

'A Perfect Storm'

**Pressures on
Blue Mountains
essential services
post-disasters**



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Executive Summary

Background – the broader Care Sector:

Several recent (state and national) reviews/reports have identified consistent issues and ongoing pressures on the care sector, and placed the chronic underfunding of not-for-profit community sector organisations (CSOs), and the high cost of doing business, into context.

In summary

“The sector now occupies a central role in the welfare state: designing and delivering services, providing feedback and input into the policy process, and – as a result – subject to a wide range of reform efforts aimed at enhancing its capacity to engage with both government and citizens.

Moving the Conversation Forward - a decade of reform recommendations for the community services sector – a meta-analysis of over 40 reports since 2008 – highlights four consistent areas of inquiry and reform, which have not significantly advanced in over a decade.¹

The Productivity Commission made several broad recommendations in its landmark report in 2010 with regard to the third sector, with a particular emphasis on its sustainability and resourcing:

- [that] governments are not making the most of the knowledge and expertise of NFPs when formulating policies and designing programs
- excessively short-term contracts
- tendering, contractual and reporting requirements that are disproportionate to the level of government funding and risk involved
- the sheer volume of contracts that community-based organisations have to manage. (Productivity Commission, 2010a, p. 309)”.²

For some of the history to these developments, see Appendix F, an extract from Mark Considine’s recently-released book: *The Care-less State – reforming Australia’s social services* (see page 30).

NCOSS’ *Report on The High Cost of Doing Business – Administrative & Management Overload in Smaller NGOs*³ found that:

“The health and environmental crises of 2019-2022 have demonstrated the importance of “neighbourhood” infrastructure, adding to the resilience toolkit of NSW. This study has reinforced that the role of local NGOs in building communities and forming bridges between governments and people is undervalued and should be further explored, supported and strengthened.

In this context, it is timely to acknowledge and take steps to reduce the management and administrative burden faced by these important community assets. Their ongoing effectiveness and sustainability depend on it...

Principal contributors to administrative burden have been identified as:

¹ Carey, G., Weier, G., Barnes, E., Muir, K. (2020) *Moving the Conversation Forward - A decade of reform recommendations for the community services sector* Report prepared for Community Services Industry Alliance by Centre for Social Impact UNSW, Sydney

² *op. cit.*

³ *The High Cost of Doing Business – Administrative & Management Overload In Smaller NGOs* Report prepared for NSW Council of Social Services (NCOSS) by ASK Insight 2022

- Multiple sources of funding and the consequential differing application, acquittal and reporting imposts which accompany them. It is not just a matter of repeating required tasks for each separate funder/contract but also adjusting data to match dissimilar reporting requirements, while dealing with multiple portals, logins and IT systems. Reporting timeframes can also be misaligned....
- The Overhead Myth – lower indirect costs appear to be seen as the indicator of an efficiently run organisation. This has led to inadequate provision for administrative and “back office” infrastructure in grant specifications, compared with actual costs. It makes preparing the budget for funding applications a challenge, described as “a juggling act” to attempt to meet funding guidelines while covering the real cost of service provision.
- Increased, additional compliance requirements – ranging from organisation-wide processes such as accreditation, through to more targeted initiatives such as improvements to data security.”

The report made a series of recommendations on how to remove these unnecessary burdens from smaller NGOs (see Appendix B, p11).

The CSI report *Paying what it takes - Funding indirect costs to create long-term impact*⁴ found that: “Thriving not-for-profit organisations are critical to the future productivity and wellbeing of Australia. But right now, when they are needed most, many not-for-profits are struggling. Over the past year we have explored financial vulnerability of charities in our Partners in Recovery series of reports, which included an analysis of the financial health of over 16,000 charities using Australian Charities and Not-for-Profits Commission (ACNC) data.

The reports have shown that:

- Many charities operate with thin or no margin and did so even before the COVID crisis.
- Many charities operate with limited reserves.
- A majority of charities reported that recent events had put strain on their financial operations, and more than half of the organisations were worried they would not be able to provide their services in the current economic climate....

Key findings include:

1. Indirect costs do not indicate the efficiency or effectiveness of a not-for-profit.
2. Not-for-profits ‘true’ indirect costs often far exceed the amount they are funded.
3. Caps on indirect costs leads to lower capability and effectiveness.
4. The drivers of indirect cost underfunding are complex and interrelated.”

The latest (2023) ACOSS and COSS Network report from the Australian Community Sector Survey, *At the Precipice: Australia's Community Sector through the Cost-of-living Crisis*⁵, which illuminates the impacts of increasing demand and inadequate funding across the sector, with people in desperate need being turned away from multiple providers despite senior leaders and frontline staff working longer and harder to provide support – often while coping with the impacts of the increased cost of living themselves (for more details from the report, including Recommendations, see Appendix D, p.18).

⁴ *Paying what it takes - Funding indirect costs to create long-term impact* Report by Centre for Social Impact, Philanthropy Australia & Social Ventures Australia, 2022

⁵ Cortis, N. and Blaxland, M. (2023) *At the precipice: Australia's community sector through the cost-of-living crisis, findings from the Australian Community Sector Survey*. Sydney: ACOSS

Key findings include:

Funding

- Only 9% of leaders agreed that funding covers the full cost of service delivery – a sharp reduction from last year's results (20%).
- Only 13% said their organisational overheads, such as administration, management and IT were adequately funded.
- Only 11% of leaders agreed that their organisation's mainstream of government funding adequately covers increases in wage costs.
- Only 7% of leaders said their main funding source provided adequate support to prepare for and respond to emergencies and disasters.
- Only 6% of leaders perceived indexation arrangements to be adequate.

Finances

- Only 16% of organisational leaders were expecting to see finances improve in 2023. Most leaders reported that their organisations' finances either remained stable (36%) or worsened (37%) during 2022.

Contracts

- 43% of leaders said their organisations had at least one government contract that lasted 5 years or longer, an increase from last year's results (40%).

Workforce

- Around half of participants said they felt under pressure due to understaffing. This was very high among CEOs (68%).
- Around half of staff say they feel emotionally drained from their work. Again, this was much higher for CEOs (69%).
- The proportion of staff who intend to remain in their roles in 12 months fell from 71% in 2021 to 62% in 2022.
- 75% of leaders said that, throughout 2022, it became more difficult to attract and retain staff.
- 47% of leaders said levels of turnover in their organisation are too high.

The situation in the Blue Mountains

Our local community services have always been severely underfunded – this is part of the business model governments of all stripes have adopted to maintain lower costs in the care and social sector.

Many smaller community organisations are funded (usually by State government) for a PT or FT person or equivalent, plus a computer, phone and desk, and required to “make up the difference” with a patchwork of grants and funding streams (many have up to 30 different sources, all of which require significant audit and accountability reporting) and the services of a rapidly-decreasing pool of volunteers, especially since COVID.

As The Australia Institute put it recently, we don't give 1/3 of the actual costs of critical physical infrastructure (eg to repair or build roads or bridges, build schools or hospitals) to the contractors, and require them to make up the difference with cake raffles and volunteer labour – why on earth would we do this for the social infrastructure sector?

In addition, since 2013, our local place-based services have also experienced:

- ✓ an explosion of demand, due to a combination of factors such as
 - the impact of a variety of overlapping disasters, and
 - deliberately poor government policy targeting both the voice of the sector itself and the most vulnerable in our community (i.e. our clients);
- ✓ increasingly distressed (underfunded) services in the face of this significantly increased demand;
- ✓ overwork, burn-out and loss of experienced (especially senior) staff;
- ✓ severe difficulty in attracting and retaining skilled staff (“churn”), as workers are caught in a squeeze between wages and rapidly rising costs of living (especially for housing)
 - the latest rental affordability data⁶ indicated that Australia’s rental crisis is “the worst it has ever been”;
 - for the lowest-paid essential workers (our sector), nationally only (1.1%) were affordable for an aged care worker, and less (0.9%) were affordable for an early childhood educator;
 - rents in the BM have risen since COVID (to 2021) at significantly higher rates than the rest of the State; since 2021 they have risen sharply again;
- ✓ ongoing difficulties with funding opportunities (eg eligibility criteria for grants) to fill gaps and meet demand for services
 - due to the definition of the BM as “Greater Sydney” (i.e. a suburb, like Penrith or Blacktown, with services nearby and regular accessible public transport); rather than as a peri-urban regional area/LGA, with 26 villages and 2 small towns strung along a ridgeline 100kms long;
 - for some, difficulty in achieving DGR status (which negatively impacts on their ability to apply for philanthropic grants and pay highly-qualified staff adequately via salary sacrifice arrangements);

⁶ Rental Affordability Snapshot – Essential Workers, Anglicare Australia, August 2023, p9

- ✓ requests by DCJ to “extend” many of our services for children, families and young people ‘over the border’ (Penrith & Lithgow, and occasionally Hawkesbury) – though with no additional funding/staff to meet the increased demand; and
- ✓ while very welcome indeed, two recent national decisions are impacting some of our revenue streams, as not all departments or programs are passing on even the minimum 5.75%:
 - the recent Fair Work indexation for our sector under the SHADS Award (5.75% min; 6.25% once flow-on effects from superannuation and increased Workers’ Compensation insurance are factored-in); PLUS
 - an increase of compulsory superannuation to from 10.5% to 11%.

Recommendations:

The Out-of-Home-Care (OOHC) system is broken; and the focus of much of the TEI-funded sector is no longer addressing early intervention or prevention – re-investment in this end of the spectrum is critical to preventing many of our children entering the OOHC system unnecessarily.

We appreciate Minister Kate Washington's recent announcement of a NSW Government review into the real cost of supplying essential community and social services to our community. Clearly, this is a project for the longer-term. Blue Mountains community sector appreciates that not all the current issues can be addressed instantly, nor all the monies needed for the necessary state-wide investment immediately available.

However, to assist with scoping the likely magnitude of the investment in the sector required, we propose that NSW Government fund a pilot program (min. 5 years – ideally 10 years) in the Blue Mountains that adequately resources services to run localised, community-specific, tailored programs to meet the needs of the Blue Mountains Community:

1. Social Infrastructure Investment into local place-based and community-managed services:

- Operational funding on a sliding scale, according to size of organisation - min. \$250,000 p.a. - annually-indexed core funding per local, place-based community service (eg DCJ-funded Neighbourhood Centres, youth, DV, SHS, MH, CLC, Family Support services, etc) to provide essential operational expenses, such as:
 - physical premises
 - essential staff - coordination and administration
 - overheads, and
 - infrastructure maintenance.

2. PLUS program funding based on agreed data-driven needs analysis of current gaps and un-met need in the BM

- To employ appropriately-qualified Community Development Workers, Case-workers, Youth Workers, Family Support Workers, Disability Support Workers, etc.; and
- Fund actual provision of needs-based programs and services.

3. This combined funding would cover direct and indirect costs of services to ensure compliance and effectiveness of programs. The funding would aim to provide complete funding for the community needs and fill any existing gaps in services [with a direct referral process between services].

4. Additional funding will be required to undertake a process of co-design (between an independent organisation skilled in social impact measurement, and the BM community sector) of an outcomes-based evaluation across the pilot period.

5. The recent WESTIR report on *Resilience Through Disasters*⁷ also recommended [the research was specifically into Community & Neighbourhood Centres, but the recommendations are equally valid for all local, place-based community services], echoing our own experience over the past 10 years that government:

- Provide ongoing, targeted funding to adequately cover the costs of disasters.

⁷ *Resilience Through Disaster* Report, October 2020 – WESTIR/LCSA, p. 2

- Enhance mental health support for clients and workers.
- Encourage greater collaboration and coordination between community services and local emergency management agencies.
- Encourage innovative practices and partnerships to respond to disasters.
- Adequately resource sector planning, training, and infrastructure to help services better prepare [for] and respond to disasters.
- Undertake further investigation into how [local community services] navigate [disaster] events and support [impacted residents].”

Blackheath Area Neighbourhood Centre (BANC)

Multiple funding streams and imposts on 'back office' functions –

Last financial year (2020-21) grant funding was 20% of BANC's income. The remaining 80% comes from payment-in-arrears subsidies and fees, and from fundraising.

Running these two systems alongside each other is challenging, requiring us to have 'back office' functions which can ramp up and down in response to demand. This requires detailed forecasting, constant monitoring and substantial workforce management. Additionally, collecting fees and managing debts are significant responsibilities that is not required when managing grant funding.

A casualised, low paid workforce is a significant risk. Our out of school hours care service (BOOSH) is currently closed as we are unable to recruit staff. Childcare staff are paid less than our disability support staff, as per the Awards. They are some of our hardest working staff and are no longer willing to work for such low wages. There is no funding for this service, so to increase wages we have to increase fees paid by families. The regulations and accountabilities around this service are significant, with multiple players in this space who rarely collaborate.

Cyber-security is increasingly a concern for BANC. Maintaining several online databases and portals carry added risk, which is costly and time-consuming to manage. It also requires our customer-facing staff to display a variety of skillsets, engaging service users in quality relationships in real life whilst meeting accountabilities online.

Audit and compliance requirements for multiple fee and funding streams is complex and costly. These costs and ongoing monitoring need to be factored into budget forecasts and are constant regardless of the ups and downs of service demand. All fee and funding streams require different accountabilities. We have moved to using the Common Chart of Accounts in an attempt to make this easier but find most government departments invent their own.



Belong Blue Mountains

Impact of National Wage Case and Indexation -

Issues include:

- the impact in real \$dollar terms of the national wage case across our workforce; and the impact in those services where indexation against the grants was not passed on by government departments/funding bodies;
- the impact of client-centred funding vs block, payment in arrears, and unit pricing and the real on costs incurred to provide service.

In addition, there are real on-costs to operate these services on top of Award/above Award rates:

Workers Compensation (min. 3%)	3.35%
Annual Leave Loading	1.35%
Long Service Leave	1.67%
Above award 35 hr week	8.0%
BBM Governance, Compliance, HR, Payroll, It, Insurance, Audit	23.5%
Award Indexation	 by 5.75% min. (6.25% once flow-on effects of increases in superannuation & Workers' Compensation are included)
Compulsory Superannuation	10.5%  11%

Gateway Family Services

Dept of Health NSW/PHN Mental Health Wellbeing program -

After the series of natural disasters befalling the Blue Mountains, Hawkesbury and Lithgow LGA's, in 2019 Gateway Family Services (GFS) were approached by the NBMPHN in regard to establishing a Mental Health program based on an outreach model.

This was based on the fact that many potential users of mainstream mental health services in these three LGAs were not accessing mainstream Mental Health services. We were asked to pilot a different approach, using three MH clinicians over a 24 month period as a mobile team to outreach into these LGAs (including remote pockets) and provide MH counselling and support. The program was significantly redacted during COVID-19 lockdowns and the program was extended for a further 6 months until the end of 2022.

There were significant unfinanced imposts from this project on our service.

- ❖ In preparing a budget for the program there were significant delays in that the GFS budget formulations had to significantly skew into Dept of Health format. For example, many of the items GFS would group and cost under Management as required by DCJ and DSS (such as Supervision, training, etc) were not considered appropriate by Health. A budget template to work with prior to the exercise might have avoided much back-and-forth time wasting.
- ❖ There was initially no funding for management of the project. GFS insisted this was a significant cost and an initial standard management grant of \$10,000 was made available. The overall budget for the program was in excess of \$300,000. This was an insufficient allocation to the management scope of the project. GFS wished to include a review exercise, given the 'pilot' status, but no other money was made available for this purpose. GFS subsidized the Management costs.
- ❖ Given that the funding came from the Dept of Health there was an expectation that clinicians would enter data into the Department's MDS (data base system). When it became obvious that the data set possible for a remote, mobile outreach service was significantly different from a Doctor's surgery or hospital-based mental health service, it was agreed that GFS would prepare and monitor a different data set that could be sent to the PHN on a quarterly basis as a CSV file to be uploaded into their MDS system. This never worked. Even when GFS was given direct access to the MDS portal our ability to upload data into the system was not resolved until November 2022 - just as the program was finishing. The GFS admin team spent countless hours and some direct costs in working with a consultant in order to progress this matter. Despite the PHN knowing and admitting that the MDS was a "basket case of a system", costs were undertaken at GFS's expense as there was no provision in the funding.
- ❖ And on an ethical note: While the mobile outreach approach was a welcome intervention in NSW Health's MH delivery capability, the fact that it was limited to an effective term of 24 months is extremely problematic. Clinicians had established significant therapeutic rapport and developed significant therapeutic pathways etc.; and given that these communities are already traumatized, many in the community were distressed when being told that the service was ending end-2022. For GFS there is an ethical issue in accepting short-term funding in these circumstances, where we are potentially creating further trauma by withdrawing trauma informed interventions based on short term funding parameters.

In addition to the issues raised by this particular grant program, small community organisations are disproportionately impacted by the flow-through of reporting requirements, set by State

and Federal Governments on larger primary contractors, to the delivery activities of these smaller organisations. Often, primary contractors simply duplicate the extensive (and appropriate) reporting and acquittal requirements of the lead contract into the sub-contracts covering actual program delivery. This may even be done while withholding a proportion of total funding to meet their own administrative overheads, including reporting and acquittal. Contract design needs to either provide greater funding and resourcing of the small community organisations delivering services on the ground to meet the desired level of reporting and acquittal, or provide for a more streamlined, scaled-down reporting and acquittal requirement while still maintaining appropriate oversight and transparency of the expenditure of public funds.

Platform Youth Services

Impact on Services of increasing (un-funded) costs -

Platform Youth Service receives State Government funding across three funding streams - Specialist Homeless Services, Homeless Youth Assistance Program and Premiers Youth Initiative. Additional to this Platform has numerous other revenue-raising strategies to support increasing service costs.

In 2013 the Specialist Homeless Services Going Home Staying Home Reform shifted resources and KPI's, and as a result Platform spread to cover all youth homeless services across the Nepean Blue Mountains and Hawkesbury LGAs. We are unable to precisely determine the cost specific to the Mountain services.

From 2013 Platform has experienced increasing costs to support Contractual Obligations and Compliance Regulations. These costs are covered under Corporate Support and allocated via Management Fees in our Government Contracts. This has included:

- Quality, Risk and Compliance – higher levels of specialist expertise to ensure Accreditation and Legal Compliance, risk management and ongoing Policy and Practice Compliance with various legislations resulting in the recruitment of a Quality, Risk and Compliance Manager.
- Platform has over 50 residential properties (a mix of capital and headlease) and increasing costs for maintenance and tenancy management. We outsource our property management to Link Wentworth on all properties due to lack of expertise in our team. This has reduced our potential income on rent.
- We have had to employ:
 - o a full-time Facilities Officer to assist in the management of properties and maintenance, furnishings purchases, contractor engagement, cars, equipment and all facilities-related issues;
 - o a part-time Client Data position to support the complex data collecting and analysing required to support service evidence and strategic development; and
 - o a full-time People and Culture Manager employed to manage team of 50+ staff including fair work changes, workplace reforms, rostering, recruitment, management of casuals, learning and development, appraisals, staff wellbeing, etc.
- Some contracts did not attract indexation funding, and Platform has funded the increases in wages (10% over three-year contract).
- Ongoing wage increases and changes in Fair Work have led to an erosion of wages, with majority of staff being reduced to 28-35 hours a week (previously 38hrs) – impacting service delivery capacity.
- Reduction in our brokerage allocation, due to increasing corporate costs, means we have a reduced ability to provide additional support and brokerage to clients (brokerage budget reduced by 75%).
- Self-funded projects (including Education First Model and RuffTRACK Community Outreach Partnership) will be reduced in 2024.
- Increase in legal costs due to historical claims.
- Increase in legal costs for costs associated with partnership work.
- Increase in Partnership work and requirement of a new skill set for developing business plans for corporate sponsorship, fundraising, community development, partnership development
 - o this work does not primarily increase our targets but does work toward future sustainability and future client outcomes. None of this is currently recognised in DCJ contracts.

The above issues have caused (over a 3 year period):

- Overall increase in corporate support staffing roles by 40%;
- Increase in legal fees by 80%;

- Increase in staffing costs by 21%;
- Pressure on staff to continue supporting same, or more, young people with less hours;
- Pressure on staff to support higher complex clients because of multiple disasters and pandemic;
- Increase in conflicting demands of direct staff and support staff costs - quality service relies on the backbone being adequately funded;
- Ongoing concern with DCJ management fee expectation being below reality;
- Increase in demand for compliance costs e.g.: accreditation, licencing, cyber insurance, sexual abuse insurance, consulting advice;
- Conflict between meeting client demands and actively working with other community providers to advocate for systems change and systems resourcing.

Connect Child & Family Services

'Headline Items' of current (un-funded) costs –

We are facing several challenges with increasing costs across all areas of our operations. Whilst it has been appreciated to see increased support from Government, it does not cover these increases. In some cases, costs are being unexpectedly exacerbated by Government communications and expectations on the administration of funds, due to no project levies being covered.

Workforce Costs

Recruitment

One of the biggest challenges is attracting and retaining staff to ensure uninterrupted service delivery. In FY23, we had to increase our usual budget for recruitment to attract early childhood educators and allied health professionals fourfold. We had to engage recruitment agencies and offer relocation and travel allowances to attract team members to the Blue Mountains. We are also experiencing an increase in wage negotiations at the point of offer, as private providers offer sign-on bonuses, and larger not-for-profits can create better remuneration packages. This makes it difficult for a local community-based provider to compete. Despite using various advertising channels and agencies in the past year, we have not found any Australian-based candidates for the vacant positions of speech pathologist and occupational therapist. As a result, we have more than 100 children on our waiting list for services we cannot provide.

Possum Patch – Mount Victoria

Our Early Childhood Centre in Mount Victoria can only function if we have the necessary staff to operate it within the regulations. We cannot offer more baby places to the families who want them because it is challenging to attract Diploma or higher-qualified staff. We have introduced a new travel allowance for members of the team who live more than 25km from the centre to attract team members to work in that location.

Worker's compensation

Our increase in Worker's Compensation premium this year was 30%, resulting in an unbudgeted additional WC expense for our organisation for the FY24. We are working through an appeal process with iCare.

Professional Development

We must also account for opportunities for staff to undertake professional development, which is often not subsidised; not to mention training for our teams to undertake Cyber Security and other compliance-related training, not necessarily recognised as a cost of running programs.

NDIS Pricing

Our organisation has underwritten our NDIS service costs for some time. The NDIS pricing has not changed to reflect the changes in wage recommendations from Fair Work. Last year our team's salary bill increased by 4.5%; this year 5.75% and in that period as well as 0.5% on superannuation, there has been no change in the price we can charge for this service. It makes our critical services for children with developmental delays and disabilities unsustainable. Connect has absorbed this shortfall and is now investing further resources in developing new service delivery models and seeking funding to meet our community's needs and retain our valuable staff.

No Indexation and year-to-year contact

The Department of Education funding for the Start Strong Pathways program is committed to one year at a time. This usually means that employees, at the latter end of the year, are uncertain of their ongoing employment and seek more secure arrangements. This interrupts consistency in the service and the trusting relationships that are formed. Further time and resources are spent on recruiting and inducting new team members. In FY24 this funding grant is not attracting any indexation - therefore, base funding is not increased to account for CPI/Fair work requirements for Award rates. This will be part of this year's evaluation of the funding model, however, Connect will have to find the funds to cover the cost, or pare back what we can offer children and families in FY24.

NSW Dept of Ed Start Strong Outcomes Funding for Early Childhood Education and Care

While we applaud the Government for supporting the affordability and access to early education, implementing this funding has resulted in various smaller funding streams. With five eligible services, we must manage 20 separate funding allocations, each allocation requiring both performance and financial acquittal.

NSW Affordable Pre-school Funding for Long Day Care Services

This funding stream under NSW Dept of Ed Start Strong Outcomes has been very complex to administer. This is due to little consultation and information provided to software providers to support the application of this funding. The guidelines for Approved Providers are ever-evolving and communicated as the funding was provided, not in advance. This has resulted in many hours of training required for teams to determine and comprehend guidance, protocols, and unplanned reporting needs.

Again, we applaud the Federal Government's commitment to affordable early childhood education. However, communication about the increased subsidy did not inform families of the co-existing increase in the Federal Award rates and superannuation, and that service operators would need to increase fees to accommodate the base salary increases of staff. This meant additional time for us to carefully communicate our necessary fee increase, at a time when the Federal Government were reporting that families could expect much lower fees.

Mountains Youth Services Team (MYST)

Adjusting to need –

Funding

Indexation - Our funding does not have a component for regular inflationary indexation. We were lucky enough to receive indexation for the mandated recent salary increases, however the lack of certainty and late notification (18th July 2023) makes it difficult to provide staff employment security and budgetary and resource planning.

WHS compliance - Funding is restricted to provision of services only. It does not enable upgrading of equipment and facilities that lack compliance with WHS requirements. Our current OE vehicle that transports young people was purchased in 2009 and in need of replacement for safety reasons. Current funding doesn't allow for replacement or upgrade of assets even for safety purposes. Additionally, all the ropes, harnesses, mountain bikes etc for our OE program continually need maintenance and repair to ensure client safety. MYST is compelled to find alternative grants to ensure WHS compliance and safety.

Increase in government costs - The government has not only increased the award rates but has also increased the award rate for mileage of staff members. The mileage costs have increased by 24.5% since 30th June 2022. These costs to be paid for staff that travel between sites and across the Blue Mountains to assist clients have not been included in the indexation and need to be covered by MYST.

Increase in costs - Over the past 12 months insurance for MYST has increased by 25% and our cyber security insurance has increased by 100%. These additional costs are not covered by indexation. MYST required a complete IT overhaul to remain compliant and ensure client confidentiality and reduced risk of cyber attacks. This overhaul was funded by an additional grant as no funding is provided for compliance obligations.

Multiple Funding - Due to inadequate funding from our primary funding body, MYST is required to obtain further funding from other sources such as sponsorships, fundraising activities and grants for compliance and to ensure longevity. The time allocated to writing multiple competitive grant applications in the hope you are successful as well as adding the management and acquittal of multiple grants at any one time greatly adds to admin duties that are not already funded. Additional hours are also required to undertake general fundraising activities and events in the community add to the drain on resources and increased admin in planning and to manage ongoing relationships with donors.

Human Resources

Salaries - Salaries in the sector are low and funding does not allow for many full-time employees. MYST staff are working on low pay rates with an average of 20 hours per week. With the cost of living crisis escalating we are expecting to see more staff leaving for better paying vocations and difficulty filling these vacant positions with skilled and experienced staff.

Complex Admin - MYST admin is higher as we are required to manage multiple contracts for varying staff, hours and rostering with a complex payroll. There is no provision of funding for administration to manage this complex system.

Loss of Expertise - Staff are leaving the sector to chase other better paying roles. There is not only a shortage of employees but their skills and experience cannot easily be replaced. MYST was required to close its much loved Outdoor Explore program and various youth services due to lack of available experienced staff for employment. It has become increasingly difficult to attract experienced staff with low salaries and the significant workload required.

Professional Development - Funding does not provide adequate money for training and development of staff. MYST is frequently funding training to ensure staff are maintaining current qualifications, keeping up with need and complying with their industry requirements to retain their qualifications. Recently with increased demand for Teen Mental Health Education, MYST covered the costs of training more staff to deliver the program which was \$2,500 per staff member whilst other staff worked longer hours to cover their workload.

Staff Capacity - Many staff in the sector are suffering burnout. MYST staff have been required to work longer hours to cover an increased demand with less staff as recruitment is lengthy. Our waiting lists are protracted and we have no provision for administration to manage an intake process. All staff hours are allocated to frontline assistance.

Demand

Teen Mental Health - There has been a significant increase in youth with mental health issues. All the major high schools have enlisted MYST to run Teen Mental Health First Aid in their schools to multiple age groups, requiring more training and increased hours to deliver these programs. Additionally, MYST has been approached by the Nepean Blue Mountains Local Health District to assist with the significant increase in hospitalised young people with Mental health issues and more specifically Aboriginal young people. MYST is required to meet with these young people before discharge to ensure they engage with our services for ongoing support. We are struggling to stretch our already limited resources to assist with this program. We have received no additional resources to cope with this need.

Lithgow - MYST is not currently funded to run programs in Lithgow, however we have been approached repeatedly to run Teen Mental Health, and a cultural specific Aboriginal Counselling program in the schools. The demand has increased in Lithgow with no services to assist young people with Mental health issues and counselling. We have received no additional resources to assist in Lithgow at this time.

Adapting to Local Need - As previously mentioned, the Blue Mountains is classified as "Greater Sydney" - a suburb, like Penrith, with services nearby and regular accessible public transport. The reality is that the Blue Mountains has 26 villages and 2 small towns strung along a ridgeline 100kms long with very little access to the infrastructure and services of Sydney, which makes it more in line with the issues faced by Regional NSW.

MYST has seen a significant increase in poverty in the young people of the Blue Mountains. This is consistent with the finding in the NCOSS report 'Mapping Economic Disadvantage in New South Wales', which found that "The poverty rate for young people (15-24 years) is 25% higher in rural and regional NSW compared to Greater Sydney".

The advantage of local community imbedded NGO is that are able to assess and implement additional services quickly to meet the change in needs in the community (short and long term) and as recently seen MYST adapting its services to assist the young people by employing a Financial counsellor to provide support for the pressures and stress of increase in cost of living for things such as budgeting and debt issues, with no additional funding.

Earlier Intervention needed - With limited funding and resources MYST is working to fill the gaps in need of the young people of the Blue Mountains as, children who grow up in persistent poverty are three times more likely to not finish high school compared to children who have never been poor, with significant long-term impacts on physical and mental health, employment prospects and lifetime earnings. The investment in current services now will reduce the long-term impacts for young people and future costs for government. MYST has seen an increase in enquiries for children aged 10-11 years. We now have a waiting list for this age group to receive Mental Health assistance. MYST is only funded for 12-24 years so these children are on our waiting listing for a significant period of time without receive appropriate assistance. We have recently been approached to run Mental Health programs in primary schools due to the increased need but unfortunately we are not funded for this.

Change in service provision - MYST has seen a shift in need from counselling to psychology services. We are trying to obtain additional grants to service this extremely important gap in service provision for young people as our current funding does not cover this cost.

Escalation - For the previous 6 months to 30th June 2023, MYST has assisted 10,194 young people with multiple programs tailored to ever increasing needs. This is unsustainable with the current funding levels. All new programs that are required to meet gaps in services for young people require more staff, increased hours, increased resources and admin to effectively run these programs.

Risk and Compliance

Charities and not for profits such as MYST are held at the same level of legal compliance for IT, cyber security and WHS standards as Corporate entities without the significant funding required for setup, maintenance, monitoring and upgrading. Just to ensure we legal comply with our required number of staff trained in first aid requires MYST to pay for First Aid Training, as this is not covered in funding.

Winmalee Neighbourhood Centre

Overwhelming need – poor government support

Winmalee Neighbourhood Centre has historically been underfunded through DCJ-TEI. The funding does not allow appropriate hours and pay for all staff - the General Manager volunteers 20+ hours a week, and has done so since 2009 to meet an ever-growing demand. Winmalee would not be able to operate without volunteers. They are the first point of contact for our community, and require training - however there are no extra funds for professional development of staff or volunteers.

DEX

The introduction of the DEX data portal with no extra funds has meant another layer of work. The data does highlight the increase in work and need; however when there is a large amount of data to collect and enter it takes a staff member away from their core roles. Our DEX data last financial year showed a **665% increase** in Advocacy and Support, with only 20 unidentified clients. This clearly indicates a huge need.

Emergency Relief

The Centre also receives emergency/practical relief from Department of Social Services for the SA4 region. This money (\$59,854 per annum) is shared with other services in the form of food/fuel/and Kmart vouchers to ensure no one goes without (i.e. Blackheath Area Neighbourhood Centre, Thrive Family Services, Gateway Family Services, Bligh Park Community Services, Nanna's Touch Lithgow and The Women's Cottage Richmond). With only 15% for overheads, it means extra work for staff. The grant covers Nepean, Hawkesbury, Blue Mountains, Lithgow and the Central West - which is a huge area with such little funding.

COVID

When COVID hit in 2020, we saw the emergence of another newly-vulnerable - a group who found themselves in need due to the pandemic. This finding highlighted the instability of financial security and brought to light the variable nature of risk factors that expose individuals to harm. We are also experiencing an increase in homelessness as more families in the mountains and surrounds are on the brink of homelessness as rental vacancy rates fall below one per cent — and there is no solution in sight.

The Centre remained open during the pandemic, undertaking face to face support through both lockdowns - and the need was extreme. Large charities rang to ask if we would take on their clients for utility assistance as their volunteers were older and vulnerable. Unfortunately, Australia has depended on volunteerism for too long and this was definitely apparent when the lockdowns began.

To ensure staff are paid, the Centre has had to take on a much larger workload. Signing up to Return & Earn when it first became available so we could collect bottles and cans (as we make 3 cents on every one of these) - 83,851 were collected (adding around \$25k to our coffers), but this is a lot of stacking and counting. We also collect food from Coles (Secondbite) at 8am every morning - which would otherwise go to landfill - and sort it to make sure families have access to nutritious food.

We support over 100 families a week with this food. The food is available at the Centre but also delivered to other services and the overheads to run the vehicle is becoming increasingly

expensive i.e. fuel, insurance, registration and general maintenance. The Centre also has opened an Opportunity shop to be able to pay the increasing costs in insurance, fuel, utility expenses, superannuation increase, workers compensation, upkeep of the grounds etc. This is a juggling act to manage as it requires trained volunteers to assist with the running of the shop.

The Centre has always strived to be compassionate, non-judgemental and turn no one away, but we have also sought to operate efficiently with very little funding. The ability to continue programs vindicates many of the tough operational decisions that this, and previous, management committees have made over the last several years. There are also the many hours spent seeking grants to continue to support the community, with little return.

The 'Value Proposition' of Neighbourhood Centres

Neighbourhood Centres offer accessible non-clinical services – you don't need a diagnosis to attend and they "Never say no". Centres are risk tolerant, respectful and realistic. However, we also need to consider that there is also a social justice issue of staff being able to work in a field that they love but also be able to earn, within a standard working week, enough to provide a decent standard of living for themselves and their families.

Blue Mountains Family Support (Thrive Services)

Struggling to Meet Demand & Rising Costs of Doing Business -

Blue Mountains Family Support has been supporting families since 1979 and has a strong relationship with families in the Blue Mountains as a service that is non-judgmental - we open our doors to anyone seeking assistance.

Recent cost increases to governance costs such as insurances and other compliance measures have heavily impacted on our operational budget including over \$8,000 for essential Cyber insurance; over \$20,000 in fees to bring our service in line with the ASES accreditation standards (required to maintain our Homelessness family service); over \$9,000 per year to maintain a secure client data system for reporting back to the Department of Communities and Justice; \$20,000 per year on Workers compensation; as well as rent for our Lithgow shop front, utilities, and maintenance of 2 offices.

We utilise every inch of space in our buildings and occasionally are able to let out our meeting room to other not for profits for a modest (sometimes non-existent) fee. Cost management and securing small grants to try to deliver programs for families that meet needs is a constant juggling act to ensure families can access support services when they need them and in their own community.

Each week we provide over 120 food bags through Second Bite and donated pantry items. This is not a funded service but one we undertake because we see the need. We are now seeing working families coming to us for support to make ends meet, including assistance with bills, budgeting in a rising cost environment, and underlying experiences of unstable housing or family violence. In the past 6 months fifty percent of clients report an adult struggling with mental health issues, and fifty percent of families identified financial stress as a reason for seeking help (Thrive Services reporting data). Our food relief totally relies on donations to meet this need; often, we have had to dip into our core funding to purchase staple food items as we run out frequently. We were extremely fortunate last month when we placed a paid advertisement in the Blue Mountains *Gazette* requesting donations of food, to receive over \$3,000 in cash donations and over 20 bags of food. This, however, is not a sustainable solution to keep on top of the demand.

We maintain an open door as much as possible, so families can drop in for food, a cuppa and a listening ear, whatever their concerns. The needs are many and varied - from an aged pensioner with acquired brain injury who visits us for food, struggling with his home insurance claim; to a family rendered homeless by family violence needing to stay close to a school that educates a child with special needs; to a homeless trans teen looking for food and a referral to support services.

Some of our clients are clients of other welfare services (off the Mountains), and see a case worker for an hour once a week or fortnight. When they find themselves without food for the week, or unable to give their toddler a birthday present, or they are having an asthma attack and can't afford to fill their prescription, these families will come to our door because they know us, and we are within a bus ride from their home. We never turn anyone away without some sort of assistance, or a warm referral for the right support.

Referring families on to other services, however, is becoming impossible, as long wait lists mean services don't accept referrals, and our early intervention service is left as the only service holding these families whilst they try to navigate DCJ, mental health and DV services. Families with complex needs and highly vulnerable children are now at risk of falling through the cracks as services grapple with increasing enquiries of ever more vulnerable families.

In the last two weeks of June 2023, our SHS service had 5 families come to us (in a two-week period) seeking accommodation due to termination of their lease. There were no properties under \$450 per week available.

Mountains Outreach Community Service (MOCS) - A personal story

MOCS is a small community development, non-for-profit incorporated association (7 PT staff) in the Blue Mountains, and has worked with local marginalised communities to meet their needs for over 30 years. MOCS supports individuals and groups to maintain positive mental health and wellbeing and support self-determination, social participation and cohesion - all essential aspects of a resilient community, essential in the face of the economic, social, political, civil and environmental concerns faced today and our likely future.

MOCS echos all the stories of struggle outlined by our colleagues in this paper - due to the small nature of the organisation, they experience these obstacles magnified. The low and insecure short-term levels of government funding they receive means they are stretched to meet operational costs not sufficiently covered by funding, and are stretched to meet recent increases in contractual and reporting obligations – all within existing resources. At the same time, the community needs they service have increased and become more complex, due external global and local issues like natural disasters and pandemics. Sadly, this predicament has left MOCS to often choose between meeting community need and organisational obligations, putting workers under significant strain when they are equally affected by the same issues.

So, we will share a personal story that encapsulates the issues at hand that require a paradigm shift in government strategic thinking, planning and resourcing.

The MOCS leader has been there for 5 years, a shift to living and working in the Mountains from Sydney, prompted by the need to spend more time with family and be more actively involved in their local community. A social justice advocate, like many community sector workers, they had specifically worked as a community lawyer, social justice academic and human rights educator in Sydney. When an opportunity arose to work at MOCS they were delighted to accept, and brought a wealth of knowledge and expertise to the organisation. Whilst this signified many personal benefits, it meant a significant drop in salary, less workplace support and resources, and worsening employment conditions.

The work at MOCS across the last 5 years has increased in complexity with no growth funding due to a lack of indexation, increased contractual and reporting obligations from funding bodies, new costly issues (such as cyber security, IT developments, increased staff turnover, COVID-related stress/illness), and persistent low wages. At the same time, everyone in the community (including workers) faced mega-fires, floods and a global pandemic that resulted in an exhausted and depleted team who needed more support, but had less resources.

We know from the literature that work stress and the flow-on impact of natural disasters, pandemics and socio-economic factors detrimentally impact all families - including those who use MOCS' services and rely on its workers. During this time, the MOCS organisational leader worked under increased pressure at work and, and at the same time lost their family home - and due to the parabolic property market was unable to buy a place for themselves and their dependents. Like many of the families that use MOCS' services they now co-parent and rent under the pressure of constant rent increases, housing instability in the face of a housing crisis, and significantly increased costs of living.

So, despite her commitment to MOCS, dedication to social justice work, and the skills set of the organisational leader, she is facing a situation where working in the Blue Mountains community sector is becoming untenable because of all the issues outlined above - facing the prospect that

she might need to return to work in Sydney and be away from her family because of inadequate resourcing of place-based community organisations.

If the impediments to organisational robustness outlined in this paper were adequately addressed by government to support a sector essential to the wellbeing, social participation and self-determination of its citizens, then the predicament of the MOCS leader (and many working in our sector) would mean that they are not facing these dilemmas – and the significant current issues of staff turn-over and recruitment/retention – because of the lack of sufficient recognition and government funding.

Appendix A

*Moving the Conversation Forward*⁸

Background

“The welfare state now constitutes a significant part of government spending and concern. Political scientist Esping-Andersen (1990) argues that governments are predominately occupied with the production and distribution of social wellbeing. Yet, the welfare state has been the subject of increasing ideological and political debate and scrutiny over the past three decades.

Globalisation and neoliberalism have encouraged a shift away from the more institutional welfare states of the 1960s and 1970s (Mendes, 2008). Since the 1980s it has become commonplace to speak of the ‘crisis of the welfare state’ and the ‘rolling back’ of the welfare state (i.e. a reduction in the welfare state). However, the welfare state has retained substantial public support and continues to be “underpinned by a number of powerful moral and political arguments” (Mendes 2008: 68): particularly, that the welfare state ensures personal freedom for the unemployed, promotes equity, reduces poverty and increases the wellbeing of all citizens.

Moreover, the welfare state has always been surrounded by contestation and ideological tensions. Hence, the extent to which contemporary challenges and changes to the welfare state can be called a ‘crisis’ is a point of contention. Undoubtedly, however, the ways governments ‘do business’ is changing significantly (Rodger, 2000; Mendes, 2008; Briggs, 1961). The community services and not-for-profit, or ‘third’, sector has been the subject of over two decades of concentrated reform by successive Australian Governments. Reforms have sought to shape the relationship between the sector and government, the sector and the community and the composition of the sector itself (e.g. workforce). Through the 1990s and early 2000s, the not-for-profit sector was subjected to a range of New Public Management reforms, which saw it competing for government tenders to provide services on behalf of the state (Osborne, 2010). During this time, strict gag clauses were placed on the sector to curb its ability to critique government policy (Productivity Commission, 2010a). During the Rudd-Gillard government, the third sector was the subject of a revitalisation program which saw a renewed commitment to their links with civil society and community groups, and the importance of allowing the sector to critique government and advocate for citizen needs. During this time, significant policy and governance structures were put in place to support the sector, including a National Compact, an Office for the Not-for-Profit Sector and the Australian and Charities Not-for-profit Commission. Since the change to a Liberal-National Coalition government since 2013, many of these structures have fallen away. The notable exception is the Australian Charities and Not-For-Profit Commission (ACNC), which was established as a national regulator in 2012 in order to ensure public trust and confidence in the not-for-profit sector and support its development....

The third sector has increasingly been treated as a ‘panacea’ for the challenges faced by contemporary governments and the welfare state. For example, the political Left has viewed the sector as a way to increase participation and encourage civil society to foster social change for greater social equality. Lewis (2005a: 43) argues that new governance has been actively sought in

⁸ Carey, G., Weier, G., Barnes, E., Muir, K. (2020) *Moving the Conversation Forward - A decade of reform recommendations for the community services sector* Report prepared for Community Services Industry Alliance by Centre for Social Impact UNSW, Sydney

many sectors due to growing criticisms that government has become too “big and powerful, inefficient and unproductive, outmoded and functionally and morally bankrupt”.

Conversely, interest in the sector from the Right has been fuelled by a ‘revival of the local’, where economic growth is developed from below (Fyfe, 2005). For both sides of politics, the sector is perceived as a way to address the social costs and the political repercussions associated with the rise of neoliberalism, and to reduce the fiscal burden of the welfare state on governments (Mendes, 2008; Gonzales, 2007; Fyfe, 2005; Brown, et al., 2000). Faced with fears about declining political participation, anxieties about meeting welfare needs, and worries about the nature of citizenship, “the third sector has come to be regarded as the place where politics can be democratized, active citizenship strengthened, the public sphere reinvigorated and [the design and delivery of] welfare programmes made to suit pluralistic [needs]” (Brown, et al., 2000, p. 57)....

Recently, not-for-profits have become seen as important contributors to social policy and an integral part of the modern welfare state. In part, this is because of their close connections and networks with local communities, which enable not-for-profits to undertake work such as advocacy, community development and, more generally, addressing local level social disadvantage (Dalton & Lyons, 2005; Lyons, 2001).⁴ In particular, the third sector plays an important role in the delivery of welfare relief services, along with community development and empowerment activities (Lyons, 2001); see also Dalton, B & Lyons, 2005; Productivity Commission, 2009). It is argued that while non-government organisations fulfil important service delivery roles, they do not operate or fulfill these roles in the way for-profit organisations do. For example, they provide a greater investment in communities than for-profit organisations delivering the same services (Lyons, 2001). Non-government organisations are understood to build social capital, provide spaces for active citizenship, and promote democracy through reinvigorating civil society (Passey & Lyons, 2005; Dalton & Lyons, 2005; Lyons, 2001).⁵ They are manifest of people’s ability to join together for collective action, and thus both draw on and generate social capital (Lyons, 2001). In this sense they are framed as innovative spaces where civil society may flourish (Brown et al., 2002).

The sector now occupies a central role in the welfare state: designing and delivering services, providing feedback and input into the policy process, and – as a result – subject to a wide range of reform efforts aimed at enhancing its capacity to engage with both government and citizens.”

Review Findings

“[the] review takes in the time period of 2008-to present, in order to track developments since the last concentrated effort at sector reinvigoration by the commonwealth government. Over forty reports and inquiries were searched thematically for discussion of social service provision....

Despite the number of inquiries, recommendations remain remarkably consistent over a ten-year period within each of these four themes. Broadly, they emphasise:

- The need for system integration and joined-up working across the services system
- That competition and contestability is a source of efficiency and innovation, though which models are fit-for-purpose is a source of much debate.
- That to ensure system integration and effective service delivery, governments need to act as ‘system stewards’
- As part of their role as system steward, the government needs to undertake workforce reform including attracting, training and retaining workers to the sector and ensuring good wage growth.

The fact that recommendations remained consistent over a ten year period suggests that many are not actioned, or not actioned in full. As a result, they continue to be raised by subsequent inquiries – either as the answer to why system failure has occurred (e.g. in Royal Commissions) or as an area for government reform to ensure more effective and efficient services (e.g. in Productivity Commission inquiries and government task forces).

Across all the reports examined, responsibility for enacting change is placed on government. The community sector is framed as a passive-recipient of change, which should be initiated and guided by government....

The review found that recommendations and references to the community service sector are predominately made by the Productivity Commission.

The Productivity Commission made several broad recommendations in its landmark report in 2010 with regard to the third sector, with a particular emphasis on its sustainability and resourcing:

- [that] governments are not making the most of the knowledge and expertise of NFPs when formulating policies and designing programs
- excessively short-term contracts
- tendering, contractual and reporting requirements that are disproportionate to the level of government funding and risk involved
- the sheer volume of contracts that community-based organisations have to manage. (Productivity Commission, 2010a, p. 309).

The report highlights four consistent areas of inquiry and reform, which have not significantly advanced in over a decade.

Appendix B

The High Cost of Doing Business – Administrative & Management Overload in Smaller NGOs⁹

“Context

Non-government organisations (NGOs) that do the heavy lifting during times of crisis need adequate resourcing to cover the growing administrative load they carry – that’s the reality.

We all remember the media headlines from a few years ago, chiding a prominent disaster relief NGO for keeping a percentage of bushfire donations for administration costs. Instead of praise for allocating just 10% to oversee a fund worth hundreds of millions of dollars, the organisation was lambasted as inefficient and wasteful.

For NGOs on the ground, it’s familiar territory. Smaller, local organisations have been the mainstay of the community response to recent disasters, and rightly recognised for their essential role during difficult times. But behind the scenes, it’s a different story.

In amongst rising demand, staff burnout and workforce shortages, they face a growing administrative and management burden. It’s the result of a range of factors – reliance on a multitude of funding sources, each with their own compliance and reporting requirements; the expectation of increasingly sophisticated approaches in a complex operating environment; and the discontinuity costs associated with short-term funding.

At the same time, organisations are contending with the overhead myth – the mistaken belief that lower overheads are indicative of an efficiently run organisation.

So it becomes an impossible juggling act. Applying for multiple grants to stay above water and meet community need; downplaying the real cost of service provision to comply with funder requirements; and then working unpaid hours and going without necessities to ensure the delivery of high-quality programs, while addressing funder expectations and conditions.

It’s a race to the bottom that’s termed the “non-profit starvation cycle.”

In recent times we’ve seen philanthropic bodies call this out and commit to “paying what it takes.” Increasingly, they are recognising that the spend associated with things like recruitment, supervision, staff development, IT, risk management and other governance functions is not discretionary, but essential. Furthermore, requiring organisations to comprehensively measure their results and prove their effectiveness is complex and costly.

... our report adds to the evidence-base through compelling insights into the competing and unsustainable pressures experienced by small to medium- sized organisations. It highlights that it’s not organisations themselves that are inefficient, but the fragmented service system within which they operate and the disparate, overlapping processes and requirements that apply.

Over 7,800 non-government organisations (NGOs) operate in the social service sector in NSW, employing more than 240,000 staff and providing support to over one million people each year. The vast majority are small to medium in size, with fewer than 20 employees.

⁹ *The High Cost of Doing Business – Administrative & Management Overload In Smaller NGOs* Report prepared for NSW Council of Social Services (NCOSS) by ASK Insight 2022

These organisations are embedded in their communities, accessible and trusted by local people, particularly when going through difficult times.

They offer direct services and provide immediate, practical assistance to a multitude of different groups, including older people, people with disability, those experiencing domestic violence or homelessness, households experiencing financial hardship and others.

They also play an important mediator role, helping people to understand changing messages, comply with government requirements, navigate complex service systems, and access the support they need.

The value of small to medium-sized NGOs has come to the fore during the COVID-19 pandemic and other recent natural disasters. They have demonstrated energy, flexibility, and professionalism in rising to the challenge – understanding impacts and adapting their services in the face of changing community need and circumstances.

Over recent times, anecdotal evidence suggests that NGOs have experienced a growing and increasingly complex administrative load when it comes to delivering health and social services on behalf of government.

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 NGOs 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 NGOs.

Responding to the COVID-19 pandemic (including numerous Public Health Orders); natural disasters and emergencies (most recently bushfires and floods); additional contract requirements; and one-off grants in the aftermath of COVID-19; have added a further load and additional layers of complexity.

Findings

The Study explored the administrative burdens faced by five case study organisations. It has highlighted significant inefficiencies in the current system, with each organisation dealing with a disparate set of funding, accountability, and administrative arrangements. Individual funder obligations appear to operate independently, with no awareness of, or regard for, the requirements of other funders.

Principal contributors to administrative burden have been identified as:

- Multiple sources of funding and the consequential differing application, acquittal and reporting imposts which accompany them. It is not just a matter of repeating required tasks for each separate funder/contract but also adjusting data to match dissimilar reporting requirements, while dealing with multiple portals, logins and IT systems. Reporting timeframes can also be misaligned.
 - In our small sample, we found that one organisation can be managing up to 27 separate grants/service agreements. Across the five case-study organisations, the average number of funding sources (and related contracts) was 14.8.

- Across our participant organisations, individual grant reporting can be quarterly, six monthly or every twelve months.
- The short-term nature of funding, resulting in significant “discontinuity” costs – including staff recruitment, retention and termination challenges; managing organisational growth and shrinkage; and the impacts on organisations' ability to plan. This has been exacerbated by funding related to emergency responses.
- Several of our study participants reported a substantial reduction in recent years to their core funding, despite no reduction in demand – requiring them to increase their reliance on short-term grants from a variety of sources to make up the shortfall and maintain service levels.
- The length or size of the short-term grant often bears no relation to the reporting, administrative and compliance tasks associated with it.
- The time and effort (often unpaid) in applying for, and administering, short-term grants caused organisations to question, in hindsight, whether it was worth the effort.
- The Overhead Myth – lower indirect costs appear to be seen as the indicator of an efficiently run organisation. This has led to inadequate provision for administrative and “back office” infrastructure in grant specifications, compared with actual costs. It makes preparing the budget for funding applications a challenge, described as “a juggling act” to attempt to meet funding guidelines while covering the real cost of service provision.
 - Our participant organisations reported that the costs able to be allocated within each of their funding sources to administrative and back-office functions vary significantly, ranging from 20 per cent to zero – with some funding bodies expressly prohibiting use of the grant on any indirect costs.
 - This belies the fact that effective and responsible allocation of funding towards delivery of essential community services will necessitate a range of administrative and management tasks.
- Increased, additional compliance requirements – ranging from organisation-wide processes such as accreditation, through to more targeted initiatives such as improvements to data security.
 - Our participant organisations reported additional burdens with the introduction of substantial new administrative/compliance requirements which become resource intensive projects in themselves (such as accreditation and introducing systems to measure, capture and report on client outcomes). In the main, the costs of these processes must be absorbed by the organisation.
 - With COVID-19 there has also been the experience of “scope creep,” where smaller additional requirements are added on (such as COVID-19 management plans, and cyber security plans in the wake of increased online service provision), but with no reimbursement for the additional costs incurred – which can add up, especially across multiple contracts.

Recommendations

Eight areas to address these challenges and promote improved practices and a more efficient social service system have been identified for further consideration and exploration:

1. Reduce red tape

2. Use an organisation’s Australian Charities Not-for-profit Commission (ACNC) “Charity Passport” data for standardised reporting

- 3. Longer term funding**
- 4. Trial the establishment of combined back-office/administrative hubs**
- 5. Use a prequalification process**
- 6. Standardise DCJ contract management approaches**
- 7. Streamline emergency responses**
- 8. Place-based program development**

The health and environmental crises of 2019-2022 have demonstrated the importance of “neighbourhood” infrastructure, adding to the resilience toolkit of NSW. This study has reinforced that the role of local NGOs in building communities and forming bridges between governments and people is undervalued and should be further explored, supported and strengthened.

In this context, it is timely to acknowledge and take steps to reduce the management and administrative burden faced by these important community assets. Their ongoing effectiveness and sustainability depend on it.”

Appendix C

Paying what it takes - Funding indirect costs to create long-term impact¹⁰

“Thriving not-for-profit organisations are critical to the future productivity and wellbeing of Australia. But right now, when they are needed most, many not-for-profits are struggling. Over the past year we have explored financial vulnerability of charities in our Partners in Recovery series of reports, which included an analysis of the financial health of over 16,000 charities using Australian Charities and Not-for-Profits Commission (ACNC) data.³ The reports have shown that:

- Many charities operate with thin or no margin and did so even before the COVID crisis.
- Many charities operate with limited reserves.
- A majority of charities reported that recent events had put strain on their financial operations, and more than half of the organisations were worried they would not be able to provide their services in the current economic climate.

US research has shown that one of the key drivers of this vulnerability is insufficient funding of not-for-profit ‘indirect costs’ – for example, HR, IT and finance. This is called the ‘non-profit starvation cycle’, in which funders having inaccurate expectations of how much overhead is needed to run a not-for-profit means these organisations underrepresent their costs. This leads to a sector starved of the necessary core funding required to create resilient not-for-profits delivering long-term impact on complex social issues. As a result of this research, there has been a long-running campaign in the US to change perceptions of overhead by philanthropists and the government. This campaign has been taken up by a number of influential funders, and contemporary practice in US philanthropy is moving towards a more full-cost approach to funding.

Consequently, we launched this project to look at the issue of indirect cost funding in Australia and to investigate if there was an evidence base for action to be taken to promote and support changing the practice of funders and not-for-profit organisations, with a specific focus on philanthropic funders. This report summarises the key findings from the first stage of evidence collection across the larger project.

Key findings

The evidence collected to date suggests that funding indirect costs is a problem for not-for-profits in Australia. Our work has also pointed to a number of potential actions to address the problem.

1. Indirect costs do not indicate the efficiency or effectiveness of a not-for-profit

- Research has shown that not-for-profits that spend less on indirect costs are not necessarily more efficient nor more effective than those who do not. Indeed, there is clear evidence that spending insufficient resources on indirect costs can potentially reduce overall effectiveness. However, a significant proportion of Australian funders, both philanthropic and government, only fund a specific percentage of indirect costs or still use indirect costs as a way to differentiate not-for-profits.

Suggested actions ...:

1. Funders, both philanthropic and government, should focus on impact when assessing not-for-profits.
2. Low indirect costs do not mean that a not-for-profit is being impactful, and high indirect costs do not imply that it is not impactful

¹⁰ *Paying what it takes - Funding indirect costs to create long-term impact* Report by Centre for Social Impact, Philanthropy Australia & Social Ventures Australia, 2022

3. Effective not-for-profits incur indirect costs that need to be funded to enable them to achieve their impact. Funders can increase their impact by offering full-cost funding.
4. Understanding impact requires investment in measurement systems.

2. Not-for-profits 'true' indirect costs often far exceed the amount they are funded

The average indirect costs of the not-for-profits analysed was 33% of the total costs, with significant variation between 26% and 47%. This is comparable to the minimum of 29% indirect cost funding found in a US study of 130,000 charities.

By contrast, funding agreements often only included indirect costs of between 10% and 20% of overall costs. A significant proportion of not-for-profits stated that they underreported their indirect costs to funders due to a pervasive belief that funders are unwilling to fund more than 20% of indirect costs.

Suggested action: A credible, independent set of definitions and data on indirect costs that funders and not-for-profits can use should be created. This will foster safe and honest conversations about the actual costs and help quantify how indirect costs deliver impact in not-for-profits. However, given indirect costs can vary significantly between organisations due to different models and investments, caution is needed when using them in benchmarking.

3. Caps on indirect costs leads to lower capability and effectiveness

Case study not-for-profits universally underinvested into their core capability. In comparison, a corporate sector benchmark study suggested they spent twice as much per employee on key capabilities such as IT, quality, training and marketing. We found that not-for-profits underinvest for a number of reasons:

- Their indirect costs are not fully funded.
- They have reputational concerns around indirect costs.
- There are expectations around funder willingness to pay.

Increased demand for outcomes measurement, which is typically an indirect cost for not-for-profits, and trends towards greater regulation means pressure on indirect costs is rising.

Currently, not-for-profits spend significant time searching for untied funding to shore up existing programs and introduce work-arounds to mask indirect costs. This underinvestment increases risk for beneficiaries as well as risk of non-compliance with regulations or funder requirements.

Suggested actions: Both funders and not-for-profits should be encouraged to have an open, productive dialogue around the true costs of any proposed programs or initiatives. Some philanthropic organisations have begun to adopt a more contemporary approach to funding indirect costs but they are operating independently of each other. Building off this base of good practice, funders can support each other to move towards more evidence-based methods of not-for-profit organisation assessment and funding.

4. The drivers of indirect cost underfunding are complex and interrelated

The relative complexity of measuring not-for-profit organisation effectiveness when compared to for-profit sector pushes funders towards using indirect costs as a metric. Power dynamics between funders and fundees, and the competitive environment between not-for-profits further serve to reinforce this problem and prevent open conversations about funding.

Suggested actions: Understanding the drivers of underfunding allows for the creation of better potential solutions. In particular, we suggest the following:

- Funders, both philanthropic and government, need to actively have conversations with their fundees about how their true costs can be supported. Due to power dynamics, funders will likely need to be the first mover in many conversations.
- Increased collaboration across the philanthropic sector to share learnings on how full-cost funding will help accelerate change – and potentially provide evidence to then influence government funding.
- Funders and their charity partners will be well-served by building trusting relationships built on mutual understanding, which support open and transparent conversations.
- Promote consistent approaches to measurement of outcomes by funders to support their use as an impact metric.”

Appendix D

At The Precipice: Australia's Community Sector Through The Cost-Of-Living Crisis - Findings From The Australian Community Sector Survey April 2023¹¹.

The main findings of this report (sadly) echo our experience in the Blue Mountains.

“Foreword

Last December, we released our first report from the 2022 Australian Community Sector Survey (ACSS). One particular quote, from a CEO running child and youth services in Victoria, struck me:1

“In almost thirty years in community service provision, I have never experienced a more challenging environment.”

What that report showed in clear and distressing detail is the fact that people in Australia living in poverty, disadvantage and hardship are sinking fast and struggling to find sufficient help. We know all too well now that they are the worst affected by our current economic, social and environmental conditions. They struggle to live on an immorally low level of income support.

Beneath the poverty line, they daily sacrifice at least one of food, medicines, electricity, heat, cooling and other life essentials. They consider living in tents, or caravan parks, because there are no vacant and affordable rental properties, and social housing wait lists now run into the decades.

They cannot afford to leave locations battered by regular, severe disasters and remain at risk of further catastrophe. Some choose not to leave conflict-fuelled or violent homes because of their situation. They survive with a sense of deep despair, knowing government could dramatically change their situation overnight, if it wished. People on the lowest incomes are some of our country's most resilient and resourceful people, squeezing every cent in their bank accounts in ways most people would not imagine.

One section of our country has always seen these experiences, the community sector. The pandemic highlighted how crucial community services are to our way of life. Community organisations were there first during the catastrophic 2019/20 bushfires to help communities rebuild and recover, and again and again during the series of devastating floods over the past several years. As inflation now surges, housing options dwindle and disasters become a year-round challenge, the community sector is first there again, offering support, looking for solutions and bringing dignity, respect and trust to people too often overlooked by government and others.

The findings and insights captured in this latest report, from the 2022 ACSS demonstrate a new level of exhaustion unseen in the sector's recent work. Our systems are buckling and our workforce is breaking. To survive over the past ten years, the community sector has exhausted almost every efficiency, innovation and alternative it can muster to make the most of limited funding; funding which has often lost its real value over the life of successive contracts with government. Everyone, including senior leaders and frontline staff, works longer and harder. Four years of rolling disasters has only exacerbated these trends.

¹¹ Cortis, N. and Blaxland, M. (2023) *At the precipice: Australia's community sector through the cost-of-living crisis, findings from the Australian Community Sector Survey*. Sydney: ACOSS

Now, some organisations, and many staff, are financially strained from cost-of-living pressures, with workers themselves personally impacted by disasters or the housing crisis and left with few alternatives but to consider leaving the sector altogether. Captured in this report are troubling stories from so many sector workers. One respondent said:

“I could leave my role and work at Coles as a Bakery Manager and receive a higher salary than I do in my current role. I also was offered a role to work with young people and families post suicide intervention work and would be paid less than a Coles casual employee completing online shopping.”

The above quote is the result of governments exhausting the goodwill, dedication and commitment of the community sector. People working in social services, nearing burnout from overwork and underpay, consider leaving the profession altogether despite their passion for the mission and the work. This in turn means less support available for those in our communities who have the least, resulting in less connection, less empowerment and more isolation and despair. And the starvation cycle continues.

The incoming Albanese Federal Government made solid election commitments to strengthen the community sector, including on funding, contracts and improved respect for our services and expertise. Its supplementary funding measure from the October 2022 Budget was widely welcomed and is now being administered. Survey respondents have pointed to slightly improved contract lengths with government. The government also acted to remove or nullify advocacy gag clauses in Commonwealth contracts. For their first year in office, these are positive initial steps to ensure the sector does not collapse.

The Federal Government must now fearlessly confront the structural challenges facing the community sector; challenges that have been growing for almost ten years, and now lead staff to consider whether it would be better to work as a casual in a supermarket than continue to assist people in need to rebuild their lives. It has several policy consultation processes underway in major departments that may prove to be game changers for the sector in terms of funding and improved conditions for the workforce. Yet it also promotes the notion that philanthropy, volunteers and local place-based pilot projects can fill the chasm captured in this report.

Undoubtedly, it is a time for serious, bold action to properly back the community sector and value it fairly, and to honour election commitments. The Federal Government has made much of its commitment to gender equality. The community sector is overwhelmingly a workforce of women, with too many overworked and undervalued. This situation too must be forthrightly addressed.

To deliver on its promises, the Federal Government needs to be paying the full cost of service delivery, ensuring that grants to providers keep pace with real cost increases over time. That something as fundamental as this, an ordinary part of business for other industries working with the Federal Government, could be considered a game changer, is truly incredible.

The government will also rely heavily on the community sector for its jobs and skills policy agenda. Community services work is both one of the fastest-growing areas of the labour market with rising vacancies, and has one of the highest rates of employment of women. Any chance the government has of reducing the gender pay gap, creating more flexible and supported workplace arrangements and improving pay and conditions for working women will necessitate significant, and long overdue investment in our workforce.

Our survey will continue to serve as a health check on the state of community services. If in another 12 months the figures are as bad or worse as this year, we will know that government inaction was almost certainly the deciding factor.

Executive Summary

Australia's community service sector delivers essential services to people affected by poverty, disadvantage and inequality. The sector helps people meet basic needs, build and rebuild their lives after trauma or adversity, and find supportive communities of which to be part. While the sector has been navigating chronic underfunding and other challenges for many years, these have recently intensified.

This report outlines how the community sector experienced challenges during late 2022 and the impact on organisations and staff. Data was collected as part of the Australian Community Sector Survey (ACSS), conducted by the Social Policy Research Centre at UNSW Sydney, in collaboration with the Australian Council of Social Service (ACOSS) and the State and Territory Councils of Social Service of Australia.

The information comes from 1,476 community sector staff, including 318 CEOs and senior managers, who completed the ACSS during September and early October 2022. Participants were working closely with clients and communities, in organisations directly delivering services and supports, as well as in peak bodies, and other member-based or representative organisations (see Appendix 1).

The survey captured sector workers' and leaders' experiences through a period of converging pressures affecting clients and communities, including inadequate income support payments, rapidly escalating housing costs, a cost-of-living crisis, the continued impact of the COVID-19 pandemic, fires and floods. As shown in the first report from the 2022 Australian Community Sector Survey³, few community service organisations have been able to consistently meet growing levels of need among clients and communities. This is especially the case in areas of acute shortages, such as for homelessness supports, in the context of Australia's ongoing crisis of housing affordability and accessibility.

This report provides a detailed look at the operational challenges confronting the sector, including funding, contracting and workforce issues. Service providers are facing unprecedented pressure to help growing numbers of people in need, yet resource levels remain inadequate. As a result, community organisations struggle not only to help as many people as possible, but also to plan, optimise and manage all aspects of delivering complex and essential services in a context of rising costs. Organisational leaders and frontline staff are both concerned about how much longer this situation can continue. There is a clear and unmistakable call from survey respondents for improving the adequacy of funding, ensuring government is investing in the full cost of service delivery and ensuring the best possible outcomes for people in need.

Financial position and outlook

Most leaders said their organisational finances either remained stable (36%) or worsened (37%) in 2022. Organisations that rely on philanthropy or commercial income as their most important source of funds were most financially vulnerable, with 53% of these respondents reporting their finances worsened in 2022.

“Governments appear to only want to fund front-line direct service delivery with no consideration of how organisations providing these services become and remain viable and undertake core business service requirements including reporting governments themselves require.”

(CEO, Provider of multiple services, QLD)

“Indexation needs to be considered in all grants, our costs have risen exponentially in the past 12 months and there were no provisions for that in our funding. Wage increases were also not factored in to the extent to which they have risen very recently.”

(Senior Manager, Provider of multiple service types, TAS)

“Indexation is a huge challenge facing our sector. Cost of living pressures on staff are forcing them to look for higher paid work elsewhere, rather than remain in current roles.”

(CEO, health-related service, NT)

Financial expectations for 2023 were mixed. Most leaders expected their organisation to continue its 2022 trajectory. Only 16% expect to see finances improve in 2023. Many said their organisations are being squeezed by rising operational costs and increased expectations of service delivery, without the increases in financial support required.

Government funding and contracts

Government funding remains integral to the sector’s capacity and effectiveness.

Most leaders (84%) reported that their organisations received funding from a state or territory government, and 71% received funding from the Australian Government (including from the NDIS and Primary Health Networks).

State and territory governments were the main income source for just over half of organisations (54%), with the Australian Government the most important source of funding for 31% of organisations.

A total of 43% of leaders said their organisation had at least one government contract or grant that was five years or longer. This is a slight increase from the previous year (40%)⁴.

However, while increasing prevalence of longer contracts is encouraging, organisations are constrained by deteriorating real funding levels, where indexation has not accounted for rising costs.

Adequacy of government funding

When asked about their most important stream of government funding, only 9% agreed with the statement “Funding covers the full costs of service delivery”. This figure has plummeted in the past year; in 2021 the figure was 20%.

Sector leaders reported that funding inadequacy holds back the sector’s capacity to meet levels of community need, to maintain and develop the workforce, and to monitor quality, ensure safety, collaborate with government, and plan for the future.

Coverage of workforce costs:

- Only 11% of leaders agreed that their organisation’s main stream of government funding adequately covers increases in wage costs;
- 14% agreed it enables them to attract and retain quality staff.
- 20% said funds were adequate for employing staff at appropriate classifications.

- 21% said funds adequately covered supervision for staff.

Coverage of quality and safety

- Only 14% said their main funding source provided adequate support for monitoring and evaluation.
- 35% said the funding was adequate for ensuring client and worker safety.

Collaborating with government and communities

- Only 12% said funds were adequate for involving consumers or people with lived experience.
- 14% said it adequately covered costs of engaging with government policy and reform processes.

Planning and sustainability

- Only 7% said their main funding source provided adequate support to prepare for and respond to emergencies and disasters.
- 13% said their organisational overheads, such as administration, management and IT were adequately funded.
- 18% said their main funding source allows the organisation to reliably plan for the future.

Indexation

Indexation offers a way to maintain the real value of the sector's funding over time. However, indexation is patchy and inconsistent, and is failing to maintain real funding levels.

- Only 16% said that all their government funding was indexed.
- For 10%, none of their government funding was indexed.
- Only 10% receive enough notice about indexation for their planning.
- Even fewer, only 6%, agreed that overall, indexation was adequate.

Workforce

Community sector organisations face persistent difficulties attracting and retaining suitable staff.

“One of our experienced financial counsellors left last month to become a truck driver, earning significantly more as a result.”

(CEO, Provider of multiple services, WA)

- The proportion of staff who intend to remain in their roles in 12 months fell from 71% in 2021 to 62% in 2022. Many are looking for mobility, for higher pay or more security, in their current organisation.
- 75% of leaders said that throughout 2022, it became more difficult to attract and retain staff.
- 47% of leaders said levels of turnover in their organisation are too high.

“Three of my staff were made homeless this year.”

(Senior Manager, housing and homelessness service, QLD)

Community service workers are also badly affected by the cost-of-living crisis [emphasis added].

For some it is seriously affecting whether they can continue working in the sector and maintain a decent quality of life. While certain organisations have been able to offer higher wages, this has not been an option for all. The housing crisis means affordable local accommodation for staff is lacking in several locations, making recruitment particularly difficult.

Many staff are dissatisfied with aspects of their work, which even though it is complex and challenging, is perpetually undervalued by government and others. Poor wages and conditions are affecting workers' ability to access housing, to accumulate superannuation and achieve financial stability.

- Only half (50%) agreed they receive decent pay.
- Only a third (32%) expect to have enough superannuation when they retire.

“This [attracting and retaining staff] is a continuing problem. The challenge is both the pay (we cannot compete with the private sector, government or larger charities) and also the intensity and level of work required from staff. The value of the work continues to be a strong selling point, but people are exhausted, and other sectors offer more pay for less stress.”

(CEO, Provider of multiple services, NSW)

Alarmingly, some respondents commented that it is young people or workers with non-work sources of financial security, such as a well-paid partner, who can afford to work in community services. Further, many find the non-financial rewards of working in community services have been eroded, and feel overwhelmed trying to make a difference in under-resourced organisations.

- Around half of participants said they felt under pressure due to understaffing. This was very high among CEOs (68%). Correspondingly, around half of staff say they feel emotionally drained from their work. Again, this was much higher for CEOs (69%).
- Many community sector workers continue to lack job security: 18% disagreed that their working arrangements are secure, and this was much higher for those in policy, program and research roles (32%).

Unpaid hours

In addition to their paid hours, the community sector workforce continues to contribute substantial amounts of unpaid time, helping underfunded and understaffed organisations to support as many people as possible as best they can. Reflecting high levels of community need, inadequate funding to meet demand and a strong commitment to people needing help unpaid work became increasingly prevalent during 2022.

“It seems to be accepted that workers in the community sector will do additional unpaid hours on top of low remuneration and not questioned. This leads to burnout and low quality standards of services delivered, impacting on those who need the support.”

(Senior Manager, Provider of multiple services, VIC)

Whereas in 2021, 55% of community sector workers said they had performed 1 hour or more of unpaid work in the week prior to the survey, in 2022, 68% had done so.

90% of CEOs worked 1 hour or more which was unpaid in the previous week. On average CEOs contributed 13.1 hours of unpaid work per week, in addition to an average of 35 paid hours. This equates to over 2 unpaid hours for each workday. As such, their unpaid hours comprised 26% of their total paid and unpaid working time.

- 62% of frontline workers contributed 1 hour or more of unpaid work in the last week. On average, frontline workers contributed 2.7 hours each week. Their unpaid hours comprised 8% of total work hours.
- Unpaid work was also very common in the smallest organisations (fewer than 10 staff). A total 81% of respondents in small organisations performed an average of 9.5 unpaid hours in the previous week.
- Where workers felt under pressure due to understaffing, they were more likely to report unpaid work: 77% of those experiencing understaffing did unpaid hours, compared with 45% who did not feel under pressure due to understaffing.

Strengthening the community sector: adequate and secure funding

The ACSS is integral as a sector-led, sector-owned national data initiative. It has helped understand the challenges faced by sector organisations and workers, and ways to build and support capacity, sustainability, and impact. The survey has shown consistently, over a number of years, that the community sector has been operating on a shoestring. Clearly, that shoestring is now frayed and

broken, held together by knots made by the enduring goodwill and commitment of sector staff. But the sector can only run on goodwill for so long. Workers, leaders and organisations are at breaking point. In this iteration of the ACSS, more participants, from leaders to frontline workers, have reported that the sector is struggling. They cannot maintain their valuable work without meaningful recognition, most importantly through secure, sufficient funding that enables decent sustains quality services for clients and communities.

“Commitment from government to adequate funding of the sector, and (indexed) equal pay, would be nice!”

(CEO, Provider of multiple service types, NSW)

Indeed, when asked what would strengthen the sector, the response was clear: adequate and reliable funding. Participants described this as government investment which covers the full cost of service delivery, including the provision of decent equitable wages; funding that is indexed to address changes in costs over time; and funding contracts that provide long term stability – both for community members who need ongoing service provision, and for staff who need employment security.

Recommendations

That the Federal Government:

1. **Fund the full cost of service delivery**, including infrastructure, management, workforce development and administration costs in all Commonwealth grants and contracts for community services.
2. **Apply equitable and transparent indexation to all grants and contracts** for community sector organisations, that reflects the actual increase in costs incurred by funded organisations. Ensure providers are notified in a timely manner and rates are published annually.
3. **Undertake a comprehensive service needs analysis** to better understand community need for services, drivers behind changing need and gaps in the funding of service delivery. This analysis should inform investment decisions made by government.
4. **Guarantee necessary funding for pay decisions made by the Fair Work Commission affecting the community sector.** Pay and conditions for the community sector should be improving with the introduction of industrial relations changes at the end of this year. As the main purchaser of services, the Federal Government must guarantee it will fund any relevant pay rises and improved workplace conditions for the community sector workforce arising from decisions made by the Fair Work Commission.
5. **Support people seeking to access services and reduce demand by:**
 - a. **raising the rate of working age income support payments** to at least \$76 a day to be in line with the pension; indexing payments in line with wages, as well as price increases, at least twice per year; and establishing disability and illness, and single parent supplements; and
 - b. **making housing affordable for people with low incomes** by committing to a 10 year, 25,000 dwelling per year pipeline of social housing investment; and increasing Commonwealth rent assistance to reflect rents paid by lifting the maximum threshold for CRA by 50%, which would double the payment received.
6. **Create a fairer tax system that supports services, safety nets and economic development.”**

Appendix E

Interim Economic Inclusion Advisory Committee¹².

“The Interim Economic Inclusion Advisory Committee ... provides non-binding advice on boosting economic inclusion and tackling disadvantage, including policy settings, systems and structures, and the adequacy, effectiveness and sustainability of income support payments. Its advice is to be delivered ahead of every Federal Budget.

The Committee is comprised of social security and economics experts and leaders from the community sector, advocacy organisations, unions, business, and philanthropy.”

In this first report, the Committee focussed on the most urgent areas of reform:

- Adequacy of income support;
- Full employment;
- Rewiring investment into places of recognised disadvantage;
- Reforming services and systems that compound disadvantage;
- Setting economic inclusion up for the long term.

Clearly, the Committee’s recommendations for reform potentially have significant consequences for reduction of poverty (especially for women/single parents); adequately supporting the most disadvantaged in our community (including more equitable economic and social participation); and related impacts on the community sector and its workload.

“Recommendations

Adequacy of working age payments:

Recommendation 1

The Government commit to a substantial increase in the base rates of JobSeeker Payment and related working age payments as a first priority.

Recommendation 2

The Government commit to increase Commonwealth Rent Assistance and reform its indexation to better reflect rent paid.

Recommendation 3

The Government commit to a timeframe for the full increases to be implemented, if increases are to be staged.

Recommendation 4

The Government consider any increase in income support be accompanied by, but not contingent upon, major reform of employment services to support people who have been on payments for an extended period, including exploring demand-led and place based approaches.

Full employment objective

Recommendation 5

¹² Interim Economic Inclusion Advisory Committee 2023–24 Report to Government

The Government commit to a full employment objective as a critical means of maximising economic inclusion.

Recommendation 6

The Government commit to a full employment objective receiving increased weight in the design of macroeconomic policy – both monetary and fiscal.

Recommendation 7

The Government commit to a full employment objective including a target for labour utilisation that encompasses both unemployment and underemployment; ideally expressed as a (hours-based) rate of labour underutilisation.

Interim Economic Inclusion Advisory Committee

Recommendation 8

The Government commit to an appropriate full employment target for labour utilisation, based on recent labour market outcomes, at a rate of unemployment close to 3.5 per cent. Moreover, there still being uncertainty about what the rate of unemployment can be reduced to without causing excessive wage inflation, the possibility that the target rate should be lower needs to motivate macroeconomic policy. [Expressed in terms of labour underutilisation incorporating both unemployment and underemployment, this corresponds to a target for the Australian Bureau of Statistics (ABS) (hours-based) rate of labour underutilisation of 5 per cent to 5.5 per cent.]

Recommendation 9

The Government commit to a full employment objective incorporating the objective of achieving high rates of labour utilisation for specific groups who face high barriers to employment and economic inclusion. For example, First Nations people, people with disability, young disengaged people, refugees and recent immigrants from Culturally and Linguistically Diverse (CALD) backgrounds, people living in regions with low levels of employment opportunity, and homeless people or people with insecure housing.

Recommendation 10

The Government explore broadening the full employment objective to encompass issues of job quality, for example, for inclusion in the set of Wellbeing Indicators for the 2023-24 Budget and through the Employment White Paper process. That similarly, the House Select Committee inquiry into Workforce Australia Employment Services takes a broad perspective on the objectives of the employment services system.

Addressing disadvantage in places where it is concentrated

Recommendation 11

The Government provide long-term certainty around funding provision for place based strategies, with a priority on ensuring operational continuity for successful existing initiatives.

Recommendation 12

The Government agree to a whole-of-government policy and investment framework for place based initiatives, informed by an audit of current place based initiatives and their funding, administrative and support arrangements across different levels of government and philanthropy. This work should also embrace the priorities set out by the Closing the Gap Implementation Plan.

Recommendation 13

The Commonwealth and state and territory governments should proceed with the creation of key enabling infrastructure such as a Community Data Asset to inform decision-making and measure

progress. This Community Data Asset might best be developed leveraging the National Disability Data Asset which should be fully funded and progressed without delay. The voices and agency of people in communities should be reflected in the design and implementation of data strategies. The data initiatives underway via the Closing the Gap Implementation Plan should be supported and linked where appropriate.

Recommendation 14

The Government progress two key administrative instruments to support place based strategies:

- a) Mechanisms to coordinate and control services investment into target communities from across multiple agencies and multiple levels of government.
- b) Mechanisms to support shared local decision making at scale. These should be designed in concert with similar work underway via the Closing the Gap agenda.

Recommendation 15

The Government create “Innovation zones” in partnership with a select number of communities to allow trial and learning of new social and economic development strategies, including as part of the Employment White Paper and Early Years Strategy. This opportunity should also be open to First Nations communities if it is of value to them.

Recommendation 16

The Government commit to systematic developmental and summative evaluation of all existing and new place based strategies. This should include evaluation that is properly funded and conducted independently, including randomised control trials and effective use of administrative data. The funding and continuation of individual programs should depend upon the outcomes of evaluation. Funding should be re-allocated from things that do not work to things that do, so that approaches that are found to deliver the best outcomes can be scaled up.

Recommendation 17

The Government should set out a Local Jobs Deals framework to guide future decision making and resourcing by governments, industry, the community sector and philanthropy. This framework should build on work underway through the Net Zero Economy Taskforce, Employment White Paper, Local Jobs Program, the House Select Committee inquiry into Workforce Australia Employment Services, and employment initiatives priorities under the Closing the Gap Implementation Plan.

Recommendation 18

The Government commit to an innovation, evaluation and strategic learning framework to be designed as an intrinsic part of any Local Jobs Deals framework to support agile development of localised schemes and the wider framework to support them. The evaluation strategy should be fully funded and should be developed simultaneously with program design.

Recommendation 19

The Government establish a national framework to manage an equitable and inclusive energy transition for people experiencing poverty and disadvantage, including coordination, monitoring and recommending reforms to reduce energy inequity and stress, promote access to household electrification, efficiency and renewables, and other measures to ensure people experiencing disadvantage benefit from the transition.

Recommendation 20

The Government establish an independent and properly resourced National Energy Transition Authority to manage an orderly and fair transition process for workers in emissions intensive

industries and impacted communities to support economic and social inclusion - that has governance of governments, industry, community and unions.

Recommendation 21

The Government use the Early Years Strategy to explore how it can partner with States and Territories, philanthropy and other stakeholders to expand holistic child and family models across community, school, primary health, early learning and other relevant settings, including by creating common infrastructure, workforce and standards to support these at network scale.

Recommendation 22

The Government commit to an audit of existing integrated models is undertaken, and secure resourcing provided for those which are (or have the potential to be) high performing.

Recommendation 23

Pending the outcome of recommendations 21 and 22, the Government commit to establish a forward program of projects creating a pipeline of shovel-ready capital and services projects that can be accelerated in the event that economic stimulus is required in a future downturn.

Recommendation 24

The Government work with the Secretariat of National Aboriginal and Islander Child Care (SNAICC) and other First Nations stakeholders to re-invigorate, re-fund and expand the Aboriginal Child and Family Centre model, learning the lessons of past successes and challenges. This should include a robust evaluation strategy and funding which is linked to outcomes.

Recommendation 25

The Government continue to build support for Aboriginal Community Controlled Organisations (ACCOs) so these multidisciplinary service models are led by Aboriginal and Torres Strait Islander organisations, and create a dedicated fund to support ACCO-led innovation, monitoring and evaluation.

Recommendation 26

The Government progress all actions from the Closing The Gap Implementation Plan relating to early childhood.

Recommendation 27

The Government commit that Measuring What Matters reporting includes legislated measures on economic inclusion and poverty, and an expansion of the Intergenerational Report to include forecasting, benchmarking, tracking and modelling of savings from the alleviation of disadvantage, with a specific focus on outcomes in places of persistent disadvantage.

Recommendation 28

The Government commit to use actuarial and whole-of-society modelling such as the Priority Investment Approach to underpin long-range investment in alleviation strategies, with returns tracked and savings through cost avoidance reported. This may best be first applied to communities where place based strategies are active and to delivery of the kinds of holistic integrated models set out above. New models and tools capable of capturing social and non-monetary benefits that are difficult to quantify will also be needed.

Recommendation 29

The Government commit to a whole-of-government strategic learning framework to coordinate evidence, evaluation, learning, innovation and adaptive decision-making. This includes leading cross-jurisdictional efforts to ensure data held by all levels of government is made readily available to inform and evaluate place based approaches.

Recommendation 30

The Government review public service capability to deliver a place based agenda and an appropriate skilling and workforce development program be introduced. This review should consider what arrangements, tools, capacity and resources are required for effective policy-to-practice implementation, including in cross-departmental governance and coordination.

Removing barriers to economic inclusion – families with children

Recommendation 31

The Government abolish the Activity Test on the Child Care Subsidy and commit to guaranteeing all Australian children access to three days of early childhood education and care. All children benefit from access to early childhood education and care, and government policies that ensure affordable access can lift female participation.

Recommendation 32

The Government abolish the ParentsNext program. Its resources should be redirected to a co-designed set of voluntary support programs for vulnerable families, particularly low income parents with young children who want to enter or re-enter the workforce or access more financially secure employment. These voluntary support programs should be designed with a fully-funded evaluation strategy, to inform ongoing service improvements.

Recommendation 33

The Government remove the Maintenance Income Test (MIT) from the calculation of Family Tax Benefit Part A (FTBA) for child support customers. Affected families should be provided with a similar amount of family benefits as would have resulted under the MIT. The removal of the MIT would result in more certain FTBA payments for financially vulnerable families, remove the prospect of retrospectively applied FTBA debts, and concurrently close a loophole that allows child support and FTBA to be used as vehicles for enacting financial abuse.

Advice on legislated measures on economic inclusion and poverty reduction

Recommendation 34

The Government specify and include measures on economic inclusion and poverty reduction in the legislation to establish an Economic Inclusion Advisory Committee. The legislation should follow the release of the Measuring What Matters statement and specify the process to agree targets and track progress against economic inclusion and poverty measures over time.

Recommendation 35

The Government develop a data, evidence and consultation strategy to support the legislated measures and agreed targets.

Recommendation 36

The Government establish a multidimensional poverty index to supplement legislated measures, to provide a more comprehensive picture of the nature and extent of poverty, and to enable monitoring of trends and targeting of effort by population and dimensions such as health, education and living standards.

Recommendation 37

The Government include Economic Inclusion and Poverty Reduction in the Treasury Portfolio, with the Treasurer to be the responsible Minister for setting targets and driving whole of government implementation.

Appendix F

Mark Considine's *The Care-less State – reforming Australia's social services*¹³

In this recently-released book, Considine outlines the genesis of the current woes enmeshing the care and social sector, and proposes a new paradigm which includes individual choice, professional standards, and a re-focus on “social infrastructure”.

He outlines how, back in the late 1980s, the “war of ideas over welfare and the new choice revolution” led to “an older public service model for dealing with our big social commitments” being routed. “New service markets [in employment services, childcare, aged care, VET, disability/NDIS] and the entrepreneurs who populate them won the day to become the preferred agents of public assistance. Clients became customers and care organisations became competitors. Often governments stepped back from the frontline. ... They withdrew to what was termed an enabling role – ‘buying’ rather than ‘making’ the services needed ... they often preferred to call this a change in procurement rather than privatisation. Governments decided to focus upon steering the ship of state and have non-government mercenaries do the rowing. An elephant-sized industry of private mercenaries quickly stepped on board....

The political interest in market delivery also seemed to fit with a determination ... to reduce the cost of government by making public services more efficient and by reducing people’s expectations of the state. The grand narrative to drive these assorted motives was the anchoring idea that individuals should take greater responsibility to run their own lives – and ask less from others. So, the new private delivery systems could make both government and citizens more efficient through encouraging them to make better choices [the ‘choice revolution’]”.....

A key ingredient in the motives was the rise in demand for social services and an inherited incapacity by governments to plan for significant uplifts in the need for such services... A mix of demographic and sociological shifts awakened policymakers to a coming surge in demand for things like childcare and vocational training..... Women entering the workforce in greater numbers, workers seeking further education to equip them for a new kind of economy, people with disabilities campaigning for equal rights to participate in society, family structures changing and diversifying, people living longer – each of these posed big challenges for the social service system....

The community service model now attracted criticism from some.... Nurses, teachers, and welfare professionals were no longer viewed as allies in the struggle to meet rising demand but as potential adversaries in the battle to get costs down.... Since social services are made up of only three main ingredients – human resources, infrastructure and property – the new liberalism meant rapid and widespread changes in staffing arrangements and real estate strategies. With few exceptions, the new entrepreneurs chose less qualified and cheaper staff.

In order to make these new services function, the government departments handing out contracts to private providers soon became constrained in a number of unexpected ways.

¹³ Considine, M., *The Care-less State- reforming Australia's social services*, Melbourne University Press, 2022

First and most challenging has been a gradual loss of operational expertise within government itself. Once you stop being a provider yourself, you lose the local management knowledge that helps you make continual adjustments.

Second, all the market-driven services Developed serious problems of fraud and the willing gaming of the rules by agents. This was what took place in every case when for-profit firms were admitted, and it soon infected some of the non-profits as well. And the frauds and misbehaviours were not small or inconsequential. Some of them amounted to billion-dollar failures....

Third was the decline of the non-profit sector, often depleting social services of an important source of local expertise and social capital..... To gear up for competition with larger private agents these non-profits would need to have access to bigger capital investments and expensive procurement skills. For the most part governments no longer funded infrastructure or loans to expand these services and enable innovation.....

Fourth was a political problem generated by the social markets themselves" – in essence, 'regulatory capture' and the use of previous politicians or bureaucrats as "consultants" (eg the current flurry of ex- senior US military personnel employed on our AUKUS deal for submarines).

So what are the solutions?

"The first is that we need governments to take responsibility for the whole service and in so doing to set the standard for the kind of quality service that is needed. Markets have no natural floor for questions of quality. The second is to fathom how mixed-economies of public, non-profit and for-profit services can be freed of excessive top-down regulation, where governments rain down rules to try to restrain fraud and misadventure. More expert, peer-to-peer machinery can provide the base conditions for this change... The third is to rethink the strategic role of investment in steering those services that require significant infrastructure. Training organisations require campus investments. So do childcare and aged care developments.... Without explicit government action to plan and site local services, private capital raising will continue to privilege a limited model of development.

It is not possible to fix a failing system by doing more of the same. Dialling up and down with the same instruments will change nothing. Changing the players without changing the game will not help much either. There needs to be different machinery and a different philosophy to go with it.... Such an alternative does not imply a nostalgia for public bureaucracies as sole providers of these services. Nor does it imply that private agencies have no useful role. Rather it [points] to new instruments for service delivery, for driving good results for the most vulnerable and for creating a more active role for the voice of clients and communities of interest in the end-to-end management of these services."

Moving from Choice to Voice

The market model for delivering these complex social services is locked in by rules and property rights that cannot easily be self-adjusted in the light of the bad experiences of vulnerable clients. These dynamics include its core operating structures such as the open tender, competitive neutrality, the standardised classification of clients, and the legal autonomy of agents to control their own commercial-in-confidence operating methods. This lock-in problem is central to an understanding of the way a regime of choices might have been expected to improve the lot of vulnerable classes of clients, but failed to do so.

To fix these service markets we need to do much more than simply adjust them up or down.... There are some common features that apply ... and which shine a light forward. This begins with the recognition that the generation of reforms that relied almost exclusively upon an economic model of choices and incentives has run its course... the model is exhausted. What needs to follow is an approach that rests upon the social organisation of services and the kinds of relationships that can sustain a period of innovation in favour of clients... the pendulum needs to shift back towards the real experiences of those inside the services. To get that empowerment, there needs to be a reappraisal of the role of frontline staff, together with new forms of expert mediation within a very different regulatory regime... the focus upon client experience requires an open system informed by ongoing and authoritative dialogue with the clients... throughout the service experience....

A second core feature of the alternative model is that service providers must be more strongly connected through communities of practice and independent research institutions which are able to drive better results and defend higher standards. This begins with staff at the frontline”, building worker capacity; “registering fewer approved agents who meet higher standards of service quality; ... greater transparency in the service itself and by strategies that focus on positive client outcomes above all else... – an option in favour of high-quality services in the public interest and a move away from the crisis-prone and careless models now failing their clients.”