

Investing in the community sector to support wellbeing

Pre Budget Submission Consultation Report 2021

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About NCOSS

The NSW Council of Social Service (NCOSS) works with and for people experiencing poverty and disadvantage to see positive change in our communities.

When rates of poverty and inequality are low, everyone in NSW benefits. With 80 years of knowledge and experience informing our vision, NCOSS is uniquely placed to bring together civil society to work with government and business to ensure communities in NSW are strong for everyone.

As the peak body for health and community services in NSW we support the sector to deliver innovative services that grow and evolve as needs and circumstances evolve.

A special thanks to all those that participated in the NCOSS 2021-2022 Pre Budget Submission consultations. We acknowledge that your time is valuable.

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Introduction

Throughout February 2021, NCOSS consulted with small, medium, and large non-government organisations (NGOs) across NSW to inform the development of the 2021-22 Pre Budget Submission (PBS). Participants included CEOs and senior managers representing twenty-eight NGOs from regional and metropolitan areas in NSW, including Far West, Northern Rivers, South Coast, Western Sydney, Mid North Coast and Sydney CBD. Consultations were also held with the Forum of Non-Government Agencies (FONGA), NSW Peaks, and the NSW Health Equity Alliance.

The consultation focused on gathering information to understand the issues faced by community sector organisations on the ground, the community sector's overall health and the sustainability of services in NSW. The consultation followed a year of challenges, presented by fires, drought, floods and COVID-19, and drew on participants experiences in responding and adapting to these challenges.

Homelessness and the lack of affordable housing were universally acknowledged as critical issues impacting on demand for services during this time.

In addition, participants were also asked to reflect on service delivery, resources and demand for services over the past five years. The most frequently reported concerns were:

- Lack of resources
- Increased demand for services
- The impact of stagnant funding, including inadequate indexation, on the delivery of services
- Increasing costs of delivering services not reflected in funding agreements
- The administrative burden from complex and lengthy tendering processes, short-term contracts, and reporting requirements for government-funded programs.

This echoed consultations undertaken by NCOSS in previous years, which have consistently identified NGO concerns about the increasing demand for services and declining funding.

This consultation indicates that the sector continues to operate under significant pressure. The strategies employed to accomplish appropriate service delivery included subsidising inadequately funded programs with fundraising and other business revenue. As these revenue streams dry up, the question arises as to how long the community sector can remain vibrant and sustainable without increased investment and support.

1. Increasing need and demand for services

While all participants identified that demand for services and the need for housing had increased significantly, some organisations seemed to be struggling more than others.

Case Study One: Increasing demand for services

A neighbourhood centre in the Hawkesbury area provides multiple services, including psychological and counselling services, as well as emergency food relief. Since COVID-19, the centre has been dealing with significantly higher demand levels, with psychological and counselling services seeing 46% new clients in 2020 (225 clients) compared to 2019 (154 clients). The demand for food relief also increased, with the centre providing more than double the number of hampers in 2020, from 30 baskets in 2019 to 60 baskets.

The centre is struggling to deal with the increasing demand. Although the centre has met demand so far through the efforts of its volunteers and staff, this is unsustainable. The centre has seen a significant increase in volunteer and staff hours (including unpaid overtime).

Throughout COVID-19, the centre has also lost \$19,500 in revenue due to the closure of their social enterprise. The lack of revenue and demand increases are putting the centre and staff under significant pressure.

Many NGOs reported that the most significant increase in demand came from older women seeking support and housing; this cohort does not fall within funded program requirements and is increasingly unable to access services. Women in this cohort have been employed in menial or low-paid jobs, often caring for children and family, and have little or no superannuation. Often living alone, these women are too young to be eligible for aged care, ineligible for programs that target families and were described as ‘forgotten’.

“More and more older women are coming into the centre that are homeless and living on the bread line. Increased rents, no affordable housing for women who are 60. Often these are women who had a long career in menial or low-paid roles, like the community sector. It is a real worry, being in that aged category myself of what happens [to these women]. They are the people in our community that are getting missed.” – Nepean Blue Mountains

The number one issue raised by participants in the Mid North Coast and the Northern Rivers was the lack of affordable housing and homelessness. The peak committee for housing and homelessness in the Northern Rivers reported the housing crisis to be the worst it has experienced and that high-paid professionals are moving from the cities to the area, driving up rents. The Premier’s Priority to house all rough sleepers has only transferred homelessness from one cohort to another.

A service for young people in the Mid North Coast reported that young people are arriving at open house inspections and competing with 100 other applicants, many professional couples and that public housing is inadequate for young people.

Participants reported that the increased demand on services is not just an increase in the number of clients; it is the complexity of the cases. An NGO in the Northern Rivers has seen a significant increase in the number of young people presenting as homeless, in comparison to five years ago when the service users were often still living at home.

2. Inadequate funding

NGOs reported that cumulative rising operational costs, stagnant funding, and inadequate indexation had created pressure on the delivery of services. In short, there was consensus that funding had not ‘kept up’ with the costs of delivering services.

While operational costs such as energy bills, rent, service vehicles, and insurance costs have increased, many NGOs reported that their core funding has not increased for many years. One NGO in Western Sydney reported that their core health funding had not increased since 1986, apart from Consumer Price Index (CPI) and the Equal Remuneration Order (ERO) supplementation in the last few years.

It was also common for NGOs to identify that funding increases linked to CPI were not keeping pace with the costs of delivering services. An NGO in the Northern Rivers reported that general costs rose by at least 5% per annum and that CPI in 2020 was only 1.4%.

“Over the years, inadequate indexation has started to take its toll, being asked every year to do even more with even less.” – Nepean Blue Mountains

Concerns about the end of the ERO supplement were widespread. Some participants reported problems with how ERO supplementation has been calculated, resulting in additional costs for organisations.

NGOs in areas prone to fire and floods were concerned whether they could afford the increased insurance premiums. There are also new costs to service delivery that are not accounted for in funding agreements, such as funding for the cost of legal services.

“We now need to find the money for legal fees as engaging with the government has become more complicated and costly.” – South Coast

Costs associated with participation in the National REDRESS Scheme (that provides reparation to victims of historical child sexual abuse) were also of concern for some NGOs. Despite being a voluntary partner and strong supporter of the scheme, one service in the South Coast reported that the financial burden of reparation for historical abuse was placing an additional impost that had not been costed.

“We are paying solicitors fees when we never used to and we are paying thousands and thousands of dollars for past claims of abuse. These are the additional cost we are not funded for and it has to come from somewhere. For small agencies, it will send them to the wall.” – South Coast

Additionally, it became apparent during the pandemic that many NGOs had outdated IT equipment and did not have the resources to invest in technologies to facilitate remote service delivery. The critical need for IT

upgrades has since been recognised by the government who has committed \$50 million towards a Social Sector Transformation Fund.

3. Doing more with less

A common theme during the consultations was the pressure to 'do more with less'. Having to do more with less has meant NGOs have had to make cuts to operational costs, professional development and staff salary increases. Cutting costs in these areas impact the organisation's ability to innovate, attract highly qualified staff, and develop cutting-edge service delivery standards.

A participant representing an NGO in Western Sydney raised concern that funding bodies were referring more complex cases to NGOs while not acknowledging the increase in cost to the organisation.

"Government has expectations that we will actually do things for nothing or we will just add on things." – Western Sydney

A South West Sydney family service organisation reported having to find additional funds to support the increasing number of families requiring intensive family case management, such as allied health specialists. Traditionally these families would be allocated to government caseworkers but are now referred to NGOs.

An NGO employing allied health professionals reduced expenditure on all staff training except for the 'bare essentials' required to meet minimum professional standard requirements. This resulted in the organisation being unable to support staff to lead evidence-based practice and be across the latest research and clinical methods.

Cost-cutting has also impacted the capacity of organisations to invest in future planning. For example, an organisation advised that they had recently terminated a pilot program, that provided workplace training developed in partnership with a university, as there was no capacity to supervise student placements and resource the administrative costs. This pilot aimed to attract recent graduates to the region and had provided essential training for graduates in professions identified as needed in the region.

One NGO explained that as they were unable to cut or shrink the services they offer, the service has been forced to cut back on 'the extras' that make a great service. The extras include programs or additional supports that they think are important for their clients and have traditionally funded themselves. Programs such as homework support and training courses, cultural safety, and education (a program where Elders and Aboriginal companies provide additional support to school-based programs). From July 2021, this program will be cut.

"You are being asked for innovation and new programs and to stretch yourself, and it comes at a time when you are using any funds you might have been able to do some of that with to subsidise government programs." – South Coast

Stagnant funding, increasing operational costs, and demand on organisations have come at the expense of early intervention programs and community capacity building for services in the Northern Rivers. An NGO in the Northern Rivers used to organise community events and Police Citizen Youth Club (PCYC) survival skills with

young people in schools. They can no longer afford to do the early intervention work because of the growing demand at the crisis end.

Organisations reported subsidising government-funded programs out of their revenue. As funding was often inadequate to cover the cost of delivering the service, careful calculations were made to ensure funds from fundraising, donations, or business revenue could cover the shortfalls. This has had a significant impact on community organisations' sustainability and innovation coming out of the sector.

Case Study Two: subsidising government programs has to come from somewhere

A multi-cultural community in the South Coast had a highly valued community centre that ran a childcare service. The service was small but had a significant impact on that community because it was community-led.

Funding for the preschool had been inadequate for some time and did not meet the actual delivery costs. The service was running at a deficit.

Last year the community centre was forced to hand over the childcare centre to a larger NGO in the South Coast region. The larger NGO was able to keep the childcare centre open by subsidising the service from funds the NGO raised through fundraising events and donations.

Prior to taking over and subsidising the childcare centre, the money raised from fundraising and donations were used to expand the NGOs' social housing portfolio to address housing affordability for low income households in the South Coast.

The money used to subsidise government-funded programs has left a gap in service delivery and stifled innovation. The example provided in case study two illustrates how inadequate funding for government funded programs reduces NGOs' ability to fund their own community service initiatives. The money raised by the South Coast NGO's fundraising and philanthropy to build social housing in the region has been diverted to support the delivery of a government-funded childcare centre; a service that the government had a responsibility to adequately fund.

Case Study Three: subsidising government-funded programs

A service in a remote area receives funding grants from two funding bodies to deliver counselling services to the region. Both funding grants are just enough to cover the wage of the counsellors. The funding does not cover the actual cost to deliver the service, including administrative and operational costs such as office space, energy, telecommunication, information technology, professional development, and training.

Over the past eight months, the organisation experienced a 40% increase in demand for their service and a 15% increase in costs. To keep their doors open, the organisation subsidises 70% of the operational costs from revenue generated by the organisation's business arm. The organisation also heavily relies on volunteers. COVID-19 placed significant pressure on the organisation as the business side was forced to close, and they lost vital revenue.

Unless there are significant changes to how organisations are funded to deliver services, this organisation believes there is a real chance they will be forced to close their doors within the next five years, just like other small community organisations in the area.

An NGO from the Far West reported an increasing number of local organisations missing out on tenders because large organisations often have more resources at their disposal to 'pad out' the funding needed to deliver the service. This has resulted in several valued local organisations closing their doors. This organisation discussed the increasing need for their organisation to carefully consider whether they can afford to sign onto service agreements when successful at a tender.

Similar examples were reflected across all regions where NCOSS consulted. Participants acknowledged that larger organisations could shift costs across multiple program funding areas and smaller organisations cannot.

Fundraising and business revenue streams that support charitable causes were impacted by COVID-19 restrictions. Charity shops have closed, older volunteers have stopped volunteering, and local businesses cannot afford to donate to local causes. Many organisations feared that the government had not factored in the significant financial contribution fundraising makes to the delivery of community services.

"Fundraising is a key issue for this year's budget because many of the services we provide are subsidised. Relationship with local businesses is critical – the two big events we have each year we haven't been able to have. It is not looking like we will get that this year as well." – South Coast

Supporting regional communities deal with multiple, overlapping or concurrent, disasters were also reported as having an impact on the sustainability of NGOs.

"We are the local, placed-based organisations governments vaunt as the critical element in both long-term recovery and resilience/preparedness – yet again we are expected to do this gruelling and exhausting (and, sadly, often traumatic) work with no additional funding or support, or any avenue to apply for additional grants/surge funding." – Blue Mountains

4. Administrative burden associated with funding requirements

A common concern was the increasing administrative burden related to funding agreements. Reporting and contractual requirements were often cited as lengthy and complicated. Short-term contracts, in particular, created administrative burdens, unnecessary instability, and disruptions to service delivery, service staff, and service users.

There was frustration at the short notice funding bodies gave organisations on whether program funding would continue. This was identified as particularly challenging in regional areas with low numbers of specialised staff. An NGO from the South Coast reported not having been advised of whether a contract due to expire in two months would be extended. The funded program was for the employment of specialised staff, including a psychologist and Aboriginal identified allied health professionals. As the service was unable to guarantee security of employment, these professionals were finding other work. There were significant recruitment costs, and more importantly, the trusting relationship forged between the staff and client was lost.

Case Study Four: short term contracts

A community development and sector support organisation in Sydney CBD received funding grants to deliver community development services for their inner-city community.

The organisation has continued to accept short-term contracts for projects that are below the cost of service provision because of a lack of alternative funding opportunities and negotiating power.

Short term contracts have made it challenging to retain staff as staff seek other positions and leave before contracts are renewed.

The ongoing difficulties in retaining staff has meant the organisation have transitioned from delivering specialist services to generalist services because generalist staff can be redeployed when grant funding changes. This transition undermines the specialist capacity of this NGO.

The time and resources required for reporting to funding bodies was of concern to many organisations. Some felt that the reporting burden was unsustainable.

"I have been doing this job for five years and I have never been so swamped with paperwork. Every six months the paperwork and desktop auditing has become just so much. I really don't think there is enough funding to keep doing this, it is just so expensive." – South Coast

The same organisation reported that the DEX reporting system was unnecessarily complicated, not fit for purpose, and was a resource drain on their organisation.

"The biggest challenge I have faced in the last five years is getting my head around DEX. Our program does just not fit into DEX, it just doesn't work ... There is no support or help, you either pay an IT company to do that or I had days and days of professional staff trying to work it out. We only get \$65k a year and we need to pay psychologists and early childhood teachers - there is no money in that bucket to be spending on that." – South Coast

Although not strictly an administrative burden, a related, frequently mentioned, drain on resources associated with funding bodies was the expectation of participation in external research, program design and reviews. It is standard practice for funding bodies to commission external consultants to review and develop programs, and for service providers to be asked to contribute expertise, without any remuneration, for this work. In short, NGOs felt that there is an expectation that service providers will supply free services to consultants. Most frequently, NGOs specifically mentioned the 'Big 4' as being guilty of this practice and questioned the efficiency of contracting out work to consultants who would then seek service providers' expertise 'for free'.

5. Mental Health and Wellbeing in the Community Service Sector

It was evident during the consultations that many NGOs are experiencing exhaustion. Participants talked about working longer hours and being increasingly reliant on volunteers. Across all consultations, there was a genuine feeling of concern for the wellbeing of community sector workers.

In one consultation, all the participants acknowledged having struggled with mental health during the past year.

"We feel exhausted, stretched, and taken for granted." – Nepean Blue Mountains

A family service organisation working with clients with very complex needs reported staff have struggled with mental health issues compounded by COVID-19. The organisation does not have the resources to provide staff with any additional supports.

"Even simple measures such as time off for peer-to-peer support cannot be resourced." – South Coast

It is not just paid staff that are feeling the pressure, one service explained that the only reason they were able to keep their doors open is because of volunteers.

"We flog the crap out of our volunteers and work them as hard as we can, and we don't pay them anything." – Far West

Conclusion

Inadequate affordable housing has continued to be a number one priority issue for many frontline organisations. When organisations cannot house clients, their issues become more complex and the work for the NGOs increases.

Stagnant funding and inadequate indexation, coupled with the increasing cost pressures, are impacting the sustainability of NGOs. Many organisations are struggling to meet the demand for services and the costs of service delivery.

Despite the challenges, the agility, strength, and innovation in the community sector was highlighted throughout the consultations. The people that work in the community sector are hardworking, compassionate and committed to supporting their communities. However, NGO staff remuneration is not proportionate to the challenging work that is required to support vulnerable people, especially without adequate resources or the necessary community infrastructure, such as affordable housing.

The pressures on NGOs are taking their toll, with burnout being common among all those we spoke to. There is a genuine feeling within the sector that their skills, knowledge, hard work and compassion are undervalued and taken for granted by funding bodies. Although, it should be remembered that NGOs, throughout the recent pandemic and natural disasters have continued to serve and work with, the communities that they are passionate about. They have shown incredible resilience.