

# Summary of features of, and expectations for, the different categories of funding arrangements

**Basic principles**  
Accountability • Openness • Value for money • Lawfulness • Fairness • Integrity

Type of funding relationship	Minor conventional purchase	Major conventional purchase	Minor relational purchase	Major relational purchase	Conditional grant	Grant with limited conditions	Gift or donation
<b>Features that indicate this type of relationship</b>	Legally enforceable obligations to deliver. Likely to be an effective market. Low or moderate value. May be unplanned or once-only purchase.	Legally enforceable obligations to deliver. Likely to be an effective market. High value. High risk. Possibly long term. May have alliancing or partnership characteristics.	Legally enforceable obligations to deliver. May not be an effective market. May be a long-term relationship between the parties, even if specific contract is limited. Provider may be highly specialised.	Legally enforceable obligations to deliver. May not be an effective market. Likely to be a long term and substantial relationship between the parties. Critical supplies or services. High risk. May have alliancing or partnership characteristics.	Supports a “public good” activity, organisation, or project. Limited ability to legally enforce performance. Funding is staged; tranches released as milestones achieved. Significant conditions attached (for example, commitment of other funders, procedural checks). Often not a commercial body.	Supports a “public good” activity, organisation, or project. Limited ability to legally enforce performance. Any obligations likely to be around process and reporting. Unlikely to be a commercial body. May involve a relationship with another government.	No obligations attached. Usually very low value. Unlikely to be a commercial body.
<b>Common examples</b>	Consumables, such as stationery. Once-only professional or consultancy services.	Capital assets. IT systems. Major consultancy services.	Policy advice or peer review services from an advocacy group. Specialist professional advice. Research. Minor health services.	Residential care services. Major research programme. Ongoing professional advice.	Support for major development projects (for example, a community facility). Research grants. Ongoing support for a public interest activity or organisation.	Foreign aid. Environmental grant. Minor research. Support for specific purpose initiatives (for example, setting up a website for a community group).	Business gifts. Gifts to build relationships. Cultural courtesies. Marketing and public relations giveaways. Koha.
<b>General expectations: planning stage</b>	Any planning, decisions, and approvals follow the entity’s policies and procedures.	Formal planning and project systems put in place to manage the contract process. Suitably skilled staff assigned. Legal advice on process and contract as needed.	Any planning, decisions, and approvals follow the entity’s policies and procedures. A key person assigned to manage the particular funding arrangement. Early liaison between the key person and any others in the public entity involved in managing the relationship with the external party.	Planning, decisions, and approvals at a level appropriate to the scale of the contract. Suitably skilled staff assigned. Early liaison between the key person and any others in the public entity involved in managing the relationship with the external party. Legal advice on process and contract as needed. Assessment of risks and relationship context.	Process to check that purpose aligns with entity’s business or functions. Organisational policy and business planning to develop systems and criteria for considering applications or requests.	Process to check that purpose aligns with entity’s business or functions. Organisational policy and business planning to develop systems and criteria for considering applications or requests.	Authorised in accordance with entity’s policies.
<b>General expectations: selection stage</b>	Selection process may vary (direct negotiation, quotations, preferred suppliers, closed tenders) but will involve periodic reference to the market. May be standard form contracts, or little negotiation of terms. Documentation of agreement.	Competitive selection process (preferably open tender). Formal processes with procedural safeguards. Negotiation of specific and detailed terms and conditions. Full formal documentation of contract.	Selection process may be limited if no effective market, or if urgent and specialist goods or services needed. May be no negotiation of terms, or use of standard form contracts. Documentation of agreement, possibly through an exchange of letters.	Selection process more likely to involve direct negotiation than competitive systems. If no effective market, may use other approaches to determine price (for example, open book, benchmarking components, or independent peer review). Clear documentation of agreement and what is being funded.	Systematic process for considering applications or requests against criteria. Specific assessment of the basis for the amount of the grant sought. Clear documentation of terms of the grant and what is being funded. Clear and appropriate conditions set to manage risk and ensure suitable accountability.	Systematic process for considering applications or requests against criteria. Specific assessment of the basis for the amount of the grant sought. Clear documentation of terms of the grant and what is being funded. Some clear and appropriate conditions set to manage risk and ensure suitable accountability.	No application process. Voluntary. May be a tangible gift, or money, or time.
<b>General expectations: monitoring stage</b>	Possibly periodic payments, dependent on performance. Monitoring through normal office systems for processing receipts and invoices.	Systematic oversight. Comprehensive reporting. Payments dependent on performance.	Payments dependent on performance.	Systematic oversight. Reporting requirements tailored to situation. Periodic payments, dependent on performance. For long-term contracts, periodic review to ensure that the rationale for the arrangements continues to apply.	Regular reporting or other checks (at an appropriate level) to assess progress and whether further funds should be released, to enable funder to assess success. Payment may be in advance of delivery/performance but could be in stages to manage risk.	Payment may be in advance of delivery/performance but could be in stages to manage risk. Possibly some ongoing reporting or monitoring arrangements, depending on risk, scale, and nature of the relationship, to enable funder to assess success.	No reporting by recipient.
<b>General expectations: review stage</b>	Periodic review of satisfaction with suppliers.	Programmed review well before contract expires.	Periodic review of purchasing experience and satisfaction. Periodic discussion with external party about mutual needs and satisfaction.	Programmed or regular review to check the purpose still relevant, satisfaction of both parties, price, and any other issues.	Full reporting of achievements against the purpose of the grant.	Some reporting of achievements against the purpose of the grant.	Recording through normal office systems for minor expenditure.
<b>Sources of guidance</b>	<i>Procurement guidance for public entities</i> <i>Principles to underpin management by public entities of funding to non-government organisations</i> <i>Mandatory Rules for Procurement by Departments.</i>	<i>Procurement guidance for public entities</i> <i>Principles to underpin management by public entities of funding to non-government organisations</i> <i>Achieving public sector outcomes with private sector partners</i> <i>Mandatory Rules for Procurement by Departments.</i>	<i>Procurement guidance for public entities</i> <i>Principles to underpin management by public entities of funding to non-government organisations</i> <i>Mandatory Rules for Procurement by Departments.</i>	<i>Procurement guidance for public entities</i> <i>Principles to underpin management by public entities of funding to non-government organisations</i> <i>Achieving public sector outcomes with private sector partners</i> <i>Mandatory Rules for Procurement by Departments.</i>	<i>Principles to underpin management by public entities of funding to non-government organisations</i>	<i>Principles to underpin management by public entities of funding to non-government organisations</i>	<i>Controlling sensitive expenditure: Guidelines for public entities</i>

