

2016 State of the Sector Survey

SNAPSHOT

The second Snapshot Survey conducted by ComVoices shows that the stresses on our community organisations are increasing. A survey of over 280 community organisations shows that they are experiencing greater demand for services and are dealing with greater complexity, but with less funding from government and a greater reliance on alternative funding sources.

Over 280 organisations responded to the survey, which was carried out in July 2016. This is the second Snapshot Survey of the community sector conducted by ComVoices in an effort to better understand the sector's service delivery, resourcing and capacity issues. Most of the questions were the same as, or similar to those asked in 2014. There are some differences and these have been noted in the following summary of responses.

The survey was sent to all ComVoices umbrella groups (see Appendix), and distributed to their members and networks. 286 responses were received. The survey was open throughout July. The level of response is similar to the 2014 survey, providing good rates of comparison.

Summary

There is a high level of similarity between the 2014 and 2016 survey responses. Significant findings in the survey are:

Service delivery

- 65% of organisations have more work than two years ago – but only 34% have more staff than two years ago.
- 68% are doing more work than specified in contracts.
- Organisations are facing increasing complexity of needs in the clients and communities they are working with, but they have fewer resources to deal with this.

“This is a difficult time for the entire social sector – but it is not being well covered in the media and few questions asked of Ministers. Partly this is due to social service providers not wanting to ‘rock the boat’ and jeopardise their chances of securing future funding.”

Financial pressures

- 42% of organisations were unable to offer staff any wage increases in the last 2 years.
- 2% (six organisations) are facing closure and 42% are worried about their financial viability.
- Almost half of the organisations are using their reserves to help fund their service delivery, and 56% of those organisations will be able to sustain this only for one more year or less.
- The sector is highly reliant on grants and sponsorship. Organisations are spending more time trying to find alternative sources of funding, including generating their own income through trading activities.

Organisational pressures

- The sector continues to undergo restructuring, with 46% of organisations saying they have restructured in the past 2 years
- Funders are requiring more compliance and placing more restrictions on organisations, but are not increasing funding to cover the increased costs of administering grants and contracts.
- Relationships with funders are deteriorating.

Part 1: The organisations

Responses were received from a cross-sector of community and voluntary organisations and demonstrate the diversity of the sector. There are a wide variety of organisational structures and different ways of working represented in the responses, including social enterprises, not-for-profit service providers, umbrella groups, for-profit service providers, and organisations with no paid staff or government funding. This provides a challenge in finding a shared language that represents all respondents.

This year the survey asked organisations to categorise themselves according to the categories used by the Department of Internal Affairs Charities Annual Return, which differ from the categories in the 2014 survey. Despite this 14% could not find a category that fitted them, and chose 'Other'. The largest number identified with being part of the Social Services sector (34%), followed by Health (21%).

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| ▪ Social Services | 34% | ▪ Environment | 5% |
| ▪ Health | 21% | ▪ Grant making/fundraising | 5% |
| ▪ Other | 14% | ▪ Law, advocacy and politics | 3.5% |
| ▪ Education and research | 8% | ▪ Development and housing | 1% |
| ▪ Culture, sport and recreation | 7% | | |

In the 2014 survey, which had fewer and different categories, 51% of organisations identified as Social Services. 21% of the organisations did not receive any funding from central government contracting. In the 2016 survey this number has increased to 50%. This a notable difference between the surveys, and particularly interesting when in most other respects the results between the two surveys are very similar. There are a range of possible explanations for this, including:

- Loss of government contracts – 16% of organisations have had their government contracts reduced and 23% say that the total value of their contract funding has reduced.
- There are a number of newly established organisations which do not yet have government funding.

A new question for 2016 asked respondents to provide information about the percentage of income they received from different sources. This showed that grants and sponsorship were the largest funding source at 87%. This was followed by Central Government (49%) and income from service and trading operations (24%).

Part 2: Staffing and volunteers

Respondents have a total number of 53,573 people involved in the running of their organisations. These include:

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| ▪ Full-time paid employees | 10,170 |
| ▪ Part-time paid employees | 5,868 |
| ▪ Contractors | 860 |
| ▪ Volunteers | 36,675 |

Full Time Employees

65% of organisations have full-time employees. 10 organisations employ 8466 out of the 10,170, with the remaining 175 employing the remaining 1704 full-time employees.

Part Time Employees

64% of organisations have part-time employees. Once again a small number of them (5) employ a significant number (4279), with the remaining 178 employing the remaining 1589 part-time employees.

Contractors

52% of organisations employed contractors (i.e. people who are not on the payroll). 10 organisations collectively employ 683 of the contractors with the remaining 139 employing 177.

Volunteers

71% of organisations are supported by volunteers. 27 of the organisations have 100 or more volunteers, representing 91% of the total.

Several organisations noted that they had an increasing number of casual employees on their payroll and that they were not able to record this in their survey responses. The casualization of the workforce is a trend that has been observed anecdotally, and would be in line with general labour market trends.

The majority of organisations (42%) reported that they had the same number of staff as they had two years ago. Responses show that many (46%) are continuing to undergoing restructuring, although this number has dropped from 56% in the 2014 survey. The main driver for restructuring continues to be the financial situation, with 30% saying that this was their primary reason for restructuring. An increasing number of organisations (23% in 2016, compared to 15% in 2014) said that the main driver for restructuring was to change the way they are working.

Over half of the organisations (58%) have provided their staff with wage and salary increases in the past two years. Organisations which have central government contracts are more likely to have increased employee wages in the past two years (66% compared to 49% without central government contracts). It is interesting to note the main government funder of those who have been able to offer wage increases:

- Ministry of Justice 90%
- Ministry of Health 82%
- Ministry of Education 80%
- Ministry of Social Development 71%
- DHBs 42%

Neither the Ministry of Social Development nor DHBs pass on cost of living increases in their contracting arrangements.

Comments provided by organisations showed that funding pressures did not only impact on staff wages, but on staff hours as well. A number of organisations commented that they had had to reduce staff hours and were increasingly relying on volunteers. There were also a range of comments about low wages impacting on their ability to recruit staff with the necessary qualifications, skills and experience.

Part 3: Service delivery

The majority of organisations (65%) reported that more people were accessing their services than two years ago. This is similar to the 2014 survey, where 73% said they had more people accessing their services over a 3 year period.

The majority of organisations (68%) are still over-delivering on their contracted services, although this number has dropped from 82% in the 2014 survey. Organisations which report that they over-deliver are most likely to report that they are doing ok financially. Of those which report that they over-deliver, the majority (39.5%) say that they over deliver by 11–25%. This is the same as the 2014 survey. It is interesting to note that the number of organisations which say that they over-deliver by 51% or more has doubled since the 2014 survey, increasing from 8% to 16%.

Organisations also had the opportunity to comment on their ability to deliver services. Nearly half (48%) chose to comment. A small number (3%) felt that they were more confident and capable.

The remaining comments fell into 3 broad themes. Half discussed the funding and resourcing pressures they were under, and 32% commented on the increasing complexity of client and community needs. 21% of the comments related specifically to the government contracting environment.

1. Funding and resourcing pressures

50%

These comments highlighted the following pressures:

- Increased demand but decreased resources
- Income dictating what can be offered
- Fluctuating income
- Increasing reliance on fundraising and donations – it was noted that this was difficult if you were not a well-known or popular cause
- Challenges of volunteer recruitment
- Staffing issues, particularly related to recruiting and paying adequate salaries
- Increasing difficulty in finding affordable and fit for purpose premises

“Some of the application and accountability requirements mean that we spend less time supporting our clients and more time assessing and reporting progress and outcomes.”

“While MSD work on a contributory funding model 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.”

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

2. Increasing complexity of client and community needs

32%

The most frequently mentioned issues were:

- People experiencing a combination of lack of affordable housing, mental illness and addiction, social isolation, financial fear and stress
- Increasing number of people and families dealing with dementia as the population ages
- Increasing number of people with Autism Spectrum Disorder
- Navigating the system is more complex and people require advocacy but it is not funded

“We get around the same number of clients, but the issues they come with are increasingly complex and the clients more stressed and vulnerable.”

“Operational funding is increasingly difficult to obtain, and funding accountability reports are ever more complex.”

3. Government contracting environment

21%

These comments focused on two main areas:

- A perception that government priorities are not aligning with community needs and concerns about ‘funder capture’
- The extra resources (in terms of time, money and staff) required to meet increased compliance requirements, particularly the cost of technology required for data and evidence gathering, Police vetting, Health and Safety legislation changes and Charities reporting changes.

Part 4: Central Government contracting

This was a new section in the 2016 Survey.

In 2014 organisations were asked to identify their main funders, and 21% said that they received no central government funding. A significant difference in the 2016 Survey is that 51% of organisations stated that they had no central government contracts.

Of the organisations which responded to this section of the survey, their main central government funders were:

▪ Ministry of Social Development	59%	▪ Dept. of Internal Affairs	11%
▪ Ministry of Health	31%	▪ Ministry of Education	10%
▪ DHBs	22%	▪ MBIE	8%
▪ ACC	14%	▪ Dept. of Corrections	6%
▪ Ministry of Justice	11%	▪ Te Puni Kokiri	2%

These responses are very similar to the 2014 Survey.

The majority (61%) of organisations said that they had the same number of government contracts as they had two years ago. 16% reported that the number of contracts had decreased.

20% reported that their number of contracts had increased, with a notable increase being in the number of contracts with the Dept of Corrections.

In 2014 a majority (57%) of organisations reported they had worked on a collaborative tender with another organisation, but this has dropped significantly to 30% in 2016.

Half of the organisations reported that the specifications in their government contracts had not changed significantly over the past two years. 44% reported that their contracts had changed, and some noted that the changes were due to take effect on 1 July 2016. 5% of respondents were yet to receive confirmation of their contracts, a month into the new financial and contracting year.

The majority of organisations (73%) are on outcomes based contracts, and 40% said that the time to administer and/or report back on their contracts had increased. The majority (52%), however, said that their reporting times had stayed the same.

The value of contracts had stayed the same for the majority (53%) of organisations, but 23% reported that they had reduced.

68% of organisations said that they had no concerns about speaking out publicly on the issues they were facing. This is a significant difference to the results of the 2014 survey, when 60% said that they were not prepared to speak out publicly. It is of note that half of the organisations in 2016 do not have central government contracts.

Half the organisations felt that, overall, changes in government contracting had not been of benefit to their organisation. Only 20% said they had been of benefit and the remainder (31%) were unsure.

Organisations were asked to comment on the overall impact of contracting changes and 72 provided comments.

“As well as the impact of increased costs of administration (new legislative requirements, including Health & Safety) the enormous uncertainty caused has made it very difficult to plan ahead and we have stagnated to some degree.”

“We have seen no changes. We are still audited by multiple agencies all asking for the same information. It continues to take up huge amounts of time and in the case of one government ministry costs more than the grant they give us, despite being a long-term highly successful deliverer of services.”

A small number of organisations noted that they did not yet fully understand the impact of contracting changes as their new contracts would take effect in the coming financial year. Of those that shared comments on the impact of contracting changes to date, three main themes emerged.

“We have been involved in Results Based Accountability (RBA) and Streamlined Contracting – both are highly worthwhile concepts but poorly executed by the Ministries. The result is a lot of time and effort on our part for little real benefit yet.”

1. Reduced income, certainty and capacity 53%

Over half of these comments described having to do more with less. The remainder said that they:

- Had less capacity to innovate
- Were more reliant on other funding sources
- Were facing greater competition for resources
- Had greater uncertainty about the future (24%)

“The amount of our grant has decreased and forced us to create income rather than provide services.”

2. Increased compliance and restrictions on what they are contracted to do 15%

3. Positive aspects of outcomes based contracts 15%

Some organisations felt that there were positive aspects to outcomes based contracts. These included:

- It was easier to report due to clearer outcomes
- Greater contract flexibility
- Improved lines of accountability
- Improved professionalization

Part 5: Financial viability

The survey asked organisations to rank their current viability on a scale of 1–5.

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| 1. We are facing closure as we are not financially viable | 2% |
| 2. We may be facing closure due to poor financial viability | 6% |
| 3. We are struggling to make ends meet | 33% |
| 4. We are doing ok financially | 48% |
| 5. We are in a very healthy financial position | 10% |

“Cash reserves built up over a very long period are now being used to deliver day to day stuff and employ an extra person to cope with demand.”

Nearly half (48%) ranked themselves as ‘doing ok financially’, 42% however, are worried about their financial position, ranking themselves as either struggling, potentially facing closure or facing closure.

“While we are okay financially our reserves are less, we have reduced expenditure to reduce deficit and the amounts we are receiving from just about all sources are decreasing meaning having to try different funding organisations and different methods.”

It is not possible to provide a direct comparison with the 2014 survey as the scales offered differ. However, organisations were asked to compare their current financial position with two years ago, and 77%

report that they are financially worse off or the same compared to two years ago. (37% of respondents said that they are worse off, with 40% saying they are about the same.)

41% of organisations are using reserves to help fund service delivery, compared to 58% in 2014. 56% of these said they could sustain this for one year or less, with one quarter saying they could only sustain this for 6 months or less. These responses are very similar to the 2014 survey when 53% of respondents said they could sustain using reserves for one year or less.

Organisations had the opportunity to comment on their financial viability and 118 replied.

The comments fell into three broad themes:

1. Alternative sources of funding 34%

- Just over a third of the organisations said that they increasingly they were having to seek alternative sources of funding, including sponsorship, philanthropic funding, fundraising projects, grants, goodwill and donations.
- Those seeking philanthropic funding also commented on increased competition for funding and the increased compliance required by funders. They also noted that philanthropic funders would fund projects but would not fund the organisation and that this increased uncertainty and fears for sustainability.
- A quarter of those that said they were seeking alternative funding were looking to increase their self-generated income through trading activities.

2. How they are managing 32%

- Almost a third of the organisations shared how they were managing to stay viable. Most described the need for careful financial planning, including strict budgeting so that they could do more for less, restructuring and keeping costs down.
- Several organisations commented that they were either considering mergers, or had entered into a merger or partnership, with another organisation to achieve economy of scale.
- The use of reserves was also commented on. These comments highlighted the need for good governance and reserves policies.

3. How the funding environment was impacting on organisations 31%

- Many of these comments highlighted uncertainty and stress, and the difficulty in being able to plan and innovate.
- Organisations described low morale and had a sense that policy makers had no empathy for, or understanding of, the NGO sector.
- There were a range of comments about the flow-on effects of reduced funding. Umbrella groups noted that their viability was directly influenced by the viability of their members.

“Our practice is to stay within budget, but this means we are missing opportunities to make a difference because of our lack of staff capacity to take on new work.”

“Funding has not increased to cover the more detailed work required to get outcomes as opposed to outputs. Contracts are too prescriptive for National outcomes and there is less emphasis on local needs. Isolated rural needs are not the same as urban needs where there is transport available.”

“The biggest challenge is being able to attract the calibre of staff we need when we can only offer part-time hours and salaries that are on the low side.”

- Organisations in rural communities noted that any downturn in the local economy had an impact on them, both in terms of demand for services and the ability to attract sponsorship or strategic partners.
- The impact on staffing was another area that was frequently commented on. Organisations described having to cut back staffing by either reducing staff hours or wages, and an increased reliance on volunteers, including relying on paid staff to volunteer extra hours.

Part Six: Final comments

There were 67 'other' comments provided by organisations at the end of the survey. This open-ended question enabled them to include any information they felt was not specifically asked for or wasn't covered in the survey, or issues or comments that they would like to reinforce.

A small number of the comments (5) offered suggestions for improving the survey to better reflect the diversity of the sector. (These are noted and will be considered in the development of any subsequent surveys.)

Over half the comments speak to the complexities and frustrations of working within the community sector. They highlight:

- low morale
- concerns about the independence and values of the sector being eroded
- inadequate funding
- the increasing use of casual contracts for staff, driven by funding insecurity

13% of the comments spoke of issues facing specific parts of the sector, including:

- Pasifika
- Disability
- Rural communities
- Volunteering pressures
- Ongoing challenges facing Christchurch

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"Pacific organisations fill a vital gap in service provision but the commitment to growing our services, as the Pacific population continues to grow faster than most others, is patchy. DHBs in particular are poor on this measure. Mainstream providers have greater size and bargaining power so most Pacific providers are either languishing or disappearing altogether. We have survived and grown slowly because we have diversified our types of services – but most Pacific providers have not been able to do this."

"It is increasingly disappointing to see government spend more and more on its own infrastructure, e.g. MSD, while NGOs are starved. And despite all the rhetoric about evidence based outcomes the government doesn't seem to hold itself to the same expectations. Where is the evidence that National Standards work, or welfare reforms?"

"Even though we aren't in Auckland the need for housing in rural NZ is still high. The houses are poor and rents are expensive. People are still getting sick from damp, musty homes that aren't looked after."

"The NGO sector needs to be more vocal about what is happening to it."

"Changes to funding availability and the tender model require hours of work to follow and comprehend. Contracts for 6 months are still seen as reasonable although research has proven them fatal for NGOs."

"We need to regain the 'genius' of the sector – with its Tiriti/social/environmental justice underpinnings and its independence – so we can break away from being the 'little fingers of the state' that we have become and stand tall and independent." (Edited)

Appendix: ComVoices participants

- Ara Taiohi
- Arthritis New Zealand
- Birthright New Zealand
- Community Housing Aotearoa
- Community Networks Aotearoa
- Community Research
- Council for International Development
- The Duke of Edinburgh's Hillary Award
- English Language Partners
- Hui E!
- Inclusive NZ
- Jigsaw Whanganui
- National Council of Women of New Zealand
- NZ Council of Christian Social Services
- NZ Federation of Family Budgeting Services
- NZ Federation of Multicultural Councils
- Philanthropy New Zealand
- Platform Charitable Trust
- Presbyterian Support New Zealand
- Prison Fellowship of New Zealand
- Public Health Association
- Public Libraries of NZ
- Social Service Providers Aotearoa
- Te Wana Trust
- Volunteering New Zealand
- YMCA New Zealand