

Follow The Dollar Reform in NSW

NCOSS Submission to the NSW Government Consultation Paper
(via online survey)



Question 1: What are your views on the proposed FTD model outlined in this paper?

NCOSS is the peak body for non-government social service organisations in NSW, which are captured under 'non-public sector entities' (NPSEs) for the purposes of this consultation. Given the limited timeframe of this consultation, NCOSS is providing broad, high-level comments only on the proposed reforms, addressing questions 1, 3 and 14.

NCOSS would firstly like to comment on the problematic timing of this reform process and question what has triggered the need for this to occur as a priority, given communities in NSW and the services that support them are still dealing with the aftershock of multiple extreme events.

As the NSW Government would well appreciate, over the last two and a half years the social service sector has been on the frontline, staffing homeless shelters, domestic violence services, disability support and aged care facilities, as well as neighbourhood centres, family support services and Aboriginal Community Controlled Organisations, to name a few. These organisations have delivered vital support that has been a lifeline for vulnerable individuals and families during difficult and uncertain times.

Where safe to do so, these organisations stayed open and provided face-to-face support during lockdowns or otherwise 'pivoted' to safely meet existing and emerging needs in their communities.

Today, the sector continues to grapple with crippling staff shortages and rising demand in the face of the pandemic, rolling natural disasters and the current cost-of-living crisis. As a consequence, it is not well-placed to discuss proposals that are not the immediate priority.

Given the potentially significant practical implications of this proposed reform – including the impact that additional audit requirements would likely have on the resourcing, operations and service delivery of an already overstretched social service sector – NCOSS is disappointed that there has not been adequate time allowed for meaningful, respectful and effective consultation with the sector.

While Treasury has briefly engaged with peak bodies, we have not had the time to consult with our respective members or sufficiently consider and understand the proposed reforms. In addition, frontline services have not been given adequate opportunity to directly engage in the consultation process.

Question 3: Do you think the proposed FTD powers appropriately balance addressing the accountability gap in the oversight of public resources with minimising the compliance considerations for on NPSEs? Why or why not?

While NCOSS agrees that it is important to ensure that public funds are being used effectively and responsibly, it is currently unclear where the 'accountability gap' exists when referring to non-government/not-for-profit NPSEs and if there are specific cohorts of NPSEs that have been identified as higher risk.

The vast majority of organisations that make up the NSW social services sector are small to medium in size, with annual revenue of less than \$5 million. They are barely surviving on small-value, short-term government grants and are heavily reliant on a low-paid female workforce, a large contingent of unpaid volunteers, and fundraising from other sources to address funding shortfalls.

These organisations are already subject to frequent, rigorous, onerous and often duplicative contractual, regulatory and reporting requirements from multiple funding bodies, including an explicit requirement to return any unspent funds over \$50 at the end of each financial year to the relevant NSW government agency.

By contrast, we continue to see billion-dollar contracts for public funds awarded to corporations for large infrastructure projects where project delays and other problems have led to soaring cost blow-outs, at the expense of taxpayers.

When it comes to assessing the risk and performance of NPSEs in receipt of public funding, the social services sector clearly should not be the focus. NCOSS suggests that FTD powers would be more effectively and reasonably used if focused on higher-risk NPSEs and their contracts, as described above.

In the meantime, improved accountability and transparency for the funding of social service organisations could begin by requiring government agencies such as the Department of Communities and Justice and NSW Health to adopt a uniform framework for reporting on funding allocations by program type, and achievement of identified year-on-year targets, in a more consistent, comprehensive and meaningful manner. This would aid the public, and the sector's understanding of government priorities, investment decisions and program changes.

Question 14: Are there any other concerns you have about the proposed model of FTD reform?

As outlined above, it is difficult to see why FTD powers are a priority for application to the social services sector at this time. There are pre-existing and ongoing concerns with the way the NSW Government funds the social services sector to support communities on behalf of the Government, requiring far more urgent attention than FTD powers.

NSW's social services sector has long struggled with short-term contracts that contain onerous and unfair terms, inadequate and uncertain indexation, discontinuity costs when funding comes to an end, and an increasingly complex and demanding operating environment.

Our recent 'High Cost of Doing Business' report (July 2022) highlights that in any one location, there will be multiple government agencies involved in procuring and supporting service delivery to local communities. Each will have different priorities, program requirements and ways of doing business with social services on the ground. This includes increasingly sophisticated risk management and accountability requirements, new service standards and delivery models, outcomes-based data collection and other developments – all of which have contributed to the growing management and administrative burden for the sector.

All these factors contribute to the risk of organisations within the sector no longer remaining viable, ultimately resulting in service discontinuity at the cost of the local communities these organisations support. These are the existing challenges that should be addressed before new FTD powers are considered.

At the very least, NCOSS suggests that if additional accountability requirements through FTD reform are under consideration, so too should other common-sense initiatives that would streamline existing, duplicative arrangements, reduce the administrative burden and ensure a sustainable social services sector. These should include:

- simplified, fairer contracts and longer contract terms;
- a population-based funding model that recognises changing demographics, growth in demand, and the efficient cost of service provision including overheads and administrative support;
- a consistent, robust approach to annual indexation; and
- standardised contract management approaches including streamlined reporting requirements across government funding agencies.

To discuss the issues raised in this submission, please contact A/Director Policy & Research Elyse Cain at elyse@ncoss.org.au.