Small community service organisations in New South Wales: characteristics and challenges

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Overview

The community service sector consists of a rich diversity of organisations, serving a diversity of people, communities and needs.

Despite some growth and consolidation of large providers in recent years, around a fifth of community service organisations in NSW are small, with total annual revenues under $250,000. Small organisations are often celebrated for their capacity to specialise and address particular needs, to work closely and responsively with communities, and to take on the voices of constituents in ways that are difficult for larger, bureaucratised organisations. However, smaller organisations can face particular challenges. For example, it may be difficult for staff in small agencies to access professional development, to collaborate, to contribute to and influence government reform, and to grow and diversify their funding base. Based on recent survey data, this paper provides a brief overview of contemporary characteristics and issues for small community service organisations in New South Wales.

Study method

In partnership with the Council of Social Service of New South Wales, the Social Policy Research Centre conducted a large survey of community sector organisations in New South Wales (Cortis & Blaxland, 2014). The survey was conducted online during February 2014 and completed by 576 organisations, giving a response rate of 38%. The survey collected unprecedented detail about community organisations, including experiences of engaging with government and other sector agencies, their financial capacity and sustainability, and priorities for the future.

Research summary

The state of the community service sector in New South Wales 2014
Structure of small community service organisations

Of the 554 organisations that answered the question, 119 (22%) reported that their total annual revenue was under $250,000 in 2012-13. Some of these organisations (22, or 4%) were very small indeed, receiving total annual revenue of less than $50,000. This is shown in Figure 1.

Of those organisations whose total annual revenue was under $250,000, 91% were legally constituted as incorporated associations. In contrast, 27% of organisations with revenues over $5 million were incorporated associations. These larger organisations were more likely to be constituted as companies limited by guarantee.

Smaller organisations were also less likely than others to have Public Benevolent Institution (PBI) or Deductible Gift Recipient (DGR) status. Indeed, 66% of respondents in small organisations reported they had DGR status, compared with over 80% of those with revenues over $1 million. This is likely to constrain the capacity of small organisations to access funds from donors, as donors can only claim tax deductions for the donations they make to organisations with DGR status.

Staffing in small organisations

Part-time work and fixed term contracts were commonly reported across the community service sector, but were more common in small organisations. Perhaps because they have fewer positions to fill, small organisations were less likely than others to experience difficulties in recruiting suitable staff, and were less likely to use casual or agency staff than other organisations. However, accessing professional development appears to be a challenge for small organisations. Many respondents reported difficulties in sending staff to training, including because of prohibitive costs and difficulties in backfilling frontline positions in small organisations. Small organisations are also less likely to report having a formal plan in place to develop their workforce.

Collaboration

The survey asked respondents which arrangements their organisation had in place to support collaborative activity. Smaller organisations reported having fewer arrangements in place to support working with other agencies. For example, smaller organisations were less likely to have Memoranda of Understanding with other organisations, and were both less likely to exchange information and to work closely with other organisations to support service users. Smaller organisations were also less likely to report working with other community organisations to plan local services, to develop and advocate for policy positions, and to be involved in joint service delivery or consortium arrangements. As such, particular supports to improve the linkages small organisations have with others, and to improve their opportunities to collaborate, may help build their capacity.

Engagement with government

Like larger organisations, more than 9 in 10 respondents from small organisations reported they received NSW Government funding to deliver programs. However, respondents from small organisations were less likely to report that the NSW Government asked them for advice, or that they contributed to policy development in NSW, for example through writing policy submissions. This is shown in Figure 2 (page 3). Whereas 15% of small organisations reported that they contribute to policy development, the figure was more than double this in all other revenue categories.

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1 Incorporated associations are formed under NSW legislation, and cannot regularly operate outside of NSW. Companies limited by guarantee are formed under the Commonwealth Corporations Act and tend to have more complex legal and administrative requirements.
Funding relationships

In terms of the quality of funding relationships with governments, small organisations were less likely than others to report that funding relationships had strengthened in the last five years. Among organisations with revenues under $250,000, 33% reported that funding relationships had strengthened. This proportion was higher for organisations with revenue between $250,000 and $1 million (41%) and for those receiving between $1 million and $5 million (50%). Among organisations with revenues over $5 million, 69% reported relationships around funding for programs or services had strengthened in the last five years.

However, on other measures, small organisations reported slightly more positive experiences of funding relationships than others. This may be because small organisations have fewer streams of funding to manage internally, compared with others. Indeed, small organisations were slightly more likely than others to report knowing enough in advance whether funding would be renewed, and to agree that their funding was stable, that applying for funding was simple, that funding was received on time, and that funders sought feedback on tendering and procurement processes.

Figure 2: Contribution to policy development and advice, by total annual revenue
Summary

Overall, the findings provide some insights into the characteristics and status of small community organisations. In 2014, these organisations comprised around a fifth of the community service sector in NSW, but had some different characteristics and experiences of the operating environment than others. Small organisations tended to be constituted as incorporated associations rather than companies, and were less likely than larger community service organisations to be endorsed as deductible gift recipients, with implications for their capacity to access federal tax concessions.

Difficulties in recruiting staff were less commonly reported by small organisations, and there were lower levels of use of casual and agency staff, most likely because small organisations had few positions to fill. On the other hand, accessing professional development, and planning for the future of the workforce, appeared more challenging. Smaller organisations also reported fewer collaborative arrangements. Future research could more closely examine the supports that smaller organisations require to work with other community agencies, and how government agencies might more effectively engage small organisations to provide advice and contribute to policy development.

This is one of three research summaries produced in conjunction with the full report:


Private funding and community service organisations in New South Wales

Small community service organisations in New South Wales: characteristics and challenges

Disability organisations in the New South Wales community service sector

The three research summaries together with the full report are outputs of the State of the Community Service Sector in New South Wales project, funded by the Council of Social Service of New South Wales.