



ASK INSIGHT

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THE HIGH COST OF DOING BUSINESS – ADMINISTRATIVE AND MANAGEMENT OVERLOAD IN SMALLER NGOs

Final Report
May 2022

Acknowledgement of Country

ASK Insight acknowledges the Aboriginal and Torres Strait Islander traditional Owners and Custodians of Country throughout Australia and recognises their continuing connection to land, water and community.

About NCOSS

NSW Council of Social Service (NCOSS) is the peak body for health and community service sector – the social service sector – in NSW. NCOSS is an independent voice working towards our vision of a NSW free from poverty and disadvantage. At NCOSS, we believe that a diverse, well-resourced and highly knowledgeable social service sector is fundamental to reducing economic and social inequality. www.ncoss.org.au

About ASK Insight

ASK Insight is a consulting company working in the community and social service sectors. Our work encompasses effective and inclusive community consultation and engagement, organisational reviews, strategic planning, program evaluation, and organisational capacity building. www.ask-insight.com

Thank you

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Abbreviations and acronyms

ACNC	Australian Charities and Not-for-profits Commission
ADFNSW	Alcohol and Drug Foundation (NSW)
AICD	Australian Institute of Company Directors
ASU	Australian Services Union
BLER	Bushfire Local Economic Recovery
CEO	Chief Executive Officer
CPI	Consumer Price Index
CPO	DCJ Commissioning and Planning officer
DCJ	Department of Communities and Justice
DEX	The Data Exchange (Reporting platform used in the TEI program)
FTE	Full-time equivalent
HCP	Housing Communities Program
HR	Human Resources
HSA	Human Services Agreement (NSW)
IFP	Intensive Family Preservation
KYH	Kathleen York House
NCOSS	NSW Council of Social Service
NGOs	Non-government organisations
PHO	Public Health Order
PPE	Personal Protective Equipment
PT	Part-time
RAT	Rapid Antigen Test
RPA	Royal Prince Alfred Hospital
SCORE	Standard Client/Community Outcomes Reporting (part of DEX)
SETS	Settlement Engagement and Transition Program
TEI	Targeted Early Intervention
WFH	Work from home
WHS	Work, Health and Safety

FOREWORD

THE HIGH COST OF DOING BUSINESS – ADMINISTRATIVE AND MANAGEMENT OVERLOAD IN SMALLER NGOs



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.

In taking a case study approach, 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.

Our report puts forward practical, common-sense steps – identified in collaboration with our participant organisations – that funding bodies can take to lessen the administrative and management overload and support the sustainable provision of essential services.

With skills shortages already biting, it's imperative that we find ways of ensuring that the social service industry isn't driving its workforce into the ground. It's time for Government to get on board.

A handwritten signature in black ink, reading "Joanna Quilty". The signature is written in a cursive, flowing style.

Joanna Quilty
Chief Executive Officer
NCOSS

EXECUTIVE SUMMARY

Context and aims of the study

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.

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.

The *High Cost of Doing Business – Administrative and Management Overload in Smaller NGOs* (the Study) was commissioned by NCOSS to explore, at a grassroots level, how the administrative and management functions of small and medium-sized social and health service NGOs have evolved against the backdrop of the COVID-19 pandemic and recent national disasters.

A small, exploratory case study approach was used to gather evidence on the range of funder requirements and expectations, and the resulting organisational pressures, challenges and responses facing our NGO participants.

The objective was to better understand and highlight the cumulative growth and complexity in the management and administration of small to medium-sized organisations over time, the impact of this on day-to-day operations, and opportunities for improvement.

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.

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

Changes of this nature which would benefit small to medium-sized NGOs could include:

- i. Simplify funding contracts. The NSW Human Services Agreement (HSA) was an attempt to do this but in practice it is still overly complex and subject to modification by different government agencies. It also transfers considerable risk to NGOs which can be difficult for small to medium-sized organisations to manage. For example, the funding body is allowed to introduce new policies and standards during the life of the Agreement and to unilaterally vary Service Plans, with no requirement to reimburse any associated cost increases. Federally, the Department of Social Services (DSS) has a simplified six-page contract.
- ii. Apply common definitions across all Department of Communities & Justice (DCJ) funded programs.
- iii. Use standardised acquittal templates/timeframes across NSW Government programs (such as DCJ, Health, Resilience NSW).

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

Using the ACNC financial reporting framework would centralise financial reporting and streamline this impost on organisations. It would remove the need for manual data entry, respond to inconsistencies in accounting categorisations and reduce the frequency of reporting financial outcomes to once per annum only. It comes with the added benefit of transparency.

3. Longer term funding

Longer term funding would reduce the significant costs associated with short-term contracts and discontinuity of service. For example, it would decrease recruitment and termination costs, increase staff retention, and allow for managed growth and organisational planning. Our participant organisations saw five-year contract terms as the ideal.

Together with longer term contracts, “core infrastructure” funding for organisations should be considered. This would support a threshold level of administrative functioning and management oversight, provide a foundational platform for program and service delivery, and reduce the need for multiple funding sources to meet organisational and client/community needs (see point #4 below).

4. Trial the establishment of combined back-office/administrative hubs

Small to medium-sized NGOs could benefit from efficiencies associated with pooling their administrative/back-office functions such as HR, IT, accounting and related areas. This suggestion was put forward by several of our participants and could be trialled in a location with a small number of organisations willing to be involved.

5. Use a prequalification process

A NSW “whole-of-government” prequalification process could enable organisations to demonstrate once only, subject to periodic updates, that they have met threshold obligations including WHS, Working with Children Checks, privacy and security policies. This would eliminate repeated, duplicate reporting across multiple funding programs. Consideration could be given to allowing philanthropic bodies to access the prequalification status of organisations applying for their funding.

6. Standardise DCJ contract management approaches

Most of our case study organisations received funding from DCJ under the Targeted Early Intervention (TEI) program. There were reports of differing experiences at the contract management level, particularly related to flexibility in the face of external circumstances such as COVID-19. A consistent and transparent approach to contract management, transcending individual staff preferences or turnover, would greatly assist NGOs on the receiving end.

7. Streamline emergency responses

COVID-19 created a new service delivery landscape for service providers and funders alike. The individual case studies tell the story of how participant organisations shifted their focus to the short term, adapted to restrictions on the provision of face-to-face support, implemented working from home (WFH) arrangements and found new ways to deliver services to meet the changing needs of their constituency. Having NGOs embedded in and resourced for their role in emergency management, including planning and preparation before a disaster happens, would streamline future emergency responses, support a coordinated approach and benefit emergency management agencies.

8. Place-based program development

Increased local flexibility, to allow for place-based program development, would support small to medium-sized NGOs to focus on the outcomes they are uniquely placed to identify and prioritise. It would free them from prescriptive models which have not been co-designed with the local community and can fall short in meeting local needs. Such a foundation would enable and strengthen the link to effective local emergency responses and recovery processes, as discussed above (see point #7).

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.

AIM OF THIS REPORT

The past two years have been characterised by an enforced short-term horizon approach generated by disaster responses, dealing with the COVID-19 pandemic, and scrambling for resources to meet immediate needs.

This report has been prepared to assist NCOSS understand, through first-hand feedback and a review of associated public documents, the recent management and administrative experiences of five small to medium-sized social service organisations in NSW.

As an exploratory study, it attempts to understand the growth in complexity over recent years in compliance, reporting and contracting arrangements, as reported by a sample of smaller sized NGOs. It aims to identify common problems or trends, opportunities for improvement and potential solutions.

A brief review of recent literature has been included. This has corroborated the key themes emerging in the Study and provided a larger context.

Methodology

Five small to medium-sized non-government organisations were recruited to the study in consultation with NCOSS. Participation was in response to an NCOSS invitation issued to member organisations and entirely voluntary.

A notional range of \$1 million to \$5 million turnover was used as the selection criterion for the size of organisations invited, together with the aim of a mix of metropolitan and regional experience, organisations funded by different levels of government, and experience with First Nations and multicultural service delivery.

The initial organisation recruited was treated as the “pilot,” with investigative questions tested and fine-tuned for subsequent interviews with the other four organisations. Interviews were conducted with the CEO and other nominated staff/ board members of the organisation as appropriate and available.

Participating organisations were offered the opportunity to have their contribution to the Study de-identified to provide anonymity. One organisation took up this option.

Emerging findings were tested with a group of CEOs in Western and South Western Sydney and with a selection of NSW social service peak bodies.

Table 1: Overview of Study Organisations

Organisation	Turnover 2021	Locations	Key services/ program areas	Interview #
1. Weave (pilot organisation)	\$5.1m	Sydney (Waterloo, Malabar, Woolloomooloo)	Youth, Women and Family Services, DV, Mental Health	4
2. Counterpoint	\$1.36m	Sydney (Redfern, Waterloo)	Education, Community Centres, Emergency Aid	2
3. Kathleen York House ADFNSW (Alcohol and Drug Foundation of NSW)	\$1.15m	Sydney (Glebe) residential service	Substance Abuse (Women)	1
4. Family Place	\$1.48m	Eurobodalla, Bega Valley, Cooma Monaro	Family Services, Financial Counselling	2
5. Case Study Org #5	\$1.69m	Regional NSW	Settlement Services, Family Services, NDIS Case Coordination	1

The questions which guided interviews can be found at Appendix 2.

Other Sources of Data

- ACNC annual information statements and financial reports.
- Individual organisation websites and annual reports.
- Literature review (see references at Appendix 3).

Data limitations

Using a case study approach allows for in-depth examination of relevant issues, but comes with the limitations associated with a small sample size and restrictions on the ability to generalise to a broader population group and reach definitive conclusions.

For three of the organisations participating in the Study, the CEO was the only appropriate person to interview. The small size of these organisations meant there were limited people who could speak authoritatively on administrative and management issues. Invitations were extended to Board chairs or other directors. One chairperson participated, but other individuals were unavailable.

There was no objective measurement of time spent on administrative and management tasks and indeed, there is no common definition of what these tasks comprise.

THEMES FROM THE LITERATURE

A high-level scan of recent literature both in Australia and elsewhere (the UK, Canada, and the USA) was undertaken to identify current issues relating to administration and management in the not-for-profit sector.

Profile of the sector

ACNC data shows that in the 2019 reporting period, there were 11,405 charities operating in NSW with a total revenue of \$39.42 billion, relying on 329,808 employees and an estimated 1,535,987 volunteers. A breakdown of this data indicates that 80 per cent of registered charities operating in NSW are small, with annual revenue under \$1 million. A further 16.6 per cent have annual revenue between \$1 million and \$10 million. (ACNC profile data can be found at Appendix 1).

The social service sector is an important component of the non-government organisations (NGOs) and charities operating in NSW. The sector has been described in a recent report prepared for NCOSS by Equity Economics (2021)¹ as follows:

"The Social Sector refers to that part of the economy outside of government that supports people with their everyday functioning and care needs. It includes the provision of aged care, early childhood education and care, community mental health services, disability care, child protection, housing and homelessness services, community mental health, and domestic violence support. A key feature of the Social Sector is the contribution of volunteers that further enhances the sector's social and economic impact."

There are varying figures about the size of the sector, but all show that it is substantial. The Australian Bureau of Statistics (ABS) reports that the NSW social service sector employs more than 240,000 people and provides services to more than 1 million people each year.²

The same Equity Economics report (2021)³ indicates that over 7,800 organisations operate in the social service sector in NSW, with 6,923 of these having fewer than 20 employees. Volunteers perform 1.7 million hours of work per week.

Key themes

Key themes discussed across a range of authors are:

- Increasing demand and growing complexity of the NGO sector
- Specific COVID-19 impacts:
 - increasing recognition of the value of the NGO sector
 - focus directed towards a short-term time horizon
 - client vulnerabilities and disadvantage exacerbated by the pandemic
 - changes to models of engagement and increasing service capacity
 - staff working above and beyond their normal duties and hours of work
 - increased collaboration and innovation
- The focus of traditional funding models on output rather than outcomes

- The Overhead Myth
- **Multiple reporting requirements** (especially the burden of financial reporting for charities with multiple funding sources)

Each of these themes is expanded below.

Increasing demand and growing complexity of the not-for-profit sector

A recent (November 2021) report by McKinsey & Company⁴ acknowledged the critical role played by the sector in meeting fundamental societal needs and fostering social cohesion but at the same time, recognised the rising demands and growing complexity of the non-government sector. They report that the community sector is “*confronting rising levels of need and increasingly complex experiences of hardship in the community.*”

Cortis and Blaxland reports that the sector accounts for 11 per cent of all jobs in Australia.⁵

The McKinsey & Company report suggested that resourcing to the non-government sector is struggling to keep pace with increasing demand and that staff are experiencing burnout. Their survey of the NGO sector reported that one third of not-for-profit organisations believed COVID-19 had created a significant threat to their viability with 40 per cent reporting a revenue decrease of more than 15 per cent.

Impact of COVID-19

Increasing recognition of the value of the NGO sector

COVID-19 has highlighted awareness of the role played by not-for-profits in society and the value of the sector, as it mobilised rapidly to support those in need and lessened the financial and social impacts of the pandemic (McKinsey & Company 2021, AICD 2021).

This was not just a phenomenon in Australia but also repeated elsewhere. For example, in the UK it was reported (Lloyds Bank Foundation 2021):

“Small and local charities – those with an income under £1 million – were at the heart of the community response to the first wave of the COVID-19 pandemic. They demonstrated tremendous energy, flexibility and professionalism to understand the implications of the crisis and continuously adapt their provision in response to the everchanging needs and circumstances of their local communities.”

Small local NGOs use their positions of trust within communities, where people experience complex social issues, to provide them with support when they need it most. COVID-19 has provided a context within in which this has been apparent to the wider public.

Earlier (2018) UK research underscored distinctive features of smaller NGOs including who they serve (e.g., acting as first responders to plug gaps for people in crisis, like people who are homeless, refugees etc) and how they serve them. This includes person-centred relationships, understanding local issues, quick decision-making because of flatter management structures, and staff and volunteers more closely reflective of the diversity of their local community.⁶ It is noted that smaller organisations recruit proportionately more volunteers than larger charities.

Need to focus on the short term

A reported downside of the responsiveness to the short-term has been that management attention has been diverted from investing in broader organisational capabilities. (McKinsey 2021, AICD 2021). Additionally, the responsiveness of the sector in pivoting from prevention and early intervention services towards critical relief services such as food aid and emergency accommodation, means there will need to be catch-up (Equity Economics 2021). *"The sector will need additional funding to continue to invest in the early intervention services that have been shown to reduce disadvantage."*⁷

Pandemic-exacerbated client vulnerability and disadvantage

Examples of increased demand included food relief, mental health crises, requests for transitional housing to escape domestic violence (McKinsey 2021) and underlying conditions such as drug or alcohol dependencies made more complex with loss of access to in-person supports.

Domestic Violence reports increased by approximately 10 per cent between 2020 and 2021 (Equity Economics 2021).

In August 2021, Foodbank reported: *"As Australia's largest hunger relief charity, Foodbank and our charity partners are seeing an extraordinary increase in demand for emergency food relief."*⁸ Their 2020 report noted that in 2019, 15 per cent of Australians experiencing food insecurity were seeking food relief at least once a week. In 2020, this has doubled to 31 per cent.⁹

The Equity Economics (2020) study "A Wave of Disadvantage Across NSW: Impact of the COVID-19 Recession," undertaken on behalf of NCOSS and other NSW social service peak bodies, speaks to the potential of a longer-term wave of disadvantage and negative impacts on productivity and economic growth in NSW, resulting from the aftermath of the pandemic if disadvantage is not addressed before it becomes entrenched.

Changes to models of engagement/ increasing service capacity

Pivoting to remote working brought some service delivery advantages. Service workers found they were able to have shorter but more frequent contact with people. But at the same time, others realised how inadequate their IT, client management and communication systems were and the risks inherent in having prioritised people over systems for many years (Cortis and Blaxland 2021).

Staff working above and beyond their normal duties and hours of work

McKinsey & Company (2021) report that *"there is widespread fatigue and burnout."* Staff are also being infected with COVID-19. An Australian Services Union (ASU) survey of 700 staff in January 2022 showed one in ten NDIS workers had contracted COVID-19 since November 2021. Of those who caught the virus, 23 per cent did not have access to paid leave from their employer nor access to any government payments.¹⁰

The NCOSS & Impact Economics and Policy (2022) report, "Long Way to the Top: career opportunities and obstacles for women in the NSW social services sector,"¹¹ notes that

more than 60 per cent of respondents to their survey of 560 workers reported burnout and stress as a major impediment to building a career in the sector.

Increased collaboration and innovation

"The need to reform business models during the pandemic has enabled organisations to operate very differently through and in a post COVID-19 environment. Grasping opportunities through innovation are top of mind for many directors" (AICD 2021).

Cortis and Blaxland (2021) report: *"Services have welcomed opportunities to innovate and develop new ways of engaging with communities, including via remote technologies. However, under-investment has constrained transition to new, more expansive service models."*

Traditional funding models are output focused rather than outcomes focused

The McKinsey report (2021), in discussing ideas for building the capabilities and enhancing impact of the NGO sector, asks of government leaders: *"Are you linking government funding to outcomes rather than activities and establishing the management systems to support it?"*

In NSW, there has been considerable movement towards outcomes-based reporting, but this has also come with its own administrative imposts.

In a similar vein, McKinsey & Company pose a comparable question to philanthropy leaders: *"Are you practicing outcomes, rather than activity-focused grant making and establishing the management systems to support it?"*

The overhead myth (Judging the worth of a charity by how much of its revenue is spent on overhead)

"Overhead – the percent of charity expenses that go to administrative costs versus program costs is a poor measure of a charity's performance."¹²

The 2022 Social Ventures Australia (SVA) and Centre for Social Impact (CSI) research "Paying what it takes: funding indirect cost to create long-term impact" reports: *"Not-for-profit indirect costs are not being covered by funders in Australia, leading to lower capability and effectiveness across the sector."¹³*

A number of authors (America's Charities [2021], The Giving Guide [2022], Gregory and Howard [2009]) have discussed the pervasive and unhelpful notion that the effectiveness of a charity can be judged by its overhead costs. This myth suggests that the lower the overhead ratio, the better the performance of the charity. Administration is seen as unnecessary and wasteful. This is reinforced by headlines such as *"Are charities wasting your money on admin?"¹⁴*

Gregory and Howard, writing in the US in 2009, said *"Most non-profits do not spend enough money on overheads."* They reported a five-year research project conducted by the Urban Institute's National Centre for Charitable Statistics in the Centre on Philanthropy at Indiana University which surveyed more than 1,500 organisations with revenues of more than \$100k. *"Amongst their many dismaying findings: non-functioning computers, staff members who lack the training needed for their positions and in one instance, furniture so old and*

beaten down that the movers refused to move it." Non-functioning IT can't track program outcomes and quality services can't be delivered by poorly trained staff.

Conforming to funders' unrealistic thinking about administration diverts attention away from understanding real overhead and infrastructure costs for the successful delivery of services. Even worse, it creates an incentive to downplay actual overhead costs. And in turn, this reinforces the unrealistic expectations.

This is further complicated by the lack of a universal standard to define what counts as overhead or indirect costs and what doesn't. (UK reference – fact sheet; Choice [2020] *"How to donate to a charity effectively."*)

In Australia, the ACNC recommends that charities use the National Standard Chart of Accounts (NSCOA) process of reporting as a reference, but it is not mandatory. This means charities still have the freedom to categorise expenses as they wish.

The overhead myth has fuelled a phenomenon called *"the non-profit starvation cycle"* where funders continue to have unrealistic, low expectations of overhead costs.

*"In order to attract and secure donations, charities are forced to cut necessary and beneficial costs and survive with antiquated technology, reduced wages and smaller staff numbers. This makes them less effective in their chosen field and actually hurts their cause rather than helping it."*¹⁵

Some funding programs go so far as to explicitly exclude any provision for the costs associated with administration. In effect, this means that overhead costs must be met by other parts of the organisation's funding.

A quote from the recent Australian Institute of Company Directors (AICD) report exemplifies this:

"It's the perennial problem of getting funded for the service delivery unit, but not overhead. Ultimately you erode the back end of the organisation because you can't fund overhead. So, most organisations who have made the pivot to working online, they discover their IT system just doesn't have the capacity, your cyber security is not up to date ..."

The 2022 SVA/CSI research explores in detail the evidence supporting the need for action to address the non-profit starvation cycle in Australia. They confirm that funding of indirect costs is a problem for not-for-profits here, just as it is overseas. Their key findings are:¹⁶

1. Indirect costs do not indicate the efficiency or effectiveness of a not-for-profit.
2. Not-for-profits indirect costs often far exceed the amount they are funded.
3. Caps on indirect costs lead to lower capability and effectiveness. Underinvestment in core capability results from:
 - a. indirect costs not fully funded
 - b. reputational concerns around indirect costs
 - c. expectations around funder willingness to pay
4. The drivers of indirect cost underfunding are complex and interrelated.

Multiple reporting requirements

Each funding entity sets its own reporting requirements. The ACNC is working to reduce the burden of financial reporting for charities. The ACNC (2022) reports:

"... we work with states and territories to harmonise reporting requirements across the country. Streamlined reporting reduces duplication for charities. It means they only have to report once to the ACNC, and in turn we share charity reporting information with other government agencies that require it."¹⁷

INDIVIDUAL CASE STUDIES

- Weave Youth and Community Services
- COUNTERPOINT Community Services Incorporated
- Kathleen York House, Alcohol and Drug Foundation (NSW)
- The Family Place Incorporated
- Case Study Organisation #5

Weave Youth and Community Services

Purpose	To empower people to change their lives.
Vision	A strong connected community that values its members with opportunities, equity and justice for all.
Values	Respect Creativity, perseverance and a sense of humour Integrity Fairness and justice Equity Collaboration and good practice Sustainability

Source: *Annual Report 2020-2021*

Background

Founded in 1976 and incorporated as an association in 1993, Weave has a holistic approach to support for children, young people, women, families and communities. Over 70 per cent of the people accessing support through Weave are Aboriginal people.

Weave runs programs in Redfern, Waterloo, La Perouse, Maroubra, Woolloomooloo and other areas within the City of Sydney and City of Randwick LGAs. It has four sites:

- Headquarters/ multiple programs (Waterloo)
- Weave Women and Children's Centre (Waterloo)
- Weave Community Hub (Woolloomooloo)
- Weave Kool Kids Program (Malabar).

Structure

Full time employees: 9

Part time employees: 41 – the majority part-time (9-day fortnight, 4 days per week, 3 days per week or 2 days per week)

Full time equivalent: 39

Estimated number of volunteers: 170

Weave is governed by a Board of directors and a management and administrative team that includes the CEO, Operations Manager, Brand and Strategy, Programs Lead, HR, Finance, Accounts, combined Fundraising/Volunteers role, and IT Coordinator.

Current program areas

Table 2: Weave Program Areas

Program	ACNC Classification
Speak Out Dual Diagnosis Program	Mental healthcare
Creating Futures Justice Program	Rehabilitation of offenders
Kool Kids and Switch Leadership Program	Youth development
Weave Women and Children's Centre	Women's services
Driving Change	Youth mentoring
Targeted Early Intervention for Young People and Families	Family services
Community Capacity Building	Community information
Youth Advocates Program	Youth development
Tutoring	Educational development
Domestic and Family Violence and Abuse Program	Domestic and family violence

Income and expenditure over past three years

(ACNC data)

Table 3: Weave Three-year Income and Expenditure

	2021	2020	2019
Inc (total revenue) \$	5,130,764	4,518,968	4,396,837
Exp \$	4,493,036	4,207,758	4,211,198
Staff # FTE	39	32	32
Clients receiving 1:1 support (annual report)		2,067	1,956

Total Gross Income 2021

\$5,130,764 of which 72.22 per cent (over \$3.5 million) was income from government sources.

Figure 1: Weave Income Sources

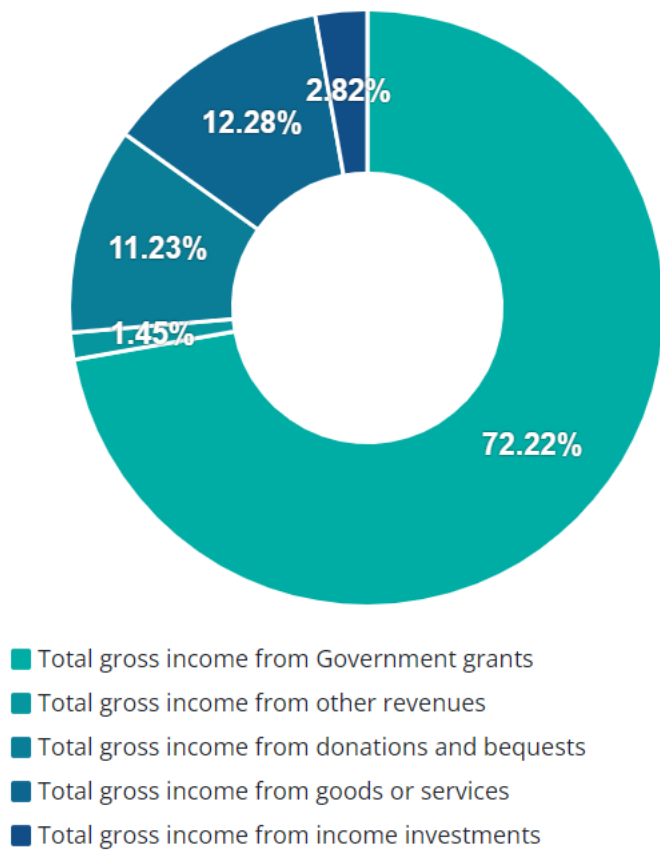
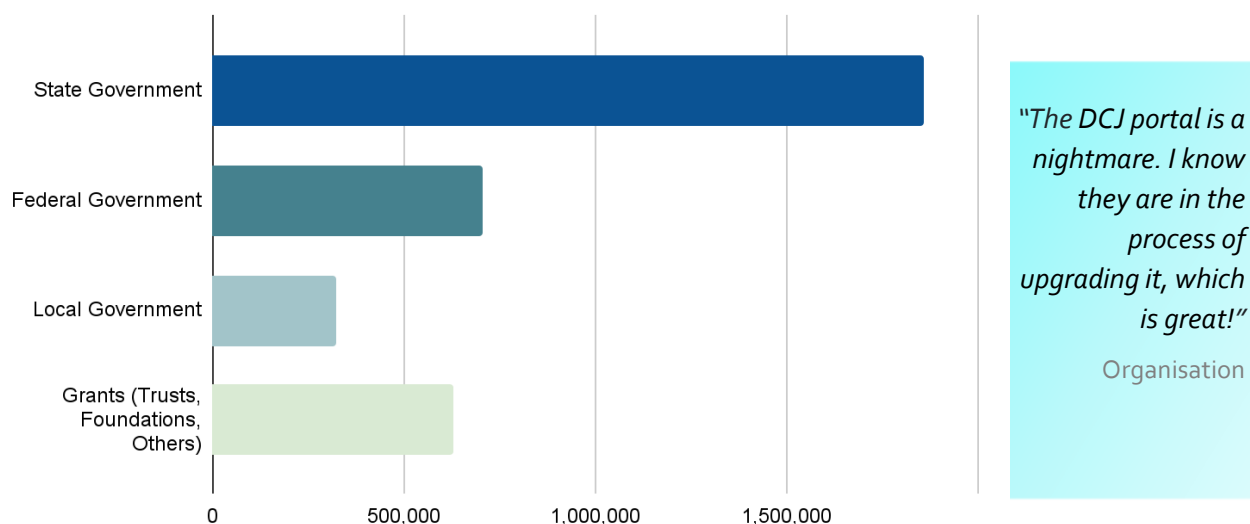


Figure 2: Weave Government Grants

Government contracts and grants



Management and administration – funding

Weave's programs are possible because of multiple funding sources – currently 27. These range from multi-year government contracts to one-off short-term grants and additional COVID-19 support. The organisation reports that a key challenge of having so many funders is the multiple demands on management time from each funding source, with no individual funder having any consideration for the whole funding landscape of the organisation. It can feel like it is uncoordinated pressure from everywhere.

The organisation has attempted to streamline its dealings with multiple sources of funding, through the creation of a dedicated volunteer and fundraising manager position (4 days per week).

Securing and acquitting grants

The administrative workload associated with grant applications and acquittal processes can bear little or no relationship to the size of the grant. Small grants can take a lot of time to secure and acquit, with impacts on the workloads of program managers as well as HR and finance teams. Small grants are used to 'plug holes', while some programs receive no government funding. Small grants with onerous conditions (e.g., from international funding organisations) might not be pursued unless there is potential to receive grants across multiple years.

Many one-off grants in the \$50,000 to \$100,000 range make no provision for any overheads or administrative costs – so, effectively, these costs must be borne by other grants. The organisation has responded with the adoption of a policy of a notional fixed percentage contribution to administration across grants. These smaller grants frequently come with expectations of future scalability and sustainability from an unknown source to be found by the organisation.

The last two years have seen a large number of ad hoc grant opportunities, arising from both the bushfires and COVID-19.

Larger funding submissions are typically pulled together by a combined team drawing on both leadership, program and administrative staff. Apart from the part-time fundraising/volunteer coordinator, no one has time specifically allocated for writing funding applications and these are managed as an extra impost, largely through time spent “out of hours” and unremunerated.

A recent decrease in longer-term “secure” program funding of \$300,000 required more than five smaller grant applications to compensate. Each grant has different templates and different data requirements with some reporting quarterly, some six-monthly and some annually.

It was reported that some of the best funder processes can be found in particular philanthropic funds where there is multi-year funding, and the approach is very much on a partnership/trust/mutual respect basis once the funder has “checked out the organisation”.

Contingency funds can also allow for innovation and the ability to be responsive to needs and ideas for improvement as they arise. However, there is also a lack of consistency with philanthropic grants. Some smaller grants have ended up costing more to prepare than the funding received. Others run as an “elimination competition” with considerable effort required for each round, and little or no payback for the runner-up.

Other administrative burdens

Accreditation: Weave was originally accredited under the Australian Service Excellence Standards (ASES)¹⁸ in 2014 with a renewal cycle every three years. The last renewal was at the end of 2020 and the next is due again in 2023. This is a significant investment of time and energy by the organisation.

Changing expectations

Weave reported that it often found itself doing work that other organisations are funded to do, because people aren’t necessarily getting the support they need in the way they need it. Many government funding models are prescriptive, and commonly dictate short-term support (e.g., three months). People who are impacted by intergenerational trauma and systemic disadvantage need longer-term support and continuity of care for meaningful, lasting change to be possible. People shouldn’t be forced to bounce around services to get the support they need. Culturally safe support for Aboriginal people and others should be the norm and not the exception. From a management and administration lens, this mismatch of need and funding reduces organisational efficiency and effectiveness.

There was also a sense that some government agencies were unable to get to huge numbers of people, as they are under resourced and demand is high, and there seems to be an increasing expectation of the sector to pick up work that traditionally would be done by those government agencies, but without any increased funding.

These gaps are growing.

Another example is Weave's dual diagnosis program that supports young people with co-existing mental health and Alcohol and Other Drug issues. This program is currently funded at a fixed annual rate for the life of the multi-year contract, with no CPI increase and no increases year on year to cover the annual wages growth and increasing needs of the service. This is an impost on the organisation which must find these CPI increases elsewhere, or in effect reduce year on year program capacity.

"Accreditation is super important, and we undertook accreditation voluntarily, but it is a massive piece of work."

Organisation

Managing through COVID-19

Weave continued to operate as an essential service throughout both lockdowns in Sydney.

Their initial experience was one of a lack of a coordinated response from government as the impact and scale of COVID-19 cases spiked.

An example of this was in the provision of essential supplies to people who had COVID-19 or were isolating as close contacts. There were hampers and deliveries being left in high-rise building lobbies and not delivered to the doors of the intended recipients as people were wary of entering the buildings and being in the lifts.

Weave undertook online PPE (Personal Protective Equipment) training, sourced PPE, asked people what specific supplies they needed for their individual circumstances, as they had discovered that products in the pre-packed hampers that were available, often didn't match the needs of the recipients e.g., no nappies or baby Panadol for families with infants.

Weave's long-term relationships and presence in the community responding to need led to increased demand for their support as word-of-mouth spread: *"They'll help you."*

Weave found that their own services were stretched, and with other organisations shut down due to COVID-19 and unable to be accessed, they were sometimes the only service on the ground that was open and available to provide support. Fortunately, they had access to a rooftop space and could continue limited face-to-face service delivery. They also did outreach support, walking counselling sessions and where necessary, were able to transport people in larger vehicles that allowed for social distancing.

Staff also pivoted to working from home (WFH). This was initially a challenge and the organisation worked to provide online systems and hardware support for the team. They developed mechanisms to update people with frequently changing Public Health Orders, and prepared multiple safety plans and risk registers. When things were changing rapidly, Sunday afternoon briefings were introduced to set up the team for the week ahead, ensuring that all program managers were briefed and rosters organised, so staff were safe and reassured.

"A 12-week limit doesn't touch the sides – it also sometimes leaves people worse off, because they may not reach out for support in the future because their needs weren't met the first time. It's cheaper in the long-term to support intensive, holistic programs that provide long-term support. These programs can and do achieve meaningful, lasting outcomes. Short-term programs can be a waste of money."

Organisation

More recently there have been challenges around returning to work after COVID-19 and the development of an appropriate policy, consultation with staff and decisions around

vaccination policy and RAT testing. All these policy changes and decisions need to accommodate the variation in anxiety levels among staff and their preferred responses.

Board and COVID-19

The Board had a good understanding of the complexity of the situation and were kept in the loop with support from sub-committees such as the audit and risk committee. This required significant additional time investment from the CEO and Board members compared with pre-COVID-19.

What works well/ideas for change

A single source of funding for a program

Programs with a single source of funding which is ongoing and reliable make a significant difference to reducing the administrative burden. Weave has a good example of this with their mental health and drug and alcohol program that has one government funder, a long funding period, predictable reporting and regular check-in meetings (as mentioned earlier, this funding could be improved with CPI increases year on year).

Flexibility in program models

Achieving the service provision goal of empowering people to change their lives is particularly challenging when models are too prescriptive with associated activity-based reporting and do not have sufficient flexibility to support the desired outcome. This comes with the dual challenges of applying models which are not fit for purpose, and accounting for less-than-optimal outcomes.

A stronger approach would facilitate grassroots organisations to co-design with the community how best to achieve community outcomes, rather than starting with a rigid program prescription.

Continued funding for proven service models

The example was given of Weave's Creating Futures Justice Program that supports Aboriginal people aged 10 - 30 involved in the criminal justice system – which had an extensive evaluation and demonstrated excellent results in reducing recidivism (4.11 per cent recidivism rate achieved for participants over a three-year evaluation period) with a social return on investment of almost \$5.00 for each \$1.00 invested. Despite this unprecedented success, this program still does not, to date, have any government funding (aside from a small amount of local government funding).

Counterpoint Community Services Inc

Mission

Counterpoint's mission is to assist in the relief of poverty, sickness, suffering, distress, misfortune, destitution, or helplessness by fostering the growth of community life and community services within Inner Sydney and its surroundings.

Source: *Annual Report 2020 – 2021*

Background

Founded 1 January 1977, Counterpoint Community Services is a local welfare organisation servicing the community of Redfern and Waterloo. It has strong connections to local public housing tenants.

Counterpoint is embedded as part of the local community, providing support to individuals and groups, managing local community centres, providing advice and advocacy, children services, and other specialised services within a community development framework.

Structure

- Full time employees: 6
- Part time employees: 7
- Casual employees: 8
- Full-time equivalent staff (FTE): 11
- Estimated number of volunteers: 60
- Two community centres, one pre-school, two social enterprise outlets, three outreach locations.

Current program areas

Table 4: Counterpoint Program Areas

Program	ACNC Classification
Poets Corner Preschool	Education
Counterpoints Community Centres	Neighbourhood associations
Waterloo Redevelopment Community Development Project	Place-based interventions
Flexible Response Project – COVID-19	Basic and emergency aid
Social Enterprise projects (Cycle recycle club CRC & Waterloo recycle workshop WRW)	Community facilities
Community Health Action Team (CHAT) project	Health promotion

Income and expenditure over past three years

(ACNC data)

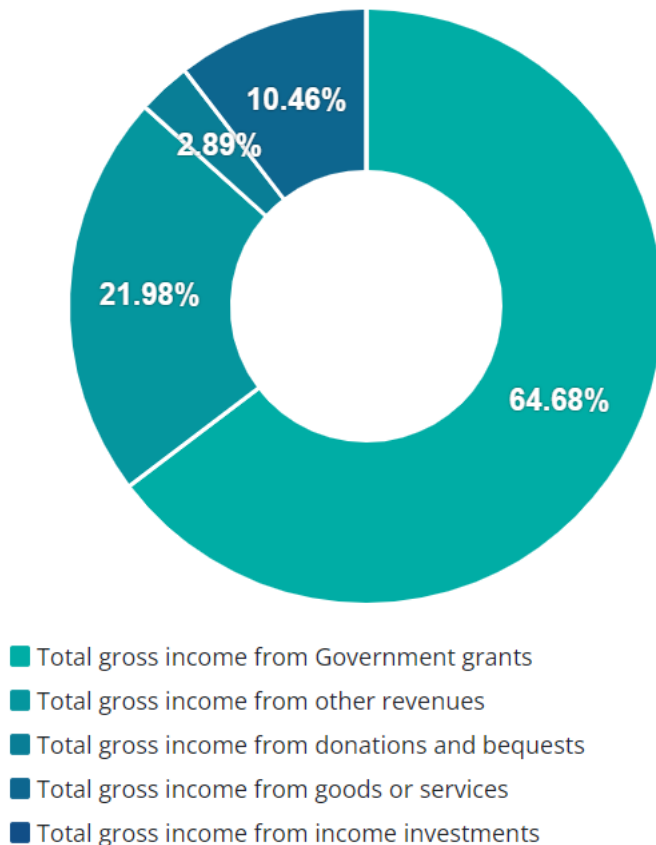
Table 5: Counterpoint Three-year Income and Expenditure

	2021	2020	2019
Inc (total revenue) \$	1,366,860	1,369,047	1,474,356
Exp \$	1,366,669	1,184,523	1,432,668
Staff # FTE	11	10	13
# Clients receiving support	7,732	8,703	10,248

Total Gross Income 2021

\$1,366,860.00 of which 64.68 per cent (\$884,000) was income from government sources.

Figure 3: Counterpoint Income Sources



Management and administration - funding

While the core funding of the organisation is from DCJ under the Targeted Early Intervention (TEI) program, this does not cover project and program costs. An annual deficit of the program in the order of \$60,000 - \$70,000 is addressed by chasing up to 30 small grants to make up for the shortfall.

A major problem with the core funding is that there is no growth (beyond CPI), nor any recognition of the changing demographic profile in social housing which means a more complex client portfolio.

Some inconsistency across DCJ Commissioning and Planning Officers (CPOs) who approve grants was noted.

"There seems to be a requirement to show data to align with contract paperwork rather than answering the question 'Are you using your dollars well?' "

Organisation

Loss of long-term community development funding through the Housing Communities Program (HCP) to a large state-wide provider has had significant impact on the organisation and the community. This has meant inconsistency in the community development and engagement services received by the community in the last few years and impacted the organisation's ability to meet its administrative tasks.

Securing and acquitting grants

Government departments, as funders, can over-reach in their requirements, acting as the organisation's "owners," through asking for proof of compliance when the responsibility sits with another government department.

For example:

1. The funder is only interested in the acquittal of their funding dollars. They fail to take into consideration the overall operations of the organisation for things that they do not fund (e.g., rents, utility costs etc). They question obvious deficits and assess the organisation as unsustainable despite the reality that the NGO has covered these latter costs to keep the service level over many decades.
2. COVID-19 requirements overseen by NSW Health, Safe Work, Service NSW and the Fair Work Commission also had to be proven to DCJ and others, all in different formats.

The ACNC has caused an increase in reporting requirements with their annual activity statements, financial and other reporting requirements, with no corresponding red tape reduction as promised by state funders.

There are varied requirements for acquittal of small grants, some simple and some complex. Inconsistencies in accounting categorisations across grants mean that a significant amount of manual data entry is needed. Duplicated reporting and accountability requirements are labour intensive.

The growing use of electronic grants administration e.g., "Smarty Grants" has increased the red tape involved.

DEX – the reporting platform used in the TEI program for reporting to DCJ – is challenging, inconsistent and intrusive for clients. For example, the organisation reported that extensive demographic profiles of clients were required, including data unrelated to presenting issues.

Within the TEI program there are two different definitions of "social participation" across the two funding streams.

"Our experience is that DEX data may be fantastic for the funder but it makes no difference to service provision or the client. DEX does not capture community development values as a whole."

Organisation

Changing expectations

The Community Centre functions of the organisation were reported to be less valued by the funding body than in the past, with scant or no recognition of their major (backbone) contribution to community resilience. TEI funding categories do not adequately recognise this function.

As an example, limited prior engagement by NSW Health officials with local organisations led to overstaffed pop-up testing and immunisation clinics as there was insufficient notice for adequate publicity. Recognition of the potential of the Centre to notify and mobilise the community could have significantly increased the impact of these pop-up clinics.

There is an inconsistency between expectations which DCJ have of their own staff compared with NGO providers (e.g., differing acceptable caseload numbers for caseworkers). It was reported that TEI funded “essential” services were unilaterally pressured to continue service delivery during COVID-19, while government staff worked from home.

The organisation expressed a concern that COVID-19 related food services, which were extended beyond the point of need, might lead to an emerging client dependency on food services as a core deliverable with inevitable impacts when that relief is withdrawn.

Impact of COVID-19 on management & administration

COVID-19 had a significant impact on the organisation with Counterpoint Community Services unable to run community events, group activities and outreach. While seeing an overall decrease in accumulative individual contacts, there were increases in the intensity of case work required for individuals reached and this extended across a larger geographical base.

Stimulus funding from DCJ was welcomed but had to be used to fill the existing financial gaps rather than take on additional staff.

A small City of Sydney grant, through the flexible response project for in-home support and food delivery, enabled the organisation to take community services to the home. A consequence of this was the discovery of many hidden issues which had existed previously but were only brought to light because of the home-based COVID-19 intervention. These included people missing out on access to the NDIS, people living in squalor, and in one instance, someone living in a property which had no windows.

New service supports were needed, such as sourcing refurbished phones for older people to enable them to comply with QR code requirements. The organisation was also able to undertake an “odd job” function and assist essential repairs during lockdown.

With the cessation of short-term funding available during COVID-19 and the resolution of pre-existing issues which this enabled, there will be an issue of raised and unmet community expectation that the service will have to address.

Ever-changing restrictions made service provision difficult, and priorities shifted without warning. Multiple COVID-19 safety plans were required, all written from scratch.

A requirement for a DCJ COVID-19 management plan detailing an organisation's approach to vaccination and risk management was not finalised until December 2021, when similar plans had to be in place at the start of the pandemic for other funding bodies.

Staff were all working longer hours, and fielding calls and enquires out of hours in the evening and weekends.

Another area of challenge was managing staff anxieties, with a need for daily and weekly communication. The organisational response was to make vaccination mandatory.

The organisation's commitment to provide services and support while other organisations had closed their doors, balanced against the safety responsibilities of staff, was viewed as taking its toll on the team.

Due to the increase in service demand, the organisation now has staff with large amounts of accumulated leave, which will have ongoing impact, well past the pandemic.

The possibility of reduced staff resources, when one or more staff are infected with COVID-19, will mean inconsistency in service provision due to the need to undertake and monitor contact tracing results for a week, for every case and every occasion of contact.

What works well/ideas for change

Continue government flexibility in decision-making which was exhibited during COVID-19 into the future

Fortnightly meetings enabled direct dialogue between frontline services DCJ. This built much better relations between government and NGOs and increased trust levels.

Stimulus funding assisted in covering base costs – it should be added to the DCJ TEI state budget.

Local human service plans like that currently being developed in South Waterloo (NSW Government – Department of Planning) should become the norm across all communities/districts to encourage case coordination and partnership, driving better outcomes for clients and the community.

Streamline the number of peak bodies

The organisation reported that it could potentially belong to 14 or 15 peaks. During periods of crisis, service managers experienced information overload. Streamlining membership could simplify communications and avoid duplication.

Change government thinking to recognise the need for administration funding

This was identified as challenging, given government sees itself as funding delivery of specific programs and not overall services or organisations, while at the same time requiring accountability for compliance with legislation that the relevant agency does not administer. The costs of this compliance need to be recognised and funded.

Include an administration component in all grant funding

Currently several small grants don't include any administration component which is not a realistic expectation.

Avoid over professionalisation of boards

This allows important local connections to be retained.

Introduce the local perspective

Currently interagency discussions may not get the frontline perspective as these staff may not be attending.

Community centres need to be recognised and valued as essential generic and specialist social infrastructure. They need a minimum base service funding level and adequate staffing, reflective of the demographic they are servicing prior to any additional special programs. All government agencies, not limited to DCJ, should be resourcing them.

There is a need to bring back investment into community development, with a broader focus, reflective of whole-of-community needs, not just early intervention and families.

The fact that competitive tendering is not producing the theorised 'value-for-money' return for the government, the sector or the community, needs to be understood.

Kathleen York House (ADFNSW)

Mission

To provide support for women to overcome substance dependence and reduce its harmful impact on their lives, their children and families in the community.

Background

Kathleen York House (KYH), located in Glebe, Sydney, is a small abstinence-based residential drug and alcohol rehabilitation service for women. It is run by the Alcohol and Drug Foundation of NSW (ADFNSW).

ADFNSW was established in 1957 and KYH has operated since 1991. It is a service based in Sydney's Inner west, available to women who meet the admission criteria. KYH can accommodate seven women at any one time and up to four children. Children up to the age of 11 years can stay with their mother. The service addresses individual client needs including physical and mental health, housing, parenting, relationships, legal and social needs through a six-month residential program, and a twelve-month aftercare program.

Structure

- Full time employees: 2
- Part time employees: 5
- Casual employees: 7
- Full-time equivalent staff (FTE): 6
- Estimated number of volunteers: 6

Current program areas

Table 6: Kathleen York House Program Areas

Program	ACNC Classification
ADFNSW – Kathleen York House	Substance abuse

Income and expenditure over past three years

(ACNA data)

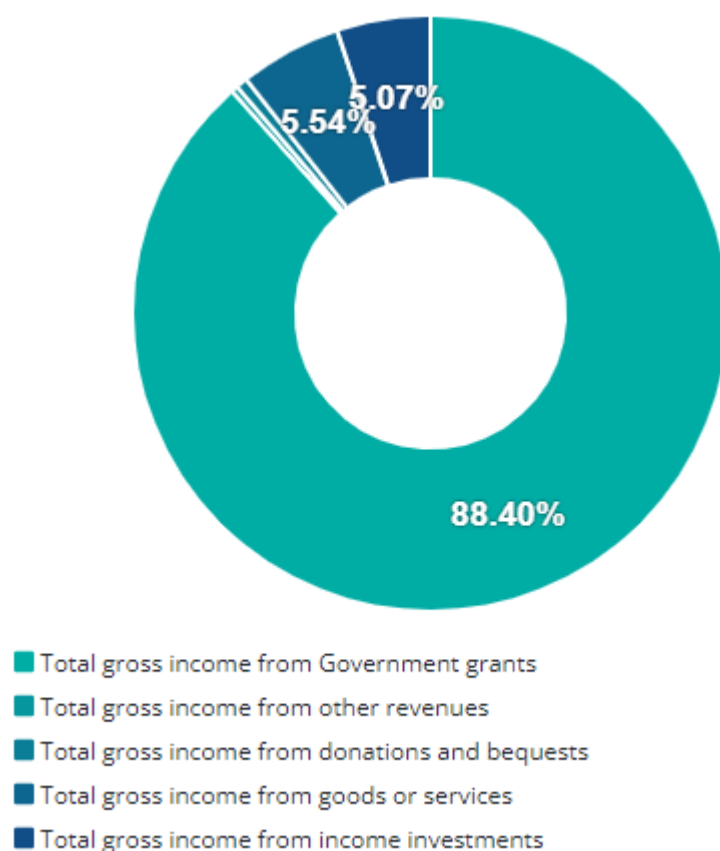
Table 7: Kathleen York House Three-year Income and Expenditure

	2021	2020	2019
Inc (total revenue) \$	1,156,120	1,076,134	1,026,538
Exp \$	978,592	1,061,736	1,004,032
Staff # FTE	6	6	6
Clients receiving 1:1 support	24 women and 22 children	22 women and 11 children	21 women and 18 children

Total Gross Income 2021

\$1,156,120 of which 88.4 per cent (\$1.022 million) was income from government grants.

Figure 4: Kathleen York House Income Sources



Management and administration – funding

Government funding is received from the Australian Department of Health, NSW Health and the South Western Sydney Local Health District (SWSLHD). A small number of charitable donations are also received. The organisation reports that neither funders, nor larger organisations, totally understand the struggles that smaller organisations go through, especially those which offer specialised services.

"It is tough managing when you see unmet need and feel you can't wait for funding to materialise - we are providing our own therapist for a children's program to help stop transgenerational issues."

Organisation

Securing and acquitting grants

Funding duration is a key issue. Over the past few years, the organisation has experienced annual reviews and the uncertainty of a potential loss of funding due to an open tendering process.

Short-term funding contracts are very difficult for staff and limit the organisation's ability to plan.

Currently the aftercare program isn't funded, and the organisation is constantly applying for grants.

It's a Catch-22 when the organisation is seen as too small, despite a long history and established track record. The ongoing challenge is how to grow in a sustainable way. There is a risk that specialist services will be lost. This is more frustrating when larger organisations call for advice.

"It feels like Damocles sword is hanging over you."

Organisation

State and Federal Government reporting and acquittal mechanisms are different. Some of the quantitative measures are challenging and do not accurately reflect the nuances of service provision (e.g., bed occupancy rates when a place has been reserved for someone completing detox or court hearing and then at the last minute they decide not to come; meaningful annual target completion numbers which do not reflect individual program variability).

Managing through COVID-19

COVID-19 meant significant additional work for the small team.

The program pivoted to a hybrid model as some women chose to leave and were supported remotely. An individual COVID-19 plan was developed for each woman to manage the risk in case an individual acquired COVID-19. Admission to RPA Hospital was established as a backup option should anyone become COVID-19 positive, given the bathroom facilities were inadequate for social isolation.

Within the facility, the women were isolated and staff numbers restricted. Staff stepped up and adapted, moving to online food ordering and other service changes.

A positive outcome of the hybrid model was the ability to provide Zoom-based support on a much more extensive regional outreach basis to people living at a distance from the facility, especially for the aftercare clients. This increased the reach and effectiveness of the service and is being continued.

Significant additional workload was incurred writing policies and procedures each time the government changed requirements.

High turnover was experienced as anxious staff chose to leave and a decision to require vaccination meant the loss of others.

A significant post-COVID-19 (and post-bushfires) impact on the organisation's indirect costs has been a substantial growth in premiums for insurances. The organisation reported that not only had costs escalated, but securing insurance was also challenging.

"The impact of COVID-19 in 2020 was terrifying. Most of the women's services had closed but the KYH Board made the decision to keep operating in spite of lockdown since the clients needed services more than ever. This meant that non-residential children were unable to visit their mothers during this time."

Organisation

What works well/ideas for change

1. Five-year funding contracts – this would allow both the organisation and staff to plan confidently.
2. Direct funding to individual services rather than a tender-based process.
3. Qualitative/outcomes-based reporting as well as basic quantitative data. All reporting to the funder to be relevant and transparently used by the funder in program decision-making.

The Family Place Inc

Vision	Thriving families in a connected community.
Mission	To support and strengthen families, promoting the well-being of young people to ensure they are safe, nurtured and empowered.
Values	We empower families and young people, supporting them to become stronger We build relationships, connecting families to community We embrace diversity, respecting and valuing all families We encourage innovation, exploring opportunities to find solutions.

Source: *The Family Place Annual Report July 2019 – June 2020*

Background

Founded 1 January 1987 and located in Moruya, The Family Place services families in the Eurobodalla LGA providing family support, homelessness support and community disaster recovery programs. The organisation's financial counselling service extends through the Bega Valley and Cooma Monaro.

Structure

- Full time employees: 3
- Part time employees: 11
- Casual employees: 0
- Full-time equivalent staff (FTE): 10
- Estimated number of volunteers: 0

Current program areas

Table 8: *The Family Place Program Areas*

Program	ACNC Classification
The Family Place (includes, Intensive Family Preservation, IFP, TEI) Financial Counselling is funded by the Department of Fair Trading	Family services

Income and expenditure over past three years

(ACNC data)

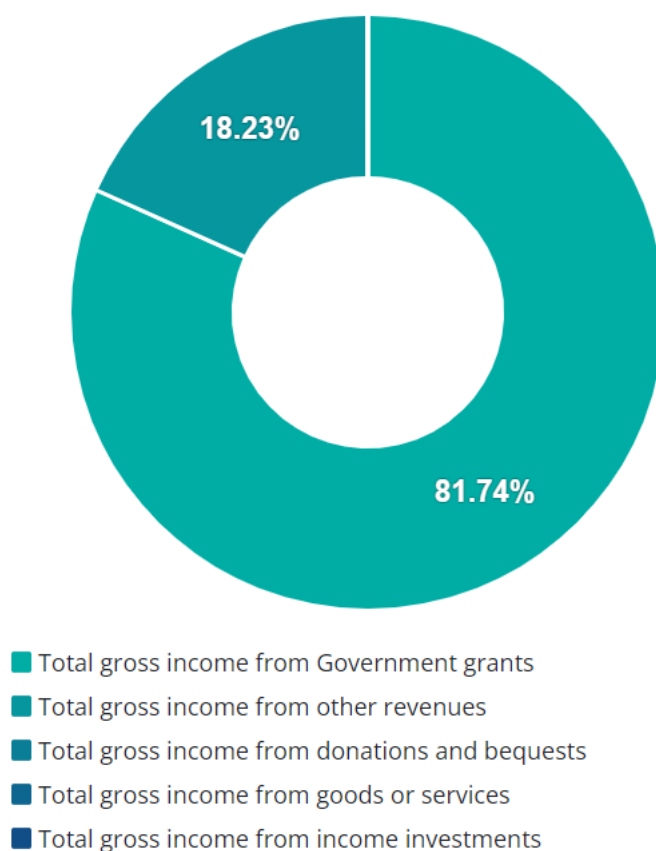
Table 9: The Family Place Three-year Income and Expenditure

	2021	2020	2019
Inc (total revenue) \$	1,488,806	994,355	961,071
Exp \$	1,487,502	941,480	960,962
Staff # FTE	10	6	6

Total Gross Income 2021

\$1,488,806 of which 81.74 per cent (over \$1.2 million) was income from government grants.

Figure 5: The Family Place Income Sources



Management and administration - funding

As a small organisation, the management and administration functions are split between the CEO and Operations Manager, with both also having line management responsibilities. Notwithstanding the small community, the organisation has been fortunate to be able to recruit an accountant who also has child and family experience. Back-office generic administration functions such as WHS, risk, financial payments, payroll and HR have been outsourced.

Making provision for administrative costs in a tender is "a real juggling act." The organisation identified difficulties in tailoring a tender with a maximum allowable administrative component of 20 per cent, given limited ability to minimise the costs of recruitment, payroll and administration.

With recent disasters such as bushfires and the advent of COVID-19, the Family Place has seen a 50 per cent growth in its grant income in 2020/2021. Bushfire funding has uncovered pre-existing or hidden need in the community and allowed it to be met for the first time.

"A major issue will be shrinking the organisation back after all the money that has been thrown at us."

Organisation

The administrative implications of the funding increase go well beyond staffing numbers and include the cost of increased office space, IT needs, etc.

Securing and acquitting grants

Short-term funding has created significant administration and project management tasks. Job security is an issue for grant funded roles which are short-term. This is particularly challenging in First Nations work, where gaining traction and building trusted relationships takes time and staff retention is key.

"Accreditation was an enormous amount of work."

Organisation

A governance position has been created (for four months with a need to be flexible in scaling up or reducing weekly hours of work) and this has enabled the organisation to set up an online system to track all grants, acquittals etc.

The organisation undertook accreditation on a voluntary basis but the funding available to assist was not close to the costs involved. While \$17,000 was received, \$7,000 was immediately required to be allocated to pay the accreditation fee. The work to gain accreditation also required a year-long preparation, with policies, strategic planning, and written demonstration of solid progress required.

With DCJ funding, any unspent funds must be returned. This creates pressure on the organisation to spend.

There has been a significant amount of work involved with the introduction of the DEX reporting platform for the TEI program. The organisation had to develop its own program logic and new systems, including a new internal client data system which was compatible with DEX and was not paper based.

Bushfire recovery funding

After the bushfires, The Family Place undertook considerable advocacy to ensure priority needs were understood by authorities and was keen to respond quickly to opportunities from funding bodies. But, despite being told that substantial funding would be available, it took about 12 months for this to eventuate.

Service models to address the issues were complex, and the proposals were difficult to write, especially where there were numerous partners that needed to be involved. As a local provider, the organisation knew what was needed in the community and could identify the most urgent gaps.

Funding from Bushfire Local Economic Recovery (BLER), Resilience NSW and Westpac will come to an end shortly, impacting on staffing and service delivery. BLER acquittals are challenging. The organisation was asked to show an invoice for their internal management fee and produce records for every invoice/ledger, evidence of payroll etc.

"It is sad when reporting is only about whether the project is at risk or is on time."

Organisation

There appears to be no interest in the social impact or opportunities to tell the story of what has been achieved. Reporting timeframes bear no relationship to activity payment cycles. This creates additional administrative burden. The management fee able to be charged is restrictive and does not reflect the amount of management and administrative work involved.

Managing through COVID-19

For The Family Place, COVID-19 was a challenging and interesting time. When face-to-face support was not possible, there was a need to conduct programs remotely and to provide flexibility for staff.

COVID-related information and requirements were frequently Sydney-centric. For example, the suggestion that the organisation put together its "surge workforce" when, in a regional area, this was not feasible. Local organisations, even when they carried significant regional responsibilities, were sometimes not included in forums/consultations run by DCJ, while larger state-wide operators with minimal presence on the ground were invited.

"COVID-19 and Bushfire money has enabled entrenched existing problems to be addressed."

Organisation

IT up-skilling for COVID-19 was a substantial exercise to enable and support staff working from home (WFH). All equipment needed an update at significant cost.

In a small organisation with thin structures (e.g., a two-person team), having one worker with COVID-19 absent from the team has a significant impact. As a result, the organisation no longer does anything as a group because the risk of a transmission event is too great.

New funding because of COVID-19 seemed to be randomly allocated. For example, the organisation submitted an initial Expression of Interest for \$10,000, expecting a second stage. Instead, however, they were awarded \$150,000. Now there is pressure to spend the money in a short period, rather than taking the time required to develop a strategic response that aligns with community need.

What works well/ideas for change

1. Take a “place-based” approach with a local DCJ funding person as a single source/conduit for information and a role in sharing and advocacy. Ensure the commissioning arm of DCJ (centrally located) operates in tandem with the district contract management staff so that the narrative at the organisation level which explains their performance numbers is understood.
2. Have communities of practice coordinated through place-based “humans connecting with humans.”
3. A centralised admin/IT Hub – regionally based to combine/share the admin/back-office functions for smaller organisations.
4. Increased funding which includes better recognition of administration costs. Funding contracts which specifically provide for core administrative costs.
5. A better thought-out grant system which eliminates DCJ fragmentation of commissioning/planning/regional input.
6. More transparency about when grant funding will be announced, particularly additional response initiatives.
7. Include small local organisations in regional meetings with DCJ rather than the current practice of only getting big providers together who may only have half a person connected to the region.
8. Longer funding contracts (e.g., five years) to give stability.
9. Specific to regional areas/small organisations:
 - a. There is a need for multi-skilled staff in a small organisation. This is not a luxury. The person needs to take on more functions and the organisation needs the capacity to attract the right person and pay them. Larger organisations can split the roles and be more specialised, but a small organisation is inefficient if it doesn’t have staff who are multiskilled. Finding such a person can be problematic in a rural location.
 - b. The need for good, ongoing relationships with funders so they recognise and understand these needs.

Case Study Organisation #5

Mission

We are committed to social justice principles. We recognise that Australia is a multicultural and diverse society, and we promote equal participation and equitable access to services and programs.

Background

Founded more than 40 years ago, organisation #5 provides support to refugees and migrants. Activities include information and advice and referral, advocacy, drop-in settlement services, financial assistance, casework and case management and capacity building. It is located in a regional area of NSW.

Structure

- Full time employees: 6
- Part time employees: 8
- Casual employees: 5
- Full-time equivalent staff (FTE): 12

Current program areas

Table 10: Case Study #5 Program Areas

Program	ACNC Classification
Settlement Engagement and Transition (SETS) Program	Welfare
Targeted Earlier Intervention (TEI) Program	Family services
NDIS Case management	Disability services

Income and expenditure over past three years

(ACNC data)

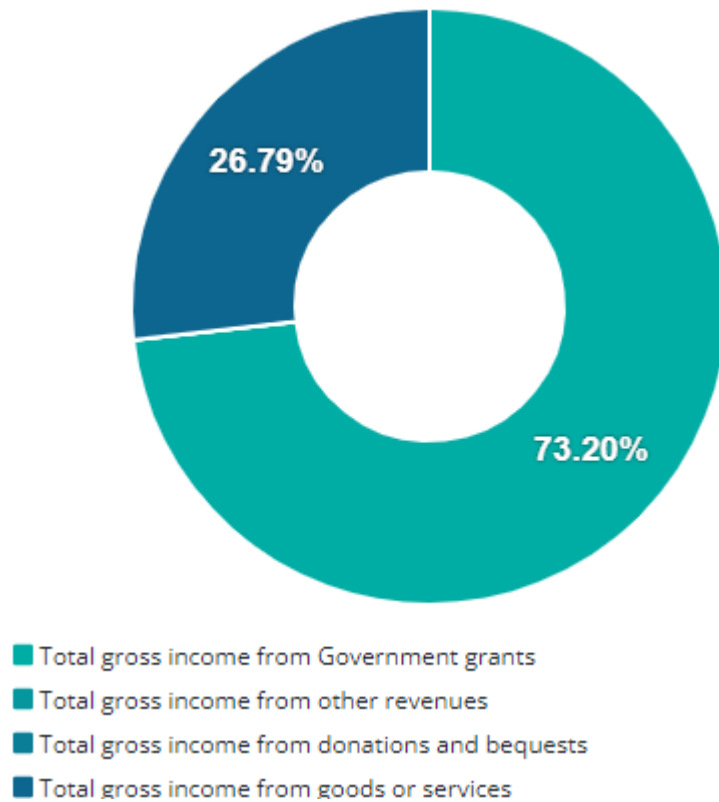
Table 11: Case Study #5 Three-year Income and Expenditure

	2021	2020	2019
Inc (total revenue) \$	1,740,894	1,928,674	2,042,653
Exp \$	1,686,886	1,950,092	2,249,729
Staff # FTE	12	21	22

Total Gross Income 2021

\$1,740,894 of which 73.20 per cent (over \$1.2 million) was income from government grants.

Figure 6: Case Study #5 Income Sources



Management and administration – funding

Funding is received from both State and Commonwealth Governments, including the Department of Education, DCJ (TEI funded programs), Transport for NSW, the Department of Social Services and the Department of Home Affairs.

The organisation recently created a new position specifically to deal with Compliance, HR, WHS systems and record-keeping, to free up executive staff from these administrative tasks. As a small organisation, it has been a challenge to keep across awards, industrial relations and other compliance requirements as these have grown.

For grants which are less than \$50,000, the organisation is experiencing a trend where funders will not allow any wages components. Funding is only available for activities, which means there is reliance on the existing workforce for delivery. This is a big issue because it is not sustainable.

It is very difficult to operate with 10 per cent administration allocations when really the ideal breakdown is 70 per cent direct service delivery/30 per cent administration.

The organisation also provides NDIS support coordination but does not deliver individual NDIS disability services.

Securing and acquitting grants

Financial acquittals are not seen as difficult but more recently, activity acquittals have become a challenge. The required collection of data with a focus on KPIs and service numbers has meant that staff believe they are shifting the intention of the program away from direct service delivery to focussing more on administrative compliance.

For example, the introduction of an outcomes-based framework has meant that there is a requirement to collect relevant data, as well as undertake SCORE (Standard Client/Community Outcomes Reporting) evaluation and satisfaction surveys. All of this means workers need to be more highly skilled/IT savvy and skews the workforce towards younger people which may have an unintended consequence.

The reporting requirements have required the organisation to allocate 15-20 minutes out of every hour of service provision for administration (e.g., for writing case notes). This is a shift in priorities and focus away from service delivery, towards more time spent on administrative processes.

Managing through COVID-19

COVID-19 was challenging. The organisation needed to switch to remote WFH which is not well suited to clients who are used to face-to-face services, need interpreters and have very limited digital literacy.

There was a lot of additional administrative work with every government department wanting business contingency plans around the management of the pandemic and related risks.

It was also challenging for the organisation to suddenly move to a WFH situation where accountability had to be negotiated.

The return to the office and face-to-face support has not been without its problems, as office closures have continued to be necessary when individuals test positive to COVID-19.

What works well/ideas for change

1. In a consortium, the idea of a “lead agency” being responsible for the administrative/ infrastructure tasks/expectations may alleviate the stressors on smaller organisations.
2. Have a “Clearing House” – to develop and “house” templates etc to allow individual organisations to adapt to their own agencies is useful and prevents reinventing the wheel. This idea would give small organisations the tools they need to be supported and concentrate on the work at hand.
3. Recognise and provide core/foundation funding to cover basic administration and infrastructure costs. Investigate a sustainable breakdown of admin/salaries/program costs.

THEMES FROM THE ORGANISATIONS

Our exploratory study has highlighted that the management and administrative burden for small NGOs is large and increasing. Recent natural disasters and COVID-19 have added to this burden, providing important lessons for the future. While it is not the place of this study to delve into the service provision aspects of emergency responses, opportunities to streamline management and administrative imposts in times of emergency have been identified.

Increasing demand and growing complexity of the not-for-profit sector

The increasing demand and growing complexity of the not-for-profit sector, identified in the literature, was substantiated across our five case study organisations and the Fairfield CEOs focus group. Along with this complexity comes additional administration and management obligations.

There were several sources identified as contributing to this increasing administrative burden.

- Multiple sources of funding
- The short-term nature of many contracts
- High costs associated with gaining, and maintaining, accreditation
- Pivoting to deal with emergency responses and COVID-19.

Small organisations, and particularly those which are regionally based, can face additional challenges in responding to these administrative tasks.

As identified in the literature, the “Overhead Myth” and “Non-profit Starvation Cycle” are not helping.

Multiple sources of funding

All our case study organisations receive funding from multiple sources. Their main funding sources are shown in the table below.

Table 12: Main Funding Sources

Funding Source	Org #1 (Weave)	#2 (Counterpoint)	#3 (Family Place)	#4 (Kathleen York House)	#5 (de-identified)
DCJ- TEI	√	√	√		√
DCJ-SHLV	√		IFP		
DCJ-EIPP					
DCJ – Sector Support		√	√	√	
DCJ- SHS		DCJ-Housing	SHS		
Other NSW Govt	RMS	<ul style="list-style-type: none"> • Dept of Education • NSW Land & Housing Corp • Dept of Planning & Environment • NSW Health 	<ul style="list-style-type: none"> • Dept of Fair Trading • Resilience NSW 	<ul style="list-style-type: none"> • NSW Health • SLHD 	<ul style="list-style-type: none"> • Transport for NSW • Multicultural NSW • Dept of Education
Local Govt	City of Sydney, Randwick, Clovelly	<ul style="list-style-type: none"> • City of Sydney • City of Parramatta 			
Federal Govt	Dept of Health	PM & C	<ul style="list-style-type: none"> • BLER-Federal and state funding • Department of Infrastructure , Transport and Regional Development & Communications 	Dept of Health	<ul style="list-style-type: none"> • DSS, NDIA • Dept of Home Affairs
Philanthropic	√	√	√	√	√
Total Funding Grants	27	24	9	4	10

Acquitting and reporting

Multiple sources of funding bring with them differing application, acquittal and reporting requirements. The timeframes for these are not always aligned. Our organisations spoke of quarterly, six-monthly and 12-monthly obligations. Under the Bushfire Local Economic Recovery (BLER) program reporting timeframes seemingly bear no relationship to payment cycles.

The increasing reliance on IT-based reporting structures means that organisations must have the capability to navigate multiple portals and systems. The observation was made that this creates a bias towards recruiting younger (more tech savvy) staff. In some cases, the CEO is the only person who can update portals, and this creates an additional burden and bottleneck.

The financial elements of reporting are also not universally consistent, and organisations find themselves re-cutting internal financial reports to match the requirements of the individual funding body. In some cases, this has led to the requirement to maintain duplicate financial records. All of this comes at an administrative cost.

It was also reported that there is no alignment between the financial value of the grant, its duration and the level of acquittal and reporting complexity involved.

Seeking grants

Seeking funding comes with the administrative cost of tender preparation which is outside the scope of normal service operation. Our evidence is that small organisations manage this as extra duties 'above and beyond' their normal workload, with much effort expended out-of-hours and un-remunerated. The point was repeatedly made that there is no compensation for the significant work that goes into an unsuccessful tender or grant application.

Short-term funding contracts

Organisations take on many short-term funding contracts because these are often the only ones available. These can help plug gaps in service provision, enabling innovative or other needed service options to be provided to their constituency.

Emergency response contracts are, by their very nature, short-term.

But a shorter duration contract does not necessarily come with reduced administration and reporting requirements.

Short-term contracts are particularly vulnerable to the "Overhead Myth," with some contracts containing no funding for administration.

Short-term contracts also come with significant costs of discontinuity. Organisations face costs associated with repeated staff recruitment. Retention is disrupted with loss of staff skills and experience, and inability to attract the best quality staff to positions of a short-term nature. All of this impacts the organisation's ability to deliver a quality service and to plan confidently for the future.

Accreditation

Some organisations had undertaken accreditation voluntarily and some will be required to seek accreditation soon. Accreditation is welcomed by organisations. However, the additional administrative and management impost of preparing for accreditation and then its maintenance is another cost for the organisation, which is again 'above and beyond' normal administrative functioning.

Recent/new administrative requirements

Government regulation is increasing and with it comes additional administrative costs in ensuring compliance. An example given was the need for organisations to develop a Data Security Privacy Breach Response Plan. This is an additional (but desirable) action. However, its preparation comes with an administrative cost and requires a level of expertise in privacy legislation and processes, which must be acquired or brought in by smaller NGOs.

Emergency responses

1. Impact of COVID-19

Funding impacts

Amongst our five case study organisations, ongoing core funding from government helped most maintain staff stability during COVID-19. A variety of short-term grants supplemented activities and enabled organisations to respond to increased community demand, but came with a range of additional management and administrative imposts.

One organisation experienced a core funding decrease of \$300,000. Addressing this deficit required seeking alternative funding from up to ten sources, with all the associated application and acquittal burdens of multiple reporting as discussed above.

Another received an additional \$150,000 when they were expecting \$10,000 and then faced significant pressures to spend the money quickly. Across the board, short timeframes for expenditure of funding – while welcomed to deal with the pandemic crisis – led to a general view that it was not being used strategically.

A specific emerging challenge related to acquittal of core program funding where the delivery was significantly impacted by COVID-19. This was mentioned in the case of DCJ-funded services. A high-level flexible policy response to the crisis which recognised the inability to continue “business as normal” service provision during COVID-19 lockdowns was seemingly not reflected universally at the regional contract management level, with some organisations experiencing ongoing expectations for pre-COVID-19 targets to be met.

Some organisations managed to retain staffing through the pandemic, despite funding reductions, through accessing JobKeeper.

Changes to models of engagement/increasing service capacity

One provider in our case study sample was able to offer extended outreach services beyond the Sydney metropolitan area for the first time as their aftercare program which had previously been delivered face-to-face shifted online.

Unmet need

Multiple providers reported that changes to service delivery triggered by COVID-19, such as home visits, uncovered previously hidden need. All emphasised that this was pre-existing need, not need triggered by COVID-19 but just uncovered by it.

Many COVID-19 specific responses were also required, ranging from emergency food and supplies delivered to people in lockdown, to sourcing second-hand smart phones to enable older people to use QR code check-ins.

2. Impact of bushfires

Significant emergency and recovery funding has created a challenge for organisations in rapidly scaling up and then scaling down once the funding ceases.

Regional/small-scale NGO issues

There are many skills involved in undertaking the various tasks associated with the administration of a small to medium-sized NGO. These include tender and grant writing, financial and accounting skills, IT proficiency, funder negotiation skills as well as the usual HR and day-to-day organisational functions. In a smaller organisation, one or two senior staff may need to undertake all these functions. This contrasts with a larger organisation where there can be greater staff specialisation (e.g., one staff member who can focus solely on acquittals and associated reporting).

In the case of the small NGO, finding a multi-skilled staff person can be challenging, especially in a regional or rural area. Further, a multi-skilled person, if available, will be more expensive. The alternative of outsourcing generic administration (for example HR or accounting) carries an additional cost.

The Overhead Myth

All our organisations faced pressures on the amount of funder income which was able to be allocated towards administration and management costs. Often a maximum percentage is set, leading to budgeting challenges in relation to the allocation of actual costs. It was suggested that there needs to be a change in the narrative – in terms of both public awareness and funder expectations – concerning the value of adequate funding to meet the administrative and management costs of service provision in the NGO sector.

The notion that there is a minimum level of core funding required to run an organisation, no matter how small, resonated with our participants.

Particularly challenging were those grants where spending any money on administration is prohibited, with Multicultural NSW cited as an example.

CONCLUSIONS

Small to medium-sized NGOs play an important role in the community. Their value has been demonstrated and reinforced with the advent of the COVID-19 pandemic and recent bushfires and floods. They are embedded in local communities and hold positions of trust that have allowed key public health messages to be disseminated, supports provided and individuals reassured. The social and financial impacts of the pandemic have been lessened by their work and they have contributed to building the resilience of individuals and communities.

However, the resilience and sustainability of smaller organisations is challenged by the growing administrative burdens explored by this study. At the same time, the “Overhead Myth” persists, impacting negatively on the provision of adequate funding support for necessary infrastructure.

This Study has explored the administrative loads faced by the five case study organisations. It has highlighted significant inefficiencies in the current system. It is hoped that these insights may provide directions for further consideration, change and improvement.

Principal contributors to administrative burden have been identified as:

- Multiple sources of funding and the consequential differing application, acquittal and reporting imposts. It is not just a matter of repeating these tasks for each separate funder/contract but also adjusting data to match reporting requirements and dealing with multiple portals, logins and IT systems.
- Short-term funding, leading to significant costs of discontinuity (staff recruitment and retention challenges, managing organisation growth and shrinkage, and impact on the ability to plan). This is exacerbated with funding related to emergency responses.
- The Overhead Myth – Lower indirect costs appears to be seen as the indicator of an efficiently run organisation. This has led to inadequate provision for administrative infrastructure in grant specifications compared with the real costs involved. Our study organisations reported the allowable administration costs in grant applications ranged from nil to 20 per cent.
- Changing compliance requirements ranging from accreditation through to individual items such as data security.

Future directions

Directions that could be explored include:

1. Reduce red tape

- There have been some efforts by government to reduce administrative red tape, for example at the federal level DSS has a simplified six-page contract. This compares with a typical 37 pages (plus schedules) for a NSW DCJ contract. NSW has its Human Services Agreement (which forms the basis of the DCJ contract) but individual agencies are free to make amendments and, in the case of DCJ contracts, even the definitions of terms can vary between programs.

- The HSA transfers considerable risk to the NGOs who are parties to the Agreement, which smaller organisations are not well placed to bear. For example, the Agreement enables Government/the funding body to issue new policies and service standards that NGOs must comply with, and to unilaterally change Service Plans during the life of the Agreement, but with no requirement to provide compensation for any associated cost increases.
- Current inconsistency in tender/acquittal templates and definitions, even within the same agency, creates an additional and unnecessary administrative impost.

2. Use an organisation's ACNC data "Charity passport" for standardised reporting

- A time-consuming element involved in the preparation of proposals and funding acquittals is presenting and reporting on budgets in the format required by the individual funder.
- The ACNC financial reporting framework (National Chart of Accounts) could be used as a standardised mechanism for cross government recognition of the financial bona fides of any charitable organisation reporting to the ACNC. This would centralise financial reporting and streamline this impost on organisations, removing the need for manual data entry to respond to differences in accounting categorisations. Organisations would only need to report their financial outcomes once in each reporting period/financial year.
- Adopting this framework would also assist with achieving greater consistency around the definitional issue of what constitutes an overhead or indirect cost.
- Organisations who participated in this Study have told us that the categorisation of costs as direct or indirect has more to do with adjusting budgets to fit within allowable overhead guidelines than anything else. An example of this would be staff training costs which could be allocated either way.

"The release of a new COVID-19 stimulus package for NSW organisations in Feb, to help with the impacts of Omicron.

This is ordinarily great news for our clients but this time around we found the eligibility criteria to be so narrow, that the admin effort to apply almost outweighed the gains!"

Purpose Accounting Newsletter
April 2022

3. Longer term funding

- Short-term funding leads to significant cost of discontinuity (staff turnover for example). This is exacerbated with funding related to emergency responses.
- Organisations seek funding from whatever source is available to enable them to meet the needs of their constituency. There is currently no correlation between size and duration of grants and the effort involved in their administration, nor indeed the component of the grant which can be directed towards meeting these indirect costs.

"Five-year contracts are the holy grail!"

CEO

- In the absence of separately identified “core” organisational infrastructure funding, our organisations balance decisions and effort around which funding they should seek. Often this means committing time and effort without return.

4. Support combined back-office/administrative hubs

- Small to medium-sized NGOs could benefit from efficiencies associated with pooling their administrative/back-office functions such as HR, IT, and accounting. Such an approach could be trialled in a suitable location among a small number of organisations willing to participate.

5. Use a prequalification process

- The same logic for use of the ACNC financial framework could be applied to other government compliance requirements. A generic “prequalification” stage/status to indicate that necessary obligations have been met (e.g., WHS, Working with Children checks, privacy and security policies and plans etc) could be set up at state government level. Consideration could be given to allowing philanthropic funders to access the prequalification status of organisations applying for grants with them.

6. Standardise Department of Communities and Justice contract management approaches

- Most of our case study organisations received funding from DCJ under the Targeted Early Intervention (TEI) program. There were reports of differing experiences at the contract management level. Greater consistency and transparency in expectations around reporting and acquittals, especially when there are external influencing circumstances such as COVID-19, would be beneficial.
- Changes in government personnel add further complexity and administrative challenges if agreements made by predecessors or other team members are not recorded.

7. Streamline emergency responses

- COVID-19 created a new service delivery landscape for service providers and funders alike. The individual case studies tell the story of how participating organisations shifted focus to the short-term and adapted to loss of face-to-face service provision, implemented working from home (WFH) models and changed supports to meet the needs of their constituency. Regular emergency response meetings which enabled direct dialogue between frontline services and DCJ officials were reported to have strengthened relationships and trust between government and NGOs. Continuing this dialogue in some form may create a forum to discuss and improve administrative issues.

8. Place-based program development

- Increased local flexibility allowing for place-based program development would support small and medium-sized NGOs to focus on the outcomes they are uniquely placed to identify and prioritise.
- The health and environmental crises of 2019-2022 have demonstrated the importance of “neighbourhood” infrastructure adding to the resilience toolkit of NSW. The role of NGOs in building communities and forming bridges between governments and people is perhaps undervalued and should be further researched and supported.

Appendix 1: ACNC NSW Charity Profile Data

As the table below shows, the majority of these charities are small, with almost 80% having revenue under \$1 million.

NSW Charities – ACNC Data

Table 13: NSW Charities

Revenue	# of charities	% of charities	Total revenue (billion)	Av total revenue	Mean FTE employees
>\$100m	43	0.38%	\$16.70	\$388m	2598.3
>\$10m	548	4.80%	\$15.10	\$27.6m	216
>\$1m	1892	16.59%	\$6.00	\$3.18m	1
>\$250,000	2113	18.53%	\$1.10	\$539,000	37
>\$50,000	2953	25.89%	\$0.40	\$126,595	7.1
<\$50,000	3856	33.81%	\$0.10	\$17,000	1.7
TOTAL	11405	100%	39.4		1.3

Table 14: Number of Charities vs Total Revenue by Size

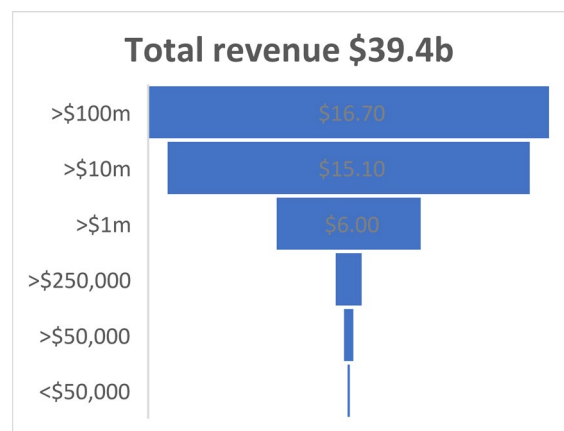
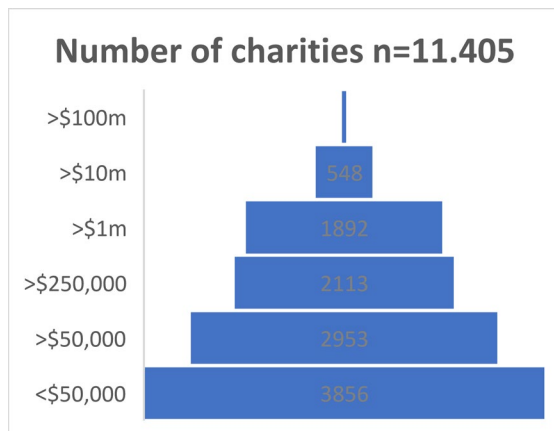


Table 15: NSW Average vs Our Case Studies

Revenue	Av total revenue (\$m)	Mean FTE employees
>\$100m	388m	2,598.3
>\$10m	27.6m	216
>\$1m	3.18m	37
>\$250,000	539,000	7.1
>\$50,000	126,595	1.7

Our Sample - Case study	Total revenue (\$m)	FTE employees
1	5.10	39
2	1.36	11
3	1.15	6
4	1.69	12
5	1.48	10

Currently, ACNC classifies a charity as large if revenue is more than \$1m, but for the 2022 reporting period going forward, the revised charity size and thresholds will be:

- Small charities – annual revenue less than \$500,000
- Medium charities – annual revenue of \$500,000 to \$2,999,999
- Large charities – annual revenue of \$3 million or more

The financial reporting obligations of organisations with revenue over \$250k (2021) or \$500k (2022) are the same as those very large organisations (except for the addition of formal auditing/review requirements).

Appendix 2: Question Guide

NCOSS' study of the work/ time impacts of sector changes and emergencies including COVID-19 on management/ administration of NGO social and health services

Questions to Organisation representative:

What is the main thing you want to tell us about the management and administration of NGOs in NSW?

Background

Organisation structure

Roles and responsibilities (balance of admin/ management and delivery/ operations)

How many contracts do you have currently?

- Who with (Commonwealth, State, Local Govt, or none)? \$'s, program type?

How different are the approaches/ expectations of different funders?

- Program specifications to meet? Reporting requirements (funding accountability/ performance monitoring/ evaluation requirements)
- What are your main reporting obligations?

Where/ who is your funding contract managed?

What are the key management and administrative challenges of multiple funding bodies and contracts? Any benefits?

Do you have any experience of consortia?

- Any comments on how working in consortia impacts on management and admin workload?

What has changed?

What do you see as the main administrative and management activities and responsibilities of your organisation?

- How have they changed over the last (roughly) three years?
- How have they changed – in complexity, nature, volume etc?
- What new responsibilities and obligations have been added?

What are the main causes of the changes?

- What reforms/ re-commission processes have impacted?

Has the organisation experienced scope creep (widening of remits/ taking on responsibilities formerly undertaken by others)?

What are your perceptions of how COVID-19 has impacted management and administration?

Have bushfires/ floods etc. impacted your organisation's management and administrative workload and activities? What have you taken on or what has increased?

What has worked in recent years, if anything, to reduce management and administration workload (e.g. combining contracts, online reporting for example)?

How do different funding bodies compare?

- Any best practices/ good approaches we could look at?

How has the organisation responded?

What amount and proportion of time have you and your team spent in the last 3-6 months on managing and administering COVID-19 related matters?

- What impact have these changes had on managers, board members and other staff (e.g. in workload, complexity and scope of activities/ responsibilities, time worked, pressure/ stress)?
- What works – what solutions have been deployed (e.g. new skills development, outsourcing, role flexibility, volunteer/ Board involvement)?

Looking forward

Are there future changes or reforms you are planning for (e.g. accreditation? How do you see these impacting your organisation)?

What else would help your organisation manage the challenges you've identified? What could reduce the trajectory of an increasing management and administrative load?

- Systems changes?
- What skills are needed?
- What does it cost to meet new requirements – time/ money/ governance/ other?

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Footnotes

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¹⁵ The Giving Guide 3

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¹⁸ The Australian Service Excellence Standards program is owned and administered by the Department of Human Services (South Australia) and is available nationally to all non-government organisations of any size, type, and sector. <https://dhs.sa.gov.au/services/community-services/ases/about-the-program>