



## **COMVOICES State of the Sector Survey – 2014 Snapshot**

A survey of over 300 community organisations shows many are under severe pressure. Most groups are doing more work than ever for less money, groups are struggling to retain qualified staff, they see threats to traditional collaboration, and a few groups are facing closure.

### **Introduction**

Over the past few months and in the lead up to the 2014 General Election, ComVoices has consistently received feedback from community organisations that they are finding it increasingly difficult to make ends meet.

To help us gain more clarity around the current reality for the sector and take a snapshot of where people in the sector are, we released a survey based around who the organisations in the Community and Voluntary Sector are, the work they deliver, who they are funded by, their resourcing and capacity and the financial viability of their organisation.

The survey was sent to all ComVoices umbrella groups (Appendix 1) which then forwarded it onto their members.

### **The response**

311 responses were received. The survey was open for eight days.

This is high response rate for a survey of this kind and indicates that the questions asked in the survey were of significant concern to the sector.

### **Summary**

The results of the survey show an increasingly fragmented, under-resourced and over-worked community sector.

This can be seen across the depth and breadth of each organisation's work, the services each organisation delivers, the way the services are funded, human resources and collaboration between agencies.

The survey highlights the high level of frustration and urgency being felt by NGOs who deliver services.

There is a lack of understanding from funders – both government and philanthropic - about the administration and infrastructure needed to support service delivery.

**Significant findings in the survey were:**

1. There were 311 responses in 8 days
2. 75% have more work than 3 years ago – but fewer than 40% have more staff than 3 years ago
3. More than 80% are doing more work than specified in contracts – 60% doing up to 25% extra, and 17% doing more than 50% extra
4. There is huge frustration with both Government and philanthropic funding contracts and competitive funding models
5. 40% were unable to offer any wage increases in the last 3 years
6. 6% report they are facing closure in the short term, because of financial pressures
7. 60% are not prepared to speak out publicly
8. Community organisations are concerned that competitive funding models are changing the collaborative nature of the sector.

*“We are restructuring, seeking new funding sources, spending reserves and contemplating winding up after reserves are exhausted.”*

## **The Organisations**

Responses were received from a cross-sector of service providers with the majority from Social Services (51%) and Disability (33%).

Significant numbers of responses were also received from Mental Health, Youth, Public Health, Aged Care and Education groups, as well as Housing and Migrant and Ethnic Groups.

## **Main Government Funders**

A number of respondents reported more than one funder, so the percentages are greater than 100%

- 50% of those responding were funded by the Ministry of Social Development
- 31% by the Ministry of Health
- 22 % by a District Health Board or Boards

21% of the respondents received no Government Funding at all.

## Part One: Service Delivery

- 75% of organisations have more people accessing their services than three years ago.
- Over 80% are delivering more services than they are contracted for. A small number of organisations commented that they did not over-deliver because they could not do this and live within their means.
- Of those who said they delivered more than contracted for:
  - nearly 60% said they delivered up to 25% more than the contract specifies
  - 17% are doing more than 50% more than the contract specifies.

*“We have had to cease offering some of our services as we are not in a position to employ staff to meet the need. Due to the high number of volunteers having to return to the workforce our volunteer base has reduced drastically. We now operate on a year-by-year basis, tailoring what we can offer to what income we are able to generate. We are not meeting all the need that is there and making the long-term sustainable change we had hoped to achieve, and this is disheartening.*”

- 35% of respondents provided comments about service delivery.

Comments fell into three broad categories:

- a) Doing More with Less – 31.5%
- b) Government contracting and funding processes – 27%
- c) Community Sector Goodwill – 15%

### a) Doing More with Less

Comments in this section highlighted the impact of funding that has not increased for some time (5 – 10 years) and costs that are steadily increasing. Coupled with this is the reality that people are requiring support with issues that are more and more complex. The impacts that organisations commented on are:

- The complexity of issues that services are dealing with requires higher skill levels from staff, but there is no capacity to either recruit staff with the necessary skill sets or to provide salary increases for existing staff.
- Organisations are spending a frustrating amount of time seeking, applying for and accounting for funding. At the same time it is more difficult to obtain funding (from both government and philanthropic sources) for operational and administrative functions

*“We are consistently over delivering and contracts are not reflecting the demand of the work, they don’t allow for pay increase for staff and the complexity of the work requires a higher standard”.*”

## **b) Government Contracting and Funding Processes**

Most of the comments in this category expressed a high level of frustration with government funding and contracting processes. Consistent themes emerged:

- Over-delivery is expected and implicit in the contributory funding model. The government wants outcomes that it is not prepared to fund.
- The government does not listen. It was felt that government is focused on their own agenda and not community needs.
- There is an integral conflict between what government values (“efficiency over effectiveness”) and what the community sector values (“quality not quantity”).

*“We have been offered 2 government contracts in the last 6 months which want 25% more work for 25% less funding.”*

*“We are ..... being asked to deliver services in isolated areas at prices which mean we would operate at a loss if we were to accept the price offered. Contract negotiation appears to be forcing organisations to do this, or pitting organisations against each other to drive down prices with little regard to the quality of services.”*

## **c) Community Sector Goodwill**

A number of respondents commented that they ‘over-delivered’ because they were committed to meeting the needs of their communities and were prepared to do whatever it takes to support people. It was widely felt that government relies on this goodwill to address the gaps in what it funds and develop innovative responses to social issues.

A number of respondents also commented that this goodwill extended to their volunteers and to staff, who frequently worked more hours than they were paid for.

*“As an NGO provider after doing this for nearly 10 years it becomes very discouraging when you have to can a programme that words for the most needy; does anybody on govt really care about the service we have given to the community or is it just about the number..... We can no longer sustain the cost cutting mentality. We can provide the needs in our town & district; we have proven outcomes but we are feeling abused and used.”*

*“While MSD work on a contributonal funding for individuals the expectation does not match the dollars to provide supports. Goodwill can only be carried so far, there appears to be no value for the people we support or the staff that go above and beyond.”*

## Part Two: Organisational Capacity

- 38% reported having more staff than three years ago.
- 25% reported having fewer staff than three years ago.
- 60% said they had re-structured in the past three years.
- Of that 60%, 40% said this was in response to their financial situation.
- 32% said they restructured to improve their services.

The largest single driver for re-structuring was the financial situation of organisations.

### Wage and Salary Increases

- 60% of organisations had offered staff wage and salary increases in the past three years.
- 40% had not.

*“The major resource in our services is the staff. In the last 3 years we have delivered a 2%, a 0.5% and hopefully this year a 1% increase. This is not keeping pace with cost increases and does not include all staff either.”*

*“Salaries are the hardest aspect of the service to fund and we are struggling to find funders that are willing to support wages. It is a heavily underpaid sector of the workforce and yet the responsibilities are extremely high.”*

35% of the comments provided in this section specifically mentioned the impact their financial situation has on staff and staffing levels. They included:

- Having to make staff redundant and/or reduce their hours. This resulted in both lack of capacity and loss of important skills and experience.
- Concerns that they did not have adequate staffing levels to deliver their services and that this was leading to stress and burnout for existing staff.
- Concerns that they could not pay staff for working extra hours, or provide adequate salary increases. They felt that they are reliant on the goodwill of staff to keep the service running.
- 17% of those who commented said that they had no paid staff, and others that they were relying more on volunteers to take the place of staff.

*“Lack of continuity of funding makes forward planning very difficult. We lose key skills to other organisations because we cannot plan sufficiently far ahead.”*

*“Cannot stop assisting people in need when funding runs out. Use reserves which makes us vulnerable to staff changes. Staff voluntarily cut their hours this year to retain jobs and deliver core services.”*

## Part Three: Financial Viability

The survey asked organisations to rate themselves against four descriptions of their financial situation and were asked to respond to each of the following statements.

- Our financial viability is poor and we could face closure
- We are struggling to make ends meet
- We are breaking even
- We are in a healthy financial position.

About one third of organisations strongly agreed they were under financial stress and were struggling to make ends meet or to just break even. Of concern is that 6% indicated they were almost certainly facing closure. Only 12% strongly agreed that they were in a healthy financial position.

- Nearly 60% of respondents are using organisational reserves to help fund service delivery.
- When asked how long they could sustain this situation 52% said between one and twelve months with only 25% saying they could go beyond 18 months.

41% of respondents provided comments about their financial viability. Of these:

- 5% said that they had no reserves, or very minimal reserves.
- 8% said that they would be trading into insolvency without an increase in funding.

The remaining comments fell into three broad categories:

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| a) The impact of the current situation     | 50% |
| b) Changes in funders' focus               | 15% |
| c) Looking for alternative funding sources | 20% |

### a) The Impact of the Current Situation

Half of the comments described how the current situation was impacting on their organisation. Many described what is effectively a consistent funding decrease over a period of time, ((ranging from 6 – 15 years) caused by rising costs and no funding increases.

The increased costs mentioned were KiwiSaver, extra annual leave entitlements, compliance and operating costs. Services in Christchurch commented that they have significantly higher rents post-Earthquakes.

The impacts of the effective decrease in funding include:

- The inability to employ more staff
- Stress
- Reducing reserves
- Overdue maintenance

A quarter of the comments expressed concern about the impact that their financial situation was having on service users. They were concerned that because the demand for service was going up

but funding was effectively going down, people were missing out on the support they needed. Several organisations commented that they were no longer able to provide support to people with higher needs, and others commented that they have had to cut 'unprofitable' services.

*"We have had to cease offering some of our services as we are not in a position to employ staff to meet the need. Due to the high number of volunteers having to return to the workforce our volunteer base has reduced drastically. We now operate on a year-by-year basis, tailoring what we can offer to what income we are able to generate. We are not meeting all the need that is there and making the long-term sustainable change we had hoped to achieve, and this is disheartening."*

A small number of organisations said that they did not over-deliver because they could not do this and still live within their means.

### **b) Changes in funders' focus**

15% of comments mentioned that their financial viability has been affected by changes in what funders will provide contracts or grants for. This applied to both government and philanthropic funders.

Around half of these said that the shift in emphasis to fund only projects with specific 'frontline' outcomes made it very difficult to obtain funding for core services. Administration and salaries were mentioned as being very difficult to obtain funding for.

Nearly a third of the organisations that commented about funders focus said that they were reliant on philanthropic funding to either fully fund or top-up their income. The time spent on applying for and reporting on funding was a consistent theme in these comments, with several organisations commenting that they felt like they were constantly fundraising.

It was also felt that services that focused on prevention were now less of a priority, and that funders' expectations were higher but funding levels were not.

A quarter of the comments in this section highlighted the impact of funding decisions on rural areas. The result of some funders wanting fewer contracting relationships was that there were fewer services being provided for rural communities by rural communities. Smaller organisations mentioned that they felt particularly vulnerable and larger organisations said that they were having to 'prop up' services in some regions.

*"We run our services on around \$115 000 per year. We ended the last financial year with an almost \$22,000 deficit. This is unheard of for us. Over the last 10 years between 0 and 13% of our funding applications was fully declined. In the 2013/14 financial year this was 41%, with not one funder giving a negative comment. Almost all were praising the services delivered and the way in which this is done."*

### **c) Looking for alternative funding sources**

20% of comments described how organisations were seeking to address their funding shortfalls. These included:

- Fundraising

- Philanthropic funding
- Generating their own income, either through social enterprise or sale of services.
- Collaborating with others.

Over a quarter of the comments mentioned collaboration, with several smaller organisations saying that they felt that they had to align with a larger organisation.

*“...groups are hurting because of increased demand on philanthropic trust, Lottery, COGS and Local govt funding.”*



## Part Four: Working Together

- 44% said they had taken part in collaborative tenders.
- Of those who had done so, 57% were successful and 43% were unsuccessful.

Organisations commented that they wanted a positive partnership with government where holistic and innovative solutions could be developed, but most felt that the current situation was adversarial and characterised by low trust.

Just over one third of comments about the contracting and funding environment expressed concern about what and how government agencies are funding services. These included:

- Demands to increase outcomes and numbers without the funding to match.
- Only funding 'pet' projects and services focused on crisis rather than funding core services.
- A feeling that government was interested only in outputs and numbers that supported a political agenda.
- Lack of transparency about how contracting decisions are made.

*"Too often Governments fall in love with new pet project fixes rather than recognising that it is the under-funding of previously "core" services that has led to the problem."*

Another quarter of the comments related to increased competition in the sector caused by competitive tendering and reduced funding. The majority of these comments expressed concern that competition was negatively impacting on relationships with other community organisations, and pitching larger organisations against smaller ones. It was felt that larger organisations have an advantage in the current environment and this was a driver for most of those who commented about pursuing collaborative ventures.

*"Collaboration is very hard to do when everyone is struggling to make ends meet. Many our volunteers are 'maxed' out and work for several organisations. Young people are hard to attract and our organisation is not as 'sexy' as the bigger, wealthy charities who have resources to promote themselves."*

## Part Five: Speaking Out

60% of organisations said they are not prepared to speak out publicly about the issues they are facing.

Of these 45% described the issues around speaking out.

### a. The issues around 'speaking out'

40% of the comments about "speaking out" detailed why organisations felt that they could not speak out:

- Not wanting to jeopardise currently positive relationships with Ministers and officials for fear that they may not support future funding.
- Restrictions in their contracts or in tendering processes.
- Lack of time.
- Several organisations said that they felt their contract managers understood the financial viability issues but were not in positions to allocate more funding.

18% said that they didn't feel that they could speak out themselves and relied on their umbrella groups and local collective networks to raise issues on their behalf.

A small number of comments mentioned the media, and that it was difficult to get issues picked up and reported accurately.

13% of respondents said that they had tried speaking out, with varying degrees of success. Some felt that they were fairly treated but the majority said that while they were listened to there was no change.

*Have done and will speak publicly but always very carefully and tactfully (and anonymously where possible) as there is a real risk of loss of contracts.*