July 2020

Funding advocacy

NADA has been actively advocating for funding support for our membership across two critical issues. Firstly, NADA members will be aware of the COVID-19 impact survey we have recently conducted across our sector. This resulted in identifying the major barriers and costs associated with implementing changes to service delivery including: increased costs relating to PPE and infection control measures, increased use of technology (telehealth and computer based communications, upskilling staff in use of technology), supporting staff to work from home and a range of other new costs. Further, the drop in client related contributions to residential rehabilitation budgets was also noted. NADA wrote directly to the NSW Health Minister and asked for an additional 1.5% supplement to all NSW Health AOD NGO contracts for the 2020/21 financial year to assist NGO AOD service providers to meet these additional COVID-19 related costs to their service delivery.

NADA is also working with the AOD Peaks Network nationally to write to the Federal Health Minister requesting Commonwealth financial assistance to support members' responses to the impact of COVID-19, as well as seeking a response to our ongoing advocacy related to the reinstatement of CPI and commitment to maintaining the ERO supplement for all NGO grants.

The second critical issue relates to the NCOSS campaign for an immediate increase of 2% indexation to all NSW government funded NGOs to cover the costs of the Fair Work Commission wage increase of 1.75% mandated in their June 2020 minimum wage decision. This increase applies to all wages covered by the Social, Community, Home Care and Disability Services Industry Award and will take effect from 1 July 2020. Our sector is arguing that this indexation cannot wait for the delayed State Budget. Additionally, there has been inconsistent commitment from the NSW Government agencies as to whether the ERO supplementation will be rolled into baseline funding levels beyond the end of the current ERO payment period of the 2020-21 financial year.

NADA has joined this advocacy by writing to the NSW Premier and NSW Health Minister utilising the NCOSS template and factsheet letter (see attached) to ask for this indexation increase for the NSW Health funded NGO AOD sector so that we can continue to provide this essential service on behalf of the government to our communities across the state.

What can NADA members do?
We suggest you modify the template letter attached for the 2% indexation increase and write to the Premier, the Health Minister and your local state member of Parliament. We also suggest you reach out to any media contacts you may have and raise this issue with them. We also encourage you to spread the word through your networks.

For more information

Larry Pierce
Chief Executive Officer
E: larry@nada.org.au
T: 02 8113 1311

Robert Stirling
Deputy Chief Executive Officer
E: robert@nada.org.au
T: 02 8113 1320

Factsheet

Funding for indexation for social services

Key messages

- Health, social and community services are essential services that have proved to play a key role in providing immediate, diverse, frontline support to impacted communities during the bushfires and COVID-19.
- With rising disadvantage leading to rising demand for our services, now is not the time to require our sector to do more with less.
- At a minimum, we need adequate indexation to be able to operate effectively, pay staff adequately and meet both rising demand and cost of service delivery.
- The NSW Government must immediately pass on indexation of at least 2% so that the sector can get on with the vital work of supporting the growing number of disadvantaged people in NSW.

Context

- During COVID-19, the sector has risen to the challenge and continued to provide essential services to the most vulnerable in the community e.g. they have worked hard to keep rough sleepers safe, provide support to women in unsafe relationships, stay connected to vulnerable families, assist people with disabilities to adjust, get food to households in financial distress, check in on those who are isolated, help people access telehealth and other online services, and ensure that disadvantaged young people don’t disengage from education.
- The sector has worked cooperatively with government to rapidly find and roll-out solutions, and modify service operations and delivery accordingly. For the most part this has been done with no additional funding.
- Organisations in the sector are worried for the future and are already struggling to meet demand due to chronic underfunding.
- Many do not have reserves, as their funding agreements do not allow them to carry over underspends to help them build a financial buffer - which would be a sensible and common business practice in any other industry so that when crises such a COVID-19 occur, they are prepared and more financially resilient.
- The coming ‘October cliff’ will bring even more financial challenges for the sector:
  - the end of JobKeeper
  - the withdrawal of other crisis support (increased JobSeeker, deferred lease and loan payments coming due, etc)
  - a desire by governments to reduce expenditure in their budget places many organisations at risk.

- The latest report from Social Ventures Australia and the Centre for Social Impact indicates the precarious financial position that many organisations are in, particularly as the ability to fundraise and seek sponsorship from local businesses or philanthropic sources dries up (see box 1).

Box 1: June 2020 report from Social Ventures Australia & Centre for Social Impact: *Will Australian charities be COVID-19 casualties or partners in recovery? A financial health check*

- SVA modelled the potential impact of COVID-19 on the financial health of the 16,022 charities on the ACNC register with 1.22 million employees (many run purely by volunteers).
- They modelled a 20% fall in revenue for these charities and found:
  - 88% of charities would immediately be making an operating loss;
  - 17% would be at high risk of closing their doors within six months, even when taking their reserves into account; and
  - More than 200,000 jobs could be lost as a result of cost-cutting and organisational closures.
- Charities are losing revenue from multiple sources at the same time as they face increased demand for their services, and increased delivery costs.
- While their income has risen in the past year, their margins are falling significantly. Government grant processes which prioritise low prices over sector viability can erode margins further.
- Unlike for-profit companies, charities can't easily raise capital by taking on debt or issuing shares, so are more exposed in unexpected downturns.

Indexation

- The health, social and community services sector is chronically underfunded and funding is often not indexed adequately to reflect rising wages and operational costs.
- In 2019-20, funding indexation for the sector fell short of the 3% increase to the minimum wage mandated by the Fair Work Commission. This presented a real funding cut to the sector, as organisations needed to meet this wage increase by cutting costs elsewhere e.g. by cutting services or staff.
- For 2020-21, the Fair Work Commission has announced a 1.75% increase to the minimum wage. This means organisations will need to find the money to increase their wages from 1 July 2020.
- NCOSS and other peak bodies are calling on the NSW Government to not wait for the State Budget, delayed to late 2020, but instead to immediately provide adequate indexation of at least 2% to the NGOs that it contracts to provide essential services.
- 2% indexation will enable the sector to cover the rising cost of service provision, including the 1.75% wage increase mandated by the Fair Work Commission.

Phone: 02 9211 2599 Email: info@ncoss.org.au Suite 301, Level 3, 52-58 William St, Woolloomooloo NSW 2011
ABN: 85001 797 137 ncoss.org.au

- This comes off the back of inadequate indexation last year that did not cover the mandated wage increase for 2019-20, ongoing lack of growth funding, funding models that don't reflect the real cost of service provision and the sector having to stretch to meet rising demand as a result of the bushfires, floods and drought impacting much of the NSW.
- The call for 2% indexation also comes at a time when it is unclear whether baseline funding for organisations will permanently increase to reflect the Fair Work Commission's equal pay decision in 2012 (see box 2).
- Now is not the time to be making what will in effect be a funding cut to the sector. Not passing on indexation (and not providing guarantees about the future of ERO payments) takes us backwards and undermines the gains that have been made to recognise the important contribution that the sector makes in supporting the most vulnerable in the community.

Box 2: Ensuring equal pay for a predominantly female sector

- The health, social and community services sector is predominantly female, and has been recognised as under-valued and underpaid. That is why the Fair Work Commission brought the Equal Remuneration Order (ERO) in 2012, to achieve pay parity for work of equal value.
- At the time this order was made, the NSW Government chose to phase in equal pay for wages covered by the Social and Community Services (SACS) Award by providing organisations with supplementary payments over eight years.
- ERO supplementations payments will cease at the end of 2020-21, and there has been unclear and inconsistent commitment across NSW Government funding agencies as to whether ERO supplementation will be rolled into baseline funding to maintain funding levels beyond this point.
- The Department of Communities and Justice and NSW Health have expressed some commitment that ERO will be incorporated into baseline funding, however it is unclear whether this will be written into contracts and how soon this will be implemented for contracts expiring in June 2020.
- The potential loss of ERO will have a real impact on funding levels and organisations' capacity to deliver services across a range of areas. For example, losing ERO supplementation to the Tenants Advice and Advocacy Program would result in an 8% cut in staff across the program and 2,240 fewer tenants in NSW receiving valuable assistance and advice on maintaining their tenancies.