

# Private funding and community service organisations in New South Wales

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## Overview

This summary paper provides some information about current levels of private funding in the NSW community sector, trends in its distribution, and some barriers that organisations face in accessing private funding.

## Background

Governments are the main source of funding for community service organisations in NSW. However, around three quarters of organisations also receive income from private sources, including from donations and community fundraising, business activities and investments, client or membership fees, or grants from philanthropic foundations or funds. Typically, private income comprises a much smaller share of total revenue than income from state or federal government sources, and public funding remains most important to organisational viability.

However, governments have been attempting to increase the contribution of private funding to community service organisations. A key element of the NSW Government's reform agenda in family and community services, for example, is to expand partnerships between community services and philanthropists, social investors and business (Department of Family and Community Services, 2013, p. 10). Previously, the Productivity Commission's landmark report on the contribution of the not-for-profit sector (2010) identified a lack of access to private capital as a concern for the sector, and the Senate Economics References Committee (2011) subsequently made a series of recommendations for stimulating private investment in organisations with 'public good' goals. At the same time that governments have encouraged private support for the sector, many community service organisations have also sought to diversify their funding base and reduce reliance on government funding, including where it has been found to inadequately cover the costs of service delivery, or to restrict their activities.



## Research summary

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

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## Study method

In partnership with the Council of Social Service of New South Wales (NCOSS), SPRC conducted a large survey of community sector organisations in NSW (Cortis & Blaxland, 2014). The survey was conducted online, during February 2014, and completed by 576 organisations, giving a response rate of 38.0%. Over one in five organisations (21.5%) were small, with total annual revenue of under \$250,000, and 38.2% operated in non-metropolitan areas only. The survey collected unprecedented detail about community organisations, including the funding they receive from private sources, their attitudes towards these sources, and barriers to diversifying their funding base.

## Private sources in the funding mix

The most important source of funding for community service organisations in NSW is the State Government. In the 2012–13 financial year, the NSW Government contributed on average 54% of organisations' annual revenue, while Federal Government funding accounted for 21%. In addition to income from public sources, more than three-quarters of organisations reported receiving some form of private funding in the last 12 months, although average amounts were typically small: less than 20% of their total income.

Figure 1: Organisations receiving private funding, by total annual revenue

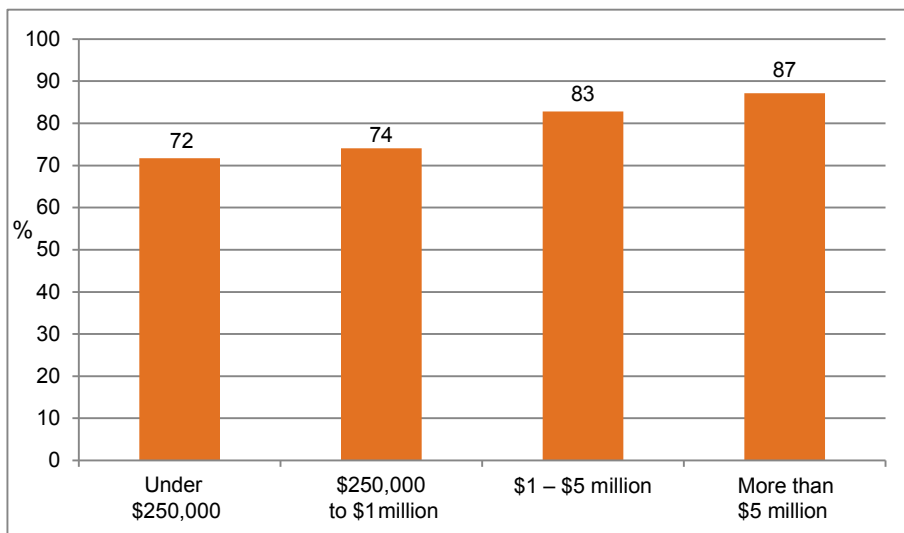


Figure 1 shows that larger community organisations were more likely to receive private funding than smaller organisations.

Figure 2: Organisations receiving funding from key private sources, by total annual revenue

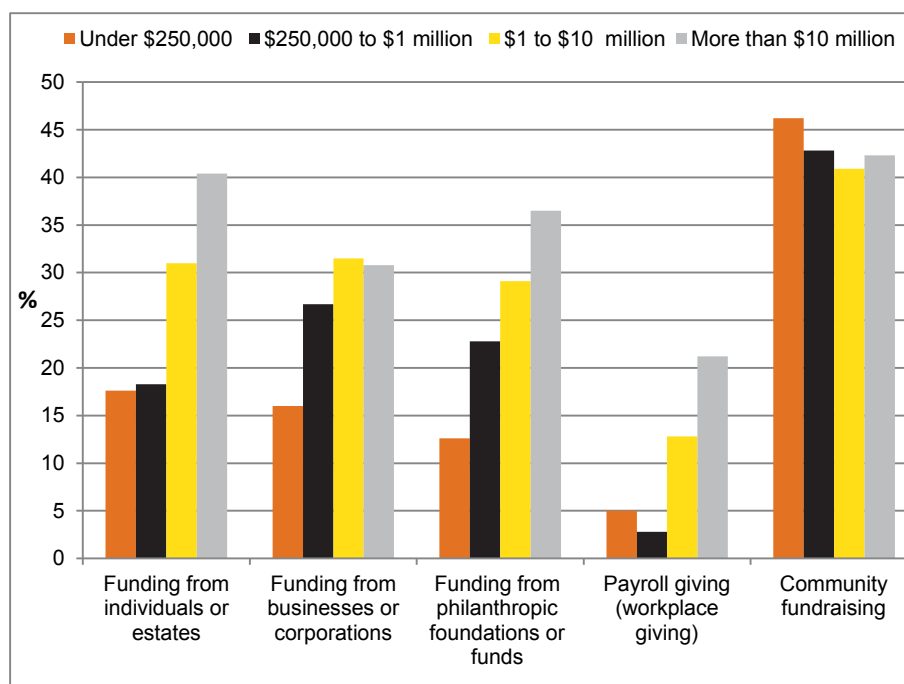


Figure 2 shows that while there was little variation in receipt of income from community fundraising, smaller organisations were less likely than others to receive income from individuals or estates, businesses or corporations, philanthropic foundations or funds, or payroll giving.



## Barriers to accessing philanthropic support

Attitudinal measures suggest that many large and small community sector organisations experience barriers to accessing private sources of funding. When asked whether their organisation had good knowledge and understanding of philanthropic funding sources, two in five survey respondents (40%) said they did not.

- Almost three in five (59%) felt they did not have the resources or expertise to seek philanthropic support
- Over a quarter (28%) felt philanthropic funds or foundations were unlikely to support the services they provide
- Only 10% were considering social investment, for example social impact bonds, for their organisation

When asked what supports would help them access alternative funding sources, many wanted basic advice about how to go about obtaining support from business or philanthropists, and some wanted support to obtain status as a Public Benevolent Institution and Deductible Gift Recipient in order to facilitate access to donations.

## Summary

Overall, the survey findings demonstrate that while three-quarters of community organisations receive some form of private funding, it typically accounts for a small proportion of organisations' annual budgets. Larger organisations are most likely to receive private funding. However, both large and small community organisations experience barriers to accessing private sources of support. In particular, knowledge and expertise about sources of philanthropic funds and how to obtain them is limited, which is likely to constrain the capacity of organisations to diversify their funding sources, particularly for smaller organisations.

Sector-led research and evaluation in this area would be helpful for monitoring the experiences of organisations in diversifying their funding base and to ensure appropriate supports. Further research would also help to understand the implications of private funding for service users and their experiences and outcomes, and for the capacity of the sector to effectively address social needs.



## References

Cortis, N., & Blaxland, M. (2014). *The state of the community service sector in New South Wales 2014 [Final report] (SPRC Report 4/2014)*. Sydney: Social Policy Research Centre, UNSW Australia.

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

Cortis, N. & Blaxland, M. (2014). *The state of the community service sector in New South Wales 2014 [Final report] (SPRC Report 4/2014)*. Sydney: Social Policy Research Centre, UNSW Australia.

### 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.



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 ISBN 978-0-7334-3483-9 online  
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**Suggested citation:**  
 Cortis, N., & Blaxland, M. (2014). *Private funding and community service organisations in New South Wales (Monograph 1/2014)*. Sydney: Social Policy Research Centre, UNSW Australia.

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