation to particular providers. Those stakeholders can include clients, other providers, members of the public, MSD or contracting organisation staff, other government agencies, Ministers, and the media. SSA may also investigate issues and concerns relating to a provider on its own initiative. The SSA will only investigate complaints, issues and concerns that are directly related to compliance with applicable Accreditation Standards and, if relevant, where any statutory requirements have been completed.

If SSA receives: (i) complaints, issues or concerns in other areas; or (ii) general questions relating to providers, it will refer them to the Contracting Agency and the Contracting Agency will address them as it considers appropriate.

If appropriate action in respect of a complaint is not taken by the provider or the issue is not resolved, the resulting sanctions can include the removal of the provider from the list of accredited providers, and that decision is gazetted i.e. published in the NZ Government Gazette. That is regarded in the sector as a significant deterrent.

The description above of the role and mandate of the SSA is supported by legislation and Government regulation. A list of the relevant pieces of legislation etc. is set out in Appendix 1 to this report. This was described to me by the General Manager as an important underpinning for the work of the SSA.

The SSA currently accredits 70-80 percent of New Zealand's social service providers. The General Manager made it clear that SSA does not see itself as a monitoring agency (outside of the accreditation process). They consider that the monitoring of funding arrangements with social service providers is the primary responsibility of the agencies that fund them.

The SSA is nevertheless open to having the WCC (and other local Councils) approach it to enter an arrangement for a more active 'monitoring' service relating to social services agencies that it funds, building on their existing accreditation method. This would be subject to the completion of an appropriate contract and payment of an agreed fee level.

7. HUD's role and responsibility in terms of monitoring

HUD is not a front-line service delivery agency. Nor is it, as noted above, either funded or resourced to carry out any monitoring or accreditation of social housing agencies that it funds. They contract with the Social Service Accreditation Agency (SSA) for the accreditation process of social and transition housing providers and sit on the Board of the SSA. The aim is to have one overall agency doing the accreditation so as not to duplicate this for any provider.

But HUD staff will meet with social housing providers periodically and do undertake some checks. They rely mostly on the SSA complaints process as described above.

It also emerged from my discussions that HUD had no responsibility at all for the crisis beds in the former WNS (i.e. the dormitory). It was not funding them nor did it have any oversight of that work. The HUD funding was intended to support the transitional housing services provided by the WNS (i.e. the bedrooms on the second floor of the building).

This raises the question as to who was actually responsible for monitoring either type of accommodation being offered by the WNS.

8. The role of a social service provider's board

WCC staff considered that their first responsibility, after perception of the difficulties being experienced by the new WNS manager in late 2019/ early 2020, and after internal WCC staff escalation, was to alert the Chairman and Board of the WNS to the Council's concerns. This was an entirely appropriate course of action. The primary responsibility for governance and oversight of a not for profit (NFP) organisation rests with the board of that organisation. There is an increasing need for robust governance in NFP organisations and increasing attention is being given by the Institute of Directors to encouraging best practice by NFP board members.

Small NFPs (measured by people, operations and/ or turnover, for example), may have a relatively basic governance framework that suits their needs. However larger NFPs may have more developed governance arrangements in place, and aspire to best practice.

NFPs often receive funds from central Government, local government, the public and other stakeholders. They may also benefit from tax concessions and donations. Such NFPs have considerable trust reposed in them which demands commensurate probity and accountability.

Some stakeholders may take a close, semi-proprietorial interest in the activities of NFPs. The current interest of Wellington City Councillors in the work of organisations dealing with vulnerable people is a good example of this. Nevertheless it is vital that the Boards of NFPs are encouraged to understand and perform their own governance responsibilities and accountability requirements in ways that satisfy stakeholder scrutiny and the sometimes substantial public interest in their affairs.

The other Councils' staff to whom I spoke stressed to me their belief that their Councils have no authority as to how providers receiving grants run their businesses. Local Councils are neither governors nor managers of those organisations. Accountability for delivery of a service funded by a grant is for the Board of that organisation to report. A Council intervention might however be justified where the service being provided is part of a core Council strategy, or where a health

and safety question is involved. These are topics however that I will pick up again in further discussion below.

9. Wellington City Council roles and responsibilities

I now turn to the Council's own role and responsibilities. This section of the report considers improvements that could/should be made to funding agreements, supporting relationship management, and agreement monitoring and oversight; how the Council should mitigate and manage risks around health and safety and financial sustainability/failure in terms of the services provided by funded organisations; and lessons from recent interactions with WNS.

a. The Council's strategy for affordable housing and ending street homelessness

The Council is Wellington's largest provider of affordable rental housing. It provides affordable homes to low-income households, and to those who face barriers to other types of housing. The Council is also committed to ending street homelessness – this is outlined in Te Mahana: The Strategy for Ending Homelessness. The goal of Te Mahana is that homelessness should be brief, rare and non-recurring.

In my review work I have not considered the Council's role as a landlord or facilitator of other non- Council- owned, medium- to long-term housing provision. There are separate management and oversight provisions in place for that type of service.

The Council provides 3-year contract funding for community organisations to work with Wellington's street people who have been homeless for a long time and/or face multiple and complex issues.

The Council wishes to fund services that will:

- i. take an assertive street outreach service that would identify, proactively engage, and collaborate with:
 - people sleeping rough and develop plans to assist in housing permanently
 - those who are persistently begging and connect them to services and to provide opportunities for day activities;
- ii. Undertake tenancy-sustaining services for those who have been recently housed or are at severe risk of re-entering chronic homelessness;
- iii. Deliver services using an intensive and coordinated case collaboration approach.

The organisations with which the Council has partnered to deliver this street outreach service are all funded through multi (i.e. three) year funding agreements. There are currently four providers being funded by the Council to deliver these services.

b. The Council's grant funding for community organisations

The Council's budget for community grants in 2020/21 totals **\$6,107,498**. This includes funds voted by Council this year to compensate for COVID 19- related services and support. The grants programme is made up from:

- Social pool: **\$4,784,654** (this is where the focus of this review has been)

- Cultural (arts) pool: \$ **1,241,276**
- Environmental pool: \$**81,567**

In terms of the social pool, most of the grants being given are relatively small (up to \$20,000).

The list of current grants from the Council's social pool is available on the Council's website. Most of them are based on multi-year (usually three year) funding arrangements, reviewable annually subject to appropriate reporting and performance. Apart from the main contract funding programmes, there is also a range of other smaller grant programmes and Council- managed special purpose trusts that provide funding support for community endeavours.

c. Funding application and approval processes for agencies and services that funded by WCC.

The application process for Council funding grants is clearly set out on the Council's website. Applicants are asked to apply online for Council funding, by registering on the Council's funding portal. The approval process is also explained on the website.

I have not spent time examining the Council's overall application and approval processes. Rather, I sought to explore how the process works in respect of organisations working with vulnerable/ at-risk people (with specific reference to homeless street people).

The grants to organisations dealing with homeless people (and apparently other parts of the community funding programmes) are not necessarily generated directly from an application on the Council's website. In this sector at least, they are based initially on deliberate conversations with Council staff. These conversations could be started by the organisations themselves or indeed by Council officers. Such conversations would consider what gaps in service provision in a referenced sector of social service delivery might need to be filled. The conversations are then followed by the completion of an application that would follow through on what has been discussed with the Council staff.

In such cases, applicants are asked to suggest some outcomes that could be achieved from their provision of services, when funded by a Council grant. The outcomes as drafted would then be reviewed by a subject matter expert on the Council's community grants team.

I was advised that the majority of grants for provision of social services are multi (i.e. three) year grants. This is certainly the case for the grants to organisations providing services for at- risk people.

The application process for community grants, incorporating all of the various funding programmes and trust funding that the Council makes available or manages, is based on an online i.e. electronic system. Applications register their organisation with the Council through an online portal and then work through the stages and questions to be addressed. I have no further comment on the funding application and approval processes at this point: however some of the comments and proposals made below are likely to have some implications for the type of questions to be asked e.g. in respect of health and safety, in future application processes.

d. The Council's contracting requirements

I have been asked to review the Council's contracting requirements and to propose any necessary changes to contractual obligations or processes for WCC or funding recipients. Community-based social service providers who benefit from a grant under one of the contract funding programmes are required to sign a 'funding contract' with the Council. I reviewed two such funding contracts – one relating to the WNS, and another for DCM. Given their similarities, they are clearly based on a standard template for multi-year funding contracts. The template contract sets out the purpose and conditions of the funding to be provided and comprises five pages, with some standard clauses. There is a four or five page appendix to the contracts respectively, that sets out outcomes that the provider is expected to achieve, and the nature and timing (e.g. annual or six monthly) reporting that will be required by the Council.

I examined the wording of the contracts, and also endeavoured to benchmark the Wellington City Council's type of funding contract, using the WNS as an example, against the processes followed by different local Councils.

The Christchurch City Council funds the Christchurch Night Shelter (which is a service of the Christchurch City Mission). That grant is \$85,000 p.a. i.e. comparable to the size of the WCC support grant to the WNS. The Christchurch funding agreement is however shorter (two pages), with reference to some standard terms and conditions shown on the Council website, does not specify outcomes, and is regarded strictly as an operational support grant. There is no monitoring requirement and only an annual report to the Council is sought.

There appears to be no equivalent of the Wellington Night Shelter in Auckland. The Auckland Council does however provide funding to the Auckland City Mission. That Council provided me with a copy of their own template funding agreement and other supporting documents, including a copy of their overall community grants policy. The Auckland Council's funding agreement consists of five pages with a nine page supplement containing terms and conditions, and an appendix setting out a template for written reports.

The Wellington City Council's standard form of contract sets out the nature of the services to be provided, specifies desired outcomes and/or 'priorities', and reporting requirements, and asks that Council officers or staff are invited periodically or annually to an AGM or other appropriate events.

i. Strategic relevance

Curiously, the preamble to the main funding contract with each organisation (WNS and DCM) describes the Council's Long Term Plan and its focus on five priority areas, including housing, but does not refer at all to Te Mahana: The Strategy for Ending Homelessness. Yet the reasons for Council engagement with them is (presumably) primarily related to the street homelessness strategy. It would seem to be important that the agreement with these two organisations refer to the key Council strategy under which they are being funded to deliver services. The same check might be needed for other community grant funding contracts: i.e. is the purpose of the grant being related to the relevant Council strategy or sub-part of it?

ii. Specification of desired outcomes.

The outcomes desired by the Council from the provision of the funding grant are set out in an Appendix to each funding contract. In the WNS contract there were five desired outcomes,

and under each heading there is one or more 'priorities', which I interpret to mean 'performance milestones' or measures. For the DCM contract the comparable Appendix refers to 6 Priorities (main heading), under which there are one or more 'outcomes' i.e. milestones in this instance.

I noted that whether specified as outcomes or priorities, many of the the respective statements in either appendix appears to describe elements of an output statement rather than an outcome i.e. a desired result, and could benefit from better specification. It needs to be acknowledged however that the realistic specification of outcomes can be quite challenging: an art, not a science!!

iii. Council indemnity

The terms and conditions of the Christchurch Council's funding agreement includes a specific indemnity clause whereby the recipient agrees to indemnify the Council in respect of all costs (including legal costs), claims, liabilities, losses, damage and expenses etc. incurred by the Council in respect of any unlawful or negligent action by the recipient in terms of performance of obligations under the funding agreement.

The Auckland agreement is more detailed in respect of indemnity matters, and covers indemnity, the recipient's responsibility, trustee limitation, and insurance matters.

There appears to be no indemnity clause in the standard Wellington funding agreement and I would therefore propose that the agreement be reviewed with that in mind.

iv. Health and safety concerns

I also looked to see what the Wellington Council funding contract has to say about the recipient's responsibility for health and safety. There is no clause relating to health and safety in the main part of the funding agreement. Appendix A to both the WNS and DCM agreements includes a specified outcome relating to health and safety.

In the case of the WNS this states: " Wellington Night Shelter has Health and Safety and organisational resilience". The desired performance measure specified here that 'WNS will have a business continuity plan and a health and safety plan'.

The DCM agreement appendix requires that DCM maintains a Business Continuity Plan and a Health and Safety Plan and that both are regularly updated.

This rather simplistic statement is inadequate, and if this is common across other funded organisations, then the nature of all funding contracts for the Council will need rework in this respect alone.

By way of comparison, the Christchurch funding agreement and its terms and conditions do not include any reference at all to health and safety matters.

The health and safety clause in the comparable Auckland contract is more detailed. It requires the recipient, upon request, to provide the Funder with information about any health and safety matters relating to the agreement (and therefore, in respect of the services being funded). The Funder, or its representatives, may carry out an audit of the Recipient to ensure compliance with

all obligations set out under this clause. There are also strict obligations on the recipient to report any notifiable events; and Worksafe inspections, investigations or information request in connection with the supplier's performance of the services being funded.

Moreover, the health and safety section of the Auckland contract also provides for the Funder or its representatives to carry out an audit of the recipient to ensure compliance with all obligations set out under this (health and safety) clause.

Such provisions from the Auckland contract as outlined above would, if replicated in the Wellington standard contract, give the Council sufficient authority to assure itself that appropriate health and safety measures were being taken by a recipient organisation. I have made the relevant Auckland contract material available to Wellington Council staff for their consideration.

There is also included within the SSA specification for both level 2 and Level 3 accreditation, a specific standard relating to health and safety which incorporates a set of outcomes and specific measures relating to health and safety.

The form of words in either the Auckland Council contract or the SSA accreditation standard would, if adopted also by the Wellington City Council, provide a far greater level of assurance to the Council than currently exists. This could include assurance about both the quality of premises, as well as health and safety considerations relating to the delivery of services.

Having such measures as part of the providers' reporting to the Council (and assuming there would be some review and monitoring process required on the part of the Council) would duplicate the accreditation review work of the SSA to some extent, but this may be considered necessary by the Council for its own purposes in view of the recent experience with the WNS, and in view of the fundamental importance of ensuring appropriate governance attention to health and safety matters.

If there is a red flag raised in future with the Council about a health and safety matter, for example, then the Council could take any or all of the following steps:

- Raise the matter for consideration and action by the board of the organisation
- Visit the premises itself to assess the situation
- Raise a complaint about the issue with the SSA and potentially seek an early revisit by SSA staff.

v. Visit to premises

In the light of the comment above about potential visits by Council officers, it might be necessary to specify in the funding contract that that Council staff may wish to visit premises periodically. This might certainly be required for those organisations dealing with vulnerable people and which are funded by the Council.

vi. Payments and reporting

I noted from both the WNS and the DCM contracts that the timing of the actual payment of the funds is not specified. The implication from the wording of the contract is that the grant is paid on

a one-time basis each year and not in any form of instalment, thus of course saving transaction costs for the Council.

In the case of WNS one of the four outcomes as specified was to be reported on each six month period. For DCM there is both monthly and six monthly reporting required in respect of one 'priority', six monthly reporting for a second 'priority', and annual reporting for the remaining four priorities. It may therefore be worth considering whether, in the case of key outcomes where six monthly reporting is sought, that ongoing funding is contingent on completion of the service delivery and a satisfactory report demonstrating progress towards the desired goal.

vii. Other omissions

A comparison between the content of Wellington funding contract and that used by the Auckland Council suggests that the Wellington contract contains a number of omissions on matters that should be regarded as important for a contract of this type.

I propose therefore that the Wellington City Council staff commission a review of the funding contract, taking account of the points raised elsewhere in this report. For ease of reference I have construed a list of potential clause that should be considered for inclusion, in Appendix 2 to this report.

e. Operational support grant, or contract for service?

Council staff to whom I spoke advised that the grant to the WNS was considered as an operational support grant, not a contract for service. This then raises the question whether some types of operational support grants might better be framed as contracts for service. As noted above, the Wellington Council's standard funding agreement does allow the Council to specify outcomes that the Council is seeking for its funding support and from the provision of services by the organisation.

Most of the Council's funding contracts for operational support grants require a relatively low level of monitoring i.e. annual and possibly interim i.e. six monthly reporting, supplemented by periodic contact with the management and or Board of the organisation e.g. invitations for attendance at AGMs. Some contracts require more active reporting e.g. monthly reports against one or more of the outcomes set out in the contract. So, should the funding contract effectively be considered as a type of contract for service? That would itself potentially imply a closer and more 'hands-on' relationship.

The Auckland Council comparison is instructive in this respect. Auckland makes a very clear distinction between operational support grants (the majority of their funding arrangements) and contracts for service, the latter of which are usually intended for commercial organisations or companies as contracting entities, and where the service being purchased is for a 'core local government activity'. They have a clear set of guidance for staff on the difference between the two types of arrangement.

It is arguable however that the Council's strategy in respect of street homelessness 'Te Mahana' could, and indeed should, be considered a core part of the Council's business for the period that it remains as a key Council strategy. Should therefore the funding contracts for service provision in support of this strategy by community organisations such as the Wellington City Mission be regarded as contracts for service and not only specified as such, but also consequently subject

to more rigorous conditions and monitoring? The same question might apply to funding contracts in areas outside the social services sector e.g. to the arts and culture and environmental sectors. This issue needs more detailed consideration, outside the scope of this report. I will therefore include a recommendation to this effect.

My interim conclusion however is be that the Auckland Council's distinction between service contracts and funding agreements, although acknowledged to be not completely clear, is likely to be more practicable. This would therefore suggest that the WCC should retain the use of funding contracts for the granting of moneys to organisations that the Council wishes to support, including for organisations that are delivering social services that support key Council strategies.

f. Framework for relationship management with funded entities and roles and responsibilities with any other funding partners

The Council's current method and process for grants funding with community organisations has been described in earlier sections of this report, above. I have also referred to the reporting required of a grant recipient, which is usually based on annual reporting supplemented by an interim six month report for particular organisations and services. In the case of organisations dealing with vulnerable people, there may also be a requirement for monthly reporting in the case of particular services and outcomes being sought.

I discussed the nature of the relationship between the Council and recipient organisations with both Council staff and also the leaders of those organisations in particular who deal with vulnerable people. In all but one instance I was told that the relationship between the Council staff and each organisation was very good. There is a positive working relationship apparent at all levels of engagement. The exception to this finding is however the relationship with Ngati Kahungunu ki Pōneke Whānau Services, which is problematic and complex. While there is a good working relationship between the iwi organisation and the Council staff responsible for the Te Mahana housing strategy, the overall relationship with the Council needs attention and a reset, desirably at a strategic and senior level. Such a topic is however outside the scope of this report.

In terms of the Council staff's engagement with organisations dealing with vulnerable people however, there are several layers of engagement:

- A weekly meeting between some of the agencies and Council staff to discuss individual case management and city safety issues.
- A monthly meeting under the Te Mahana strategy of senior staff from the Council and the leaders of the key social service organisations dealing with vulnerable people. This meeting discusses issues around homelessness in the city, and any barriers or themes together with potential solutions.
- A quarterly strategic meeting (which has been only recently established), chaired by the COO of the Council, and with the Regional Commissioner from MSD also in attendance. This meeting discusses sector wide issues and strategic matters.

In addition to the above, it was reported to me that there are daily emails about specific issues, and that email notification alerts are used to ensure that the recipients of the emails have seen and read the content. Thus at all levels there is a strong and collaborative relationship between the Council and the organisations dealing with vulnerable people. The attitude of Council staff was described to me as being pragmatic, helpful and communicative.

Indeed, some of the organisation leaders with whom I met referred to there being a sort of informal 'partnership' in place with the Council, particularly with respect to dealing with homelessness in the city. Council staff also referred to the relationship with key organisations in this respect as being a partnership. They consider such organisations as being integral to the Council's delivery of the Te Mahana strategy, and that through the Council's grants processes there is in effect a contract in place with them to achieve certain outcomes for the city.

As a result of these discussions, and in consultation with Council staff, I have given some thought to whether this type of informal partnership between key social service organisations in the city and the Council might be made more formal i.e. specified as such in a new type of agreement?

The Auckland Council's approach is instructive here. That Council enters into multi-year funding relationships with a small number of strategic organisations operating at the regional level. The majority will have an existing relationship with Auckland Council and be able to demonstrate a clear track record of achievement at the regional and strategic level. Other characteristics these organisations will have are:

- Key capacity building organisations – have a 'sector infrastructure' role that supports other sector organisations to develop and connect
- Cornerstone providers within their sector – delivering the 'highest level' of expertise, or the highest quality service or experience
- Acknowledged strategic leadership and brokerage role within their sector
- Have the capability and capacity to think, work and advocate strategically at the regional level
- Work programmes and the outcomes they deliver have clear alignment to Council's strategic outcomes and priorities
- Robust strategic and business plans are already in place.

In such instances the Council will enter into a strategic relationship agreement as well as a funding agreement. Strategic relationship grants are for a minimum of three years and are designed to provide financial certainty and a longer time horizon for the recipient organisation's planning and programming. This arrangement of course applies not just to organisations dealing with vulnerable people, but across the board i.e. for social, cultural or environmental activities and services.

I propose therefore that the Wellington City Council give further consideration to the concept of a strategic relationship agreement with selected organisations as part of its community grants funding programme. This might assist the Council in terms of its relationship over a medium to long term with organisations that assist the Council with what might be termed 'core (social) services'. I had referred in Section 5 of this report above to such a concept. This does however prompt the question about what should be considered as a core service in terms of aspects of the Council's overall strategy for Wellington City.

When discussing the distinction between operational support grants and contracts for service in Section 9 (e) above, I noted that where the service being purchased is for a 'core local government activity' e.g. for infrastructure services and provided by commercial organisations or companies as contracting entities, a contract for service is normally used. I have suggested that

further consideration be given to contracts for service also being extended to the community grants sector, while noting my own inclination for the current distinction between service contracts and funding agreements, to be retained.

For example, as suggested earlier in this report, the Council's strategy in respect of street homelessness 'Te Mahana' should be considered a core part of the Council's business for the period that it remains as a key Council strategy. The same question might apply to funding contracts in areas outside the social services sector e.g. to the arts and culture and environment sectors, where the provision of a particular service assists the Council to deliver part of a core Council strategy.

Therefore, I propose that the Council makes a distinction between those organisations which the Council wishes to deliver a core part of the Council's strategy in a particular sector and other organisations, by way of a strategic relationship agreement, to complement the standard funding agreement.

It is also worth considering whether there are other distinctions that could be made in terms of the types of community grants given by the Council. A number of such grants are small i.e. below \$10,000. Is the standard form of funding contract still applicable? A small grant might for example specify what the money must be spent on but not specify any outcomes other than performance of activities set out in the grants application, and safety requirements. This question could be considered as part of any subsequent review of the community grants programmes.

During my discussions with the leaders of the social service organisations, and with Council staff, the question arose whether to call the sort of strategic relationship I have discussed above, a 'partnering' or 'partnership' arrangement (or agreement). A further conversation that I had with an expert (and former CEO) from a large philanthropic foundation in New Zealand was helpful in this respect. She described 'partnership' as an overused word in the philanthropy/ community grants field. It implies that a lot of money will be available to a recipient organisation.

Moreover the likelihood is that once the concept becomes widely known (as will necessarily happen because of the need for the Council to be transparent and open about the programme), every organisation will want to be a 'partner'. My tentative conclusion therefore is that the term 'strategic relationship agreement' is preferable, and that further consideration be based on the Auckland example and experience.

The formation of a strategic relationship agreement will need to be done carefully:

- The preamble to an agreement will need to specify the specific Council strategy to which that the services from the recipient organisation relates;
- The agreement should state what the purpose of the grant is e.g. to provide a service as agreed by the Council, in return for which the Council will provide secure funding over the agreed term;
- The agreement should also specify the key services that the Council wishes to have delivered, and expected outcomes (i.e. results) from that service delivery;
- Other aspects of an agreement will include the quantum of funds to be provided and when; the basis of relationship management and Council monitoring, and reporting and accountability requirements (as a complement to the separate funding agreement).

From a service provider's perspective, this sort of agreement is likely to be welcomed. It will provide greater assurance of funding to the organisation (a concern to some with whom I met), and reinforce their existing relationship with the Council. The new Agreement should seek to establish mutual expectations for and obligations imposed by the implied new relationship.

From the Council's perspective the difficulty may initially be the basis on which to include or exclude an organisation from a this new form of 'strategic relationship' with the Council. However if the criteria are similar to those use by the Auckland Council above, and also limited to a very few organisations that deliver key services relating to a core Council strategy the arrangement should prove to be workable.

g. Monitoring and oversight arrangements in place in WCC to provide confidence we are funding high quality, efficient and effective services.

I have been asked to comment on the monitoring and oversight arrangements in place in the Council, specifically in respect of the housing social service providers, but also more generally referring to all community grants recipients. Questions such as: 'is the Council being rigorous enough?' and 'how can the Council be assured that the customers/ recipients are receiving an appropriate service?' are relevant here.

In response, I would note firstly that in respect of the Council's Te Mahana strategy and the housing services for homeless (street) people, there appears to be an active level of engagement with grant recipients (service delivery organisations) as has been described above. It is important to note also that most of these organisations do not provide housing directly. They refer people in need of housing to housing providers i.e. Kainga Ora, community housing providers, private sector rental owners, and also of course the City Council housing service itself. Most of the housing services funded by the Council through its community grants programme are advisory and support services, not direct housing provision. The Wellington Night Shelter was an exception in this respect, but that service has been taken over by the Wellington City Mission under a different service model.

Earlier in this report, I have described and discussed the type of regular engagement with the key organisations delivering the Council's Te Mahana strategy, which for the most part seems adequate in terms of oversight, and sufficiently robust in terms of engagement to be able to surface and resolve any points of concern in the future.

However as also discussed earlier, it could usefully be supplemented by the following additional steps:

- The funding contract should include a specific health and safety clause, which incorporates a set of outcomes and specific measures relating to health and safety;
- The health and safety clause could provide for the Council or its representatives to carry out an audit of the recipient to ensure compliance with all obligations set out;
- Reporting on health and safety matters should be required as part of the providers' reporting to the Council. There will therefore need to be a monitoring process on the part of the Council: the Council should not write conditions into a funding contract that it cannot monitor.

If there is a red flag raised in future with the Council about a health and safety matter, for example, then the Council could take any or all of the following steps:

- Raise the matter for consideration and action by the board of the organisation
- Visit the premises itself to audit and assess the situation
- Raise a complaint about the issue with the SSA and potentially seek an early revisit by SSA staff.

I have also noted earlier in this report that there is a need for Council staff to act promptly and decisively on any 'red flag' signals or questions in future.

The Council may also wish to consider, as discussed above, whether to enter into a specific arrangement with the SSA in relation to more active monitoring of certain categories of social service providers that it is providing significant amounts of funding for.

A Councillor also asked me whether there is a need for the Council to require that all organisations working in the social service sector to have appropriate Police vetting of all staff in place. I established that the SSA already requires all organisations subject to SSA accreditation to have comprehensive vetting procedures in place. This will not cover all social service providers, but it is assumed that only small providers that do not provide essential services will not be covered by the SSA.

The brief that I have been given in respect of monitoring and oversight also of course covers not only organisations in the housing services or other social services sectors but also the cultural end environmental sectors. Some of the recommendations made above, e.g. in respect of inclusion of a health and safety clause in funding contracts, are of course also applicable to grant recipients from those other sectors.

The establishment of more active monitoring processes in respect of all grant recipients will however create staff and financial resourcing issues for the Council. The community grants monitoring team is understood to consist currently of 2.5 FTE staff. Even a move to the limited 'strategic relationship agreement' approach proposed in this report will have resourcing implications.

There has been a separately mandated and conducted internal audit of the process within the Council for the monitoring of grants, which I have also seen and been asked to comment on in my report. I shall do that later in this report, below.

h. Is some sort of inspection and / or enforcement process required for organisations dealing with vulnerable people (i.e. street people, or those temporarily homeless)? What about other organisations e.g. those dealing with older people, children or indeed community centres?

I was also asked by Councillors whether there should be some sort inspection or enforcement process required. I have described above a series of escalation steps that are available to the Council. Beyond that, my understanding is that the Council does not have the necessary legal authority to enter into any form of inspection or enforcement procedures.

By contrast for example the accreditation processes followed by the SSA are all underpinned by legislation or regulation.

The escalation procedures would also likely be applicable to organisations dealing with other groups of vulnerable people, if the appropriate health and safety clauses are included in the funding contracts. This would include coverage of those community organisations dealing with older people and children. However accreditation by the SSA may not yet extend to community centres so this escalation step may not be available to the Council.

i. Internal audit findings and recommendations related to contract management processes, and their implementation.

A review of the Council's processes for the monitoring of Community Grants was undertaken by the Council's internal audit team in the 2019/20 financial year and the final report was issued in July 2020. The report makes four recommendations for action. One of the recommendations is relevant to my own review:

- 'Management need an action plan to review and follow up accountability reports, and implement a better process going forward'.

The internal audit finding appears significant in the context of this review of monitoring processes.

The audit report comments that there are many accountability reports from grant recipients awaiting assessment, i.e. that have not been reviewed or approved by Council staff, and several reports not yet received from grant recipients. Some of these also date back to earlier funding rounds. The report also comments that there needs to be a better way of dealing with accountability reports awaiting assessment, and overdue reports.

I have not examined the monitoring processes of the Council in detail during this review other than in the manner discussed above, and to propose an escalation procedure especially in respect of organisations providing services to vulnerable people. It would therefore be apparent that the two reports (i.e. the internal audit report, and this one), should be read and considered together for action by Council leadership and staff.

10. Conclusion and recommendations

The key conclusion that I have drawn from the discussion above, is that the problem that occurred in respect of the Wellington Night Shelter was likely to be a one-time problem, that has now effectively been dealt with by the transfer of that service to the Wellington City Mission and its transformation to a new model of service and support for residents. There were however in my view several warning signals ("red flags") for the Council in terms of the management and operation of the WNS that, if acted upon with greater urgency or escalated decisively, might have resulted in earlier change and a different outcome.

Putting that in a wider context however, it was apparent during my discussions with providers that in terms of the Council staff's engagement with organisations dealing with vulnerable people, there are several layers of activity and indeed a strong and collaborative relationship between the Council and the respective organisations working in this sector. The attitude of Council staff was described to me as being pragmatic, helpful and communicative.

I have concluded that the Council might usefully consider a change to its approach to the relationship with some key funded providers. For some organisations, especially where that provider is delivering what might be seen as a part of a core Council strategy or service, and therefore akin to a partner of the Council in this respect, a new 'strategic relationship' framework is proposed. This would entail a new strategic relationship agreement being signed with those (relatively few) organisations, in addition to the standard funding contract. Other grant recipients would be asked to sign the funding contract as per normal, but that contract itself also needs review, and a number of new clauses may be required. The most important such new insertion will be a health and safety clause, and a series of suggestions as to how this can be framed have been made in this report.

The Council might also wish to consider a change from a funding agreement to a contract for service, where an organisation is delivering what might for the medium term be considered to be a core part of the Council's strategy.

There are also some issues relating to the grants monitoring processes in place in the Council that have been subject to an internal audit. There remain a significant number of reports from grant recipients needing review and approval, and also there are some accountability reports yet to be received that need follow up.

My recommendations are therefore as follows:

- 10.1 The Wellington City Council gives further consideration to the concept of a 'strategic relationship agreement' with selected organisations as part of its community grants funding programme. This would be in addition to the standard funding contract.
 - The preamble to an agreement will need to specify the specific Council strategy to which that the services from the recipient organisation relates;
 - The agreement should state what the purpose of the grant is e.g. to provide a service as agreed by the Council, in return for which the Council will provide secure funding over the agreed term;
 - The agreement should also specify the key services that the Council wishes to have delivered, and expected outcomes (i.e. results) from that service delivery;
 - The agreement should seek to establish mutual expectations for and obligations imposed by the implied new relationship.
 - Other aspects of an agreement will include the quantum of funds to be provided and when; the basis of relationship management and Council monitoring, and reporting and accountability requirements (as a complement to the separate funding agreement).
- 10.2 The Council's funding contract should include a specific health and safety clause, which incorporates a set of outcomes and specific measures relating to health and safety;
 - A new health and safety clause should be prepared for inclusion, which should require the Recipient, upon request, to provide the Funder with information about any health and safety matters relating to the agreement (and therefore, in respect of the services being funded);

- There should be strict obligations on the recipient to report any notifiable events; and WorkSafe inspections, investigations or information requested in connection with the supplier's performance of the services being funded;
- The health and safety clause could provide for the Council or its representatives to carry out an audit of the recipient to ensure compliance with all obligations set out;
- Reporting on health and safety matters should be required as part of the providers' reporting to the Council;
- If there is a red flag raised in future with the Council about a health and safety matter, for example, then the Council could take any or all of the following steps:
 - i. Raise the matter for consideration and action by the board of the organisation
 - ii. Visit the premises itself to audit and assess the situation
 - iii. Raise a complaint about the issue with the SSA and potentially seek an early revisit by SSA staff.

10.3 The Council's funding agreement with community organisations should refer to the key Council strategy under which they are being funded to deliver services.

10.4 The Council's standard funding contract should be reviewed and amended, taking account of the topics listed in Appendix 2 to this report. This would include, in particular, an indemnity clause to protect the Council's role as a grant funder i.e. not to be liable or responsible in any way for the activities funded.

Ross Tanner

Appendix One

Social Services Accreditation mandate

See following website: <https://www.msd.govt.nz/what-we-can-do/providers/social-services-accreditation/mandate-and-relevant-legislation.html#SocialServicesAccreditationmandate1>

Social Services Accreditation accredits providers under the following:

[The Children, Young Persons and Their Families Act 1989 \(Part 8, sections 396- 409\)](#)

[Social Security Regulations 2018 \(regulations 45-47\)](#)

[Adoption \(Intercountry\) Act 1997 \(Part 2; sections 15-23\)](#)

[The Protection of Personal and Property Rights Act 1988 \(section 103\)](#)

Social Services Accreditation also follows the guidelines of:

[United Nations Principles for Older Persons \(eighteen principles adopted by the United Nations General Assembly, 16 December 1991\)](#)

Accreditation is often required for organisations seeking to deliver social services for on behalf of social sector agencies and is often necessary for contracting. However, accreditation does not give the right to a contract or funding of a service.

Relevant legislation for approved providers

Providers are expected to comply with legislation that is applicable to them and keep up to date with legislative changes. Relevant legislation might include, but is not limited to:

[Privacy Act 1993](#)

[The Health and Safety at Work Act \(2015\)](#)

[Employment Relations Act 2000](#)

[Official Information Act 1982](#)

[Minimum Wage Act 1983](#)

[Holidays Act 2003](#)

[Human Rights Act 1993](#)

[Disabled Persons Community Welfare Act 1975](#)

[Children, Young Persons and Their Families Act 1989](#)

[Vulnerable Children Act 2014](#)

[Family Violence Act 2018](#)

[Social Security Regulations 2018 \(regulations 45-47\)](#)

Appendix Two

Terms and conditions to be included in a revised Funding Contract

The following is a list of headings or topics that should desirably be included in a revised Wellington City Council funding contract:

SPECIFIC

- 1 Council strategy relevant to this contract
- 2 Purpose of grant
- 3 Term of contract
- 4 Outcome(s)
- 5 Recognition of the Funder's support
- 6 Indemnity
- 7 Termination
- 8 Health and Safety (to be read in conjunction with general H&S clause below)
- 9 Other terms: insurance; whether Council owned premises are to be used or leased

GENERAL

1. Funding and payments
2. Recipient responsibilities
 - Use of funding
 - Legal compliance
 - Vulnerable Children's Act (legal issues and compliance)
 - Health and Safety
 - Objectives and measures of performance
 - No additional funding
3. Parties' relationship
 - No surprises
 - Funder publicity
 - Conflicts of interest
 - Recipient's responsibility
 - Reporting and performance
 - Confidential information and IP
 - Warranties
 - Refund of funding
 - Termination
 - Dispute resolution
 - Indemnity, liability and Insurance

Table 1: Criteria 1 – level of interaction with priority communities

Increased level of interaction triggers increased level of engagement

Tier of WCC engagement:	Level 3	Level 2	Level 1
Level of interaction with priority communities:	High level of interaction and responsibility i.e. working with priority communities is the purpose of the organisation or project	Indirect interaction with priority communities and/or do not have direct responsibility for delivery	Services or events not directly targeted to priority populations, although may be part of a general audience
Example of organisations within categories:	Zeal Education Trust DCM RespectEd Womens Refuge	Community Centres hiring spaces to third party organisations, festivals not directly targeting priority communities	Local environmental volunteer groups, Residents Associations, waste minimisation projects
Organisational policies / evidence required by WCC prior to funding approval:	Evidence of best practice / accreditation (where relevant), Health and Safety policy & risk register, HR policies related to police vetting of staff.	Health and Safety policy & risk register, HR policies related to police vetting of staff.	Health and Safety policy & risk register.
Monitoring & reporting expectations:	Minimum 6-monthly face to face meeting using templated set of questions (e.g. risk register, changes to management etc); quarterly phone call check in; annual report	Annual face to face meeting using templated set of questions; 6-monthly phone call check in; annual report	Annual report via existing reporting processes
Appointment and role of Relationship Manager (RM):	Relationship Manager appointed	Relationship Manager appointed where necessary	Managed by funding team in consultation with Council Officers

Table 2: Criteria 2 – level of financial investment

Increased level of investment triggers increased level of engagement

Tier of WCC engagement:	Level 3	Level 2	Level 1
Level of WCC investment:	Over \$100,000	\$50,000-\$100,000	Under \$50,000
Example of organisations within categories:	Zeal Education Trust DCM WELCAB	Community Centres (not including those undertaking rebuilds)	Chamber Music New Zealand Trust Group English Language Partners New Zealand Trust
Organisational policies / evidence required by WCC prior to funding approval: <i>Note specific funds have additional requirements e.g. quotes for building work</i>	Reviewed/audited financial accounts (in line with Charities Services requirements); full budget; evidence of adequate funds; conflict of interest register; CVs of board members; evidence of meeting financial regulations, organisational health check.	Reviewed/audited financial accounts (in line with Charities Services requirements); evidence of competent financial management (e.g. filing of charity report); evidence of adequate funds	Reviewed/audited financial accounts (in line with Charities Services requirements); evidence of competent financial management (e.g. filing of charity report); evidence of funds on hand
Monitoring & reporting expectations:	6-monthly report; requirement to notify of any financial risk; annual report showing full budget and expenditure use	6-monthly report; requirement to notify of any financial risk; annual report showing project budget and expenditure use	Annual report via existing reporting processes; evidence of expenditure use
Appointment and role of Relationship Manager (RM):	RM appointed and funding team member monitors reports for financial risk	RM appointed where necessary and/or funding team member monitors 6-month report for financial risk	Monitored by funding team

EXTENSION OF ARTS AND CULTURE AND SOCIAL AND RECREATION MULTI-YEAR FUNDING; 2021/2022

Purpose

1. This report asks the Grants Subcommittee to confirm funding for 36 organisations, renewing funding contracts and level of funding for one year from 1 July 2021.

Summary

2. The Council provides grants to assist community groups and organisations to undertake projects and deliver services that meet community needs. We are proposing to extend funding for 36 organisations for one year at the same level of funding as 2020/21 with an inflationary adjustment (CPI).

Recommendation/s

That the Grants Subcommittee:

1. Receive the information.
2. Agree to the allocation of funding (from 1 July 2021) for applications for #1 to #17 and #20 to #21, #26, #28 to #35, subject to the funding being available through the long-term plan.
3. Recommend that the Strategy and Policy Committee agree to the allocation of funding (from 1 July 2021) for #18, #19, #22, #25 #27 and #36, being an allocation of greater than \$100,000, subject to the funding being available through the long-term plan.

Social and Recreation Fund

- #1 Community Law Wellington and Hutt Valley Trust (Wellington Community Law Centre); \$82,836
- #2 Community Networks Wellington Inc, \$46,900
- #3 Kaibosh; \$31,267
- #4 Life Flight Trust; \$52,111
- #5 RespectEd Aotearoa; \$31,267
- #6 Surf Life Saving New Zealand Inc; \$69,693
- #7 Sustainability Trust; \$26,056
- #8 The Wellington City Mission (Anglican) Trust Board (Mayoral Relief Fund); \$23,919
- #9 The Wellington City Mission (Anglican) Trust Board; \$41,689
- #10 Vincents' Art Workshop Inc; \$62,533

#11 Wellington Free Ambulance Service Incorporated; \$96,927

#12 Wellington Rape Crisis Incorporated; \$21,887

#13 Wellington Sexual Abuse HELP Foundation; \$31,267

#14 Wellington Women's Refuge Group Inc; \$38,562

Arts and Culture Fund

#15 Arts Access Aotearoa; \$25,013

#16 BATS Theatre Limited, \$67,744

#17 Chamber Music New Zealand Trust Group; \$20,844

#18 Circa Theatre; \$180,251

#19 Creative Capital Arts Trust; \$148,596

#20 Footnote Dance Trust Board; \$26,056

#21 Island Bay Enhancement Trust; \$11,986

#22 Katherine Mansfield Birthplace Society; \$119,235

#23 New Zealand Film Festival Trust; \$15,372

#24 New Zealand Opera Ltd; \$67,744

#25 Newtown Festival Trust; \$125,067

#26 Randell Cottage Writers Trust; \$12,507

#27 Royal New Zealand Ballet; \$159,802

#28 Taki Rua Productions Society Inc; \$46,116

#29 Tawata Productions; \$41,689

#30 The Community Performing Arts Trust; \$23,971

#31 The New Zealand Portrait Gallery Trust; \$22,546

#32 The Orpheus Choir of Wellington Inc; \$18,760

#33 The Performance Arcade Trust; \$26,056

#34 The Wellington Treasure Trust; \$28,140

#35 Theatre Awards Trust; \$10,422

#36 Wellington Regional Orchestra Foundation Inc (trading as Orchestra Wellington);
\$291,822

Background

5. Grants and funding are included in the long-term and annual plans to provide an appropriate mechanism for the Council to respond to community groups and organisations that are undertaking projects or delivering services that meet a need identified by the community, align with Council's strategic goals and outcomes and rely to some extent on participation and engagement by community organisations.
6. Organisations and projects are funded through both contracts and contestable grants pools. The contestable pools provide grants that are discretionary, short-term, and generally project-based in nature. The Council also enters into multi-year contracts when it has an interest in ensuring particular activities occur that contribute to Council's strategies or policies.
7. The Strategy and Policy Committee agreed (in April 2005) to a re-configured grants framework in which organisations whose activities directly contribute to Council's strategic or policy goals would be funded through a detailed contractual arrangement a review of the funding and outcomes achieved at the end of the contract.
8. Organisations listed (#1 to #36) have been funded for delivery of outcomes in 2019/20 and 2020/21.

Discussion

9. We are recommending extending funding for these 36 organisations for one year at the same level of funding as 2020/21. Extending this funding for one year will enable Council to update funding criteria to reflect the Council's upcoming Long-term Plan 2021-2031 and associated strategies.
10. A recent review of grants management identified the need for a new strategic relationship framework and agreements with funded organisations. This framework will be implemented during 2021/22 alongside the implementation of a new Grants Management System (GMS). The implementation of the new GMS is planned for March to June 2021. Extending these current funding contracts will also allow time to implement process changes.
11. These new grants monitoring processes recommended in the review will apply to all organisations receiving funding extensions, with variations to contract terms.
12. All organisations provided three-year business plans and budgets at the start of each funding contract and provide updated information as part of their reporting. Each has annual detailed funding outcomes with six monthly and annual reporting. Release of funding for 2021/22 will be subject to receipt of satisfactory reporting, agreement on outcomes and the organisation accepting updated terms within the renewal of the contract.
13. Any recommendations over \$100,000 per annum are subject to the approval of Council at the Strategy and Policy Committee on 25 March 2021. The recommended funding is from 1 July 2021 and subject to availability of funding within the Long-term Plan (2021 to 2031).

Officers

- Jenny Rains, Manager Community Services
- Mark Farrar, Team Leader Funding and Relationships

Attachments

Nil

Author	Mark Farrar, T/I Funding & Relationships
Authoriser	Gisella Carr, Manager Arts, Culture and Community Services Claire Richardson, Chief Operating Officer

SUPPORTING INFORMATION

Engagement and Consultation

N/A

Treaty of Waitangi considerations

N/A

Financial implications

The Long-term Plan makes provision for community grants in several places: 2.1.6 – Community environmental initiatives, 3.1.4 – Grants and creative workforce, 4.1.4 – (Arts and) Cultural grants, 5.2.4 – Grants (Social and Recreation). The Social and Recreation Fund comes under project (157.1124) and Arts and Culture Fund under project (157.1098). Extension of funding sought in this paper will be subject to Council decisions through the LTP.

Policy and legislative implications

Council funds have been created to assist community initiatives in line with Council strategy. Council Officers engage and consult widely with a range of groups and organisations before funding applications are made and throughout the assessment process.

Risks / legal

Officers are working with Wellington City Council Legal Services to review existing funding contracts and variations for these contracts to give effect to the recommendations of the grants management reviews.

Climate Change impact and considerations

N/A

Communications Plan

Changes to processes and contracting for externally funded organisations are included within Communications and Engagement planning underway.

Health and Safety Impact considered

The grants review reports made recommendations to strengthen health and safety requirements in grants funding contracts. These recommendations will be implemented through revised contracts which will be used for this one-year funding extension.

Projects seeking support from Council are delivered by organisations and groups who are legal entities and responsible for health and safety of the project, events, etc. The contracts in place for funded entities will clearly set out the Council's responsibilities for health and safety and other risks, and included strengthened requirements for funded entities.