

# Memorandum

## COVID-19: Sustainability of community-NGOs and community service providers

<b>Date due to MO:</b>	15 October 2020	<b>Action required by:</b>	N/A
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	20201728
<b>To:</b>	Hon Chris Hipkins, Minister of Health		

### Contact for telephone discussion

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### Action for Private Secretaries

**Return** the signed report to the Ministry of Health.

**Date dispatched to MO:**

# COVID-19: Sustainability of community-NGOs and community service providers

## Purpose of report

This report responds to the request from your office on 8 October 2020 for further information about what actions the Ministry of Health (the Ministry) is taking in relation to community-based NGO services that are likely to have lost charitable revenue due to COVID-19, and what additional support could be provided. This report provides initial advice regarding community service providers that rely on or significantly benefit from charitable donations alongside specific service delivery funding.

## Summary

- A number of community non-governmental organisations (NGOs) and community service providers are experiencing financial and capacity challenges due to the ongoing COVID-19 environment.
- The Ministry does not have a comprehensive view of the financial positions of community NGOs. This is because these agencies often have a number of different revenue streams (ie, contracts with different funders as well as receiving charitable donations).
- Some community NGOs and service providers rely on charitable donations to enable them to provide support to people in the community. COVID-19 has had a significant impact on their ability to undertake this fundraising and/or to seek funding. This is due to both the limitations on some charitable activities during COVID-19 Alert Levels 3 and 4 (for example, closure of stores, cancellation of, or changes to, fundraising activities) and a broader change in economic activity impacting the ability for some people to give to these organisations.
- Some organisations, which were already in a difficult financial position pre COVID-19, for example with little cash reserves, are struggling to meet the demand for their services and/or having to consider scaling back services that are currently supporting people with high levels of need.
- The Ministry, district health boards (DHBs) and other social sector agencies have given community service providers they contract certainty of funding in the short-term by continuing to fund at historic levels even where service provision could no longer be delivered due to COVID-19.
- Community NGOs and service providers may have received funding through a range of government funding streams, such as the COVID-19 Response and Recovery Fund, and other funds held by other social sector agencies, such as the Ministry of Social Development, Te Puni Kōkiri, the Department of Internal Affairs and the Ministry for Pacific Peoples.

## **Background and context**

1. Most NGOs, community service providers and Māori health and disability providers with which the Ministry has a relationship (community NGOs and service providers) run as 'not for profit'. A number of services are dependent on additional fundraising or philanthropy. As such, their financial capacity to continue through severe events such as COVID-19 can be limited, which in turn impacts on their ability to deliver services.
2. In order to prepare this advice, the Ministry contacted some NGO organisations including Alzheimers New Zealand, Age Concern, New Zealand Council of Christian Social Services, Carers New Zealand, Platform Trust and Hapai Te Hauora.
3. A number of community NGOs and service providers have indicated informally that they are currently facing, or are likely to face, financial and other sustainability challenges due to COVID-19 and the measures put in place during COVID-19 Alert Levels 2 – 4. For example, some organisations were impacted by the closure of premises, some had a workforce that was considered high risk and advised to stay home, and others had fundraising activities delayed, cancelled or otherwise changed. There is also a sense that the economic impacts of COVID-19 on individuals, whānau and communities has altered giving habits.
5. At present, the Ministry is not aware of other formal notifications of serious financial difficulty from other NGOs.
6. However, the extent of the impact on these organisations, and providing certainty of what additional levels of support may be required is unclear at this stage. Establishing certainty beyond the anecdotal feedback heard to date would require significant cross government analysis.

### **Providing contract certainty for NGOs in the short-term**

7. In March 2020 the Ministry and DHBs committed to ensuring that the community services providers that they contract for services outside of DHBs, had certainty of funding for six months to 30 September 2020. This meant that these community service providers have continued to be funded at historic levels, even if services could no longer be delivered due to COVID-19.
8. Māori health and disability providers directly funded by the Ministry also continued to receive funding over the response period, which ensured continuity of services over this time. Māori health and disability providers that the Ministry contracts with, which had contracts due to expire 30 June 2020, had their contracts extended to 31 December 2020 to enable them to fulfil their contract obligations.
9. This approach helped with workforce retention, supported provider sustainability, enabled new ways to deliver services where face-to-face was not possible, and allowed resources to be redirected to COVID-19 response priorities at a local level.

10. Collaboration between the Ministry and DHBs, as funders, to support NGOs and community service providers across all client groups has been critical in getting appropriate support to providers and their service users. It has also strengthened the Ministry's relationship with DHBs.
11. In March 2020, social sector government agencies, including the Ministry, met to discuss and agree an All of Government (AoG) approach to working with NGOs. The approach taken by the Ministry and DHBs is also consistent with the AoG approach to funding social service sector NGOs.

### **Impact of COVID-19 on NGO sustainability**

12. Some community NGOs and service providers rely heavily on charitable donations and/or receive partial funding from the Ministry and DHBs for the services and support they provide to people in the community. These include, services supporting older people, people with dementia, people with experience of mental health and addiction and people with cancer and under palliative care.
13. The COVID-19 pandemic and public health response have put additional pressure on these community NGOs and service providers. This has included:
  - a. a significant decrease in access to charitable funding which has led to:
    - a decrease in the ability of NGOs and their member/local organisations to fundraise (eg, appeals and events)
    - a significant drop in funding through Pub Charity, Lions, Lotteries and regional/local trusts as they are unable to fundraise and/or funding rounds are delayed due to COVID-19 restrictions
    - individuals stopping or delaying donations due to a change in circumstance and income, such as losing their job
  - b. the need to alter the way that community NGOs provide support due to the COVID-19 Alert System – for example, providing support in ways other than face-to-face, such as health promotion activities, carer support groups, day programmes for people with dementia
  - c. changes in the behaviour of people they support as a result of COVID-19 – exacerbated by COVID-19 Alert Level 4 'stay at home' or other aspects of the COVID-19 response. This has resulted in an increase in service for some, and decrease or no substantive changes for others
  - d. workforce pressures where high-risk people were advised to remain at home, for example, people over 70 or those with other existing medical conditions, and the need to back-fill to sustain services
  - e. disruption to business continuity due to wider impacts such as supply chain, expectations to work from home, educational facilities closed.

### *COVID-19 has exacerbated existing funding shortages*

14. The funding situation for many community NGOs and service providers was already precarious, with a number indicating they had limited reserves prior to COVID-19. While these issues are pre-existing, COVID-19 was unprecedented and the move to COVID-19

Alert Level 4 was swift. For those in this position, the post-COVID-19 impact and environment would have to be considered alongside pre-existing funding constraints.

15. By way of illustration, a number of key community NGOs and service providers supporting older people have reported that the loss and/or decrease in charitable funding has exacerbated already fragile and strained financial situations. They have indicated that as New Zealand's COVID-19 response continues, they expect the financial pressures on NGOs to continue, and worsen, over the next year or so.
16. The pre-existing financial situations and impact of COVID-19 and related factors is not consistent across all community NGOs or providers. For example, the Ministry is aware of one umbrella organisation, supporting members that provide residential care, day programmes and social housing, who have indicated that as they do not rely on fundraising, the financial impact has not been as significant for them.
17. Conversely, mental health and addiction service providers reported the need to redirect resources to address COVID-related needs, such as phone and IT equipment for staff and clients, hygiene products and food parcels.
18. More in-depth analysis would be required in order to determine potential impacts across all publicly funded NGO services in health.

### **COVID-19 funding streams for supporting service providers**

19. To date, calls for additional funding from NGO and other service providers have encompassed a range of costs associated with COVID-19 including:
  - a. funding to stand up new functions
  - b. one-off payments for providers to meet COVID-19 related costs
  - c. funding to support capacity and capability in responding to COVID-19 (eg, IT infrastructure)
  - d. support for immediate cash flow
  - e. compensating providers due to change in service, closure of commercial activities, or foregone revenue from fundraising
  - f. funding to cover backfill for workforce
  - g. funding to maintain levels of service
  - h. support for those who are required to self-isolate or go into managed isolation and quarantine.
20. In March 2020, Cabinet established a \$500 million tagged contingency to provide immediate costs required for the COVID-19 public health response. This contingency was exhausted in April, with future funding taken from the COVID-19 Response and Recovery Fund (CRRF). Community NGOs, service providers and Māori health and disability providers have received funding as part of the Government's CRRF.
21. The Ministry allocated \$26.5 million to Māori health and disability providers. These providers have indicated to the Ministry that security of funding for service provision helped them maintain service continuity and the COVID-19 specific funding enabled them to respond to specific COVID-19 related service needs.

22. Aged residential care providers received \$26 million over the lockdown period to cover specific COVID-19 related costs. An additional \$25.4 million was also made available- \$17.6 million to Disability Support Services (DSS) and \$7.8 million Home and Community Support Services funded by DHBs and DSS
23. Specific funding provided to NGOs includes \$7.335 million to hospices in the May 2020 CRRF package, and \$427,000 to Family Planning New Zealand in the July 2020 CRRF package.
24. A fund, which was recently announced by Hon Tracey Martin, Minister of Internal Affairs, is the Lottery Grants Board's COVID-19 Community Wellbeing Fund. This \$40 million fund has been established to focus on community and social initiatives in response to COVID-19. In particular, the funding will be able to support groups that have lost access to funding sources, have extra demand on their services or are now working in different ways in responding to COVID-19.
25. The Government has other funding streams, sitting with the Ministry of Social Development, Te Puni Kōkiri, the Department of Internal Affairs and the Ministry for Pacific Peoples, which may be available to NGOs. A summary of some of the other contingency funding streams is provided in Appendix 1.
26. Interim measures have been put in place for some NGOs outside of these funds

## **Equity**

27. NGOs provide considerable support, to people who are disadvantaged in significant ways, for example people with dementia and their families, and for whom needs are not being met by other services, including government funded ones. Community NGOs have scaled back services in some circumstances. Currently we do not have detailed information on these changes.
28. It is known that these situations are exacerbated for priority populations, including Māori and Pacific people. If community NGOs and service providers have to scale back services, these population groups are likely to be left with greater unmet need.
29. For funders, particularly DHBs, continued recognition of the importance of health providers working with Māori and other disadvantaged population groups through provision of sustainable funding is essential. Not all NGO providers to these client groups are large or aspire to be large. Certainty of funding is important to smaller providers.
30. It is likely that COVID-19 and the COVID-19 response will further highlight inequities across populations. Ensuring we have sustainable health providers working with Māori and other disadvantaged population groups will be important as they can play an important role in working with their clients to alleviate some of these inequities. The Ministry is taking learnings from the COVID-19 response to date and ensuring that it continues good engagement with, and understanding of the key concerns of, Māori and Pacific providers.

### *Māori providers*

31. The Ministry has sent a survey out to Māori health and disability service providers who received COVID-19 funding. One of the questions we have asked is *What are three key learnings from your COVID-19 response that you think are important and would like to share with us?* Responses will provide the Ministry with insights into the impact of the pandemic on services and their clients. We expect to receive responses from the survey in late October 2020.
32. Māori health and disability providers have told us the support they provided to communities and whānau in the way of welfare packs, PPE, transport, advocacy, and other supports was hugely appreciated.

### *Pacific providers*

33. Auckland Pacific health and disability providers gave feedback on the initial March 2020 COVID-19 response. Providers noted that they had increased staff costs (eg, overtime, recruitment of additional staff) and costs associated with additional IT and physical infrastructure. They continue to respond to increasing requests for financial assistance and support packages for families.
34. Pacific providers have also encountered new challenges meeting increased demand on their services such as:
  - a. service sustainability and continuity
  - b. maintaining staff momentum and building resilience
  - c. improving the supply chain
  - d. managing community demand and need.
35. In March 2020 the Pacific Health COVID-19 Response was established to support Pacific providers and Pacific communities during COVID-19. The August 2020 resurgence disproportionately impacted Pacific communities. As a result the Pacific Health Resurgence Plan was implemented in August 2020 and includes learnings to date from Pacific providers and communities to identify response activities that the Ministry will continue to engage on. This includes maintaining good relationships with the Pacific health sector, building a competent workforce and ensuring DHB and provider capability and capacity by securing necessary funding.

### **Next steps**

36. This report provides an initial overview of sustainability issues for NGO providers of health and disability related services. We note that further, in depth analysis would be required in order to provide a comprehensive view of community NGOs' financial sustainability. As funding sits across a number of government agencies, any further analysis would require a co-ordinated and committed whole-of-government approach.
37. The Ministry recognises the considerable disruption that some NGOs have experienced in their ability to keep operating during the COVID-19 response. The sustainability of providers of health and disability-related services (some of which are NGOs) is already a factor in some existing work programmes within the Ministry. Examples include: exploration of the sustainability of the home and community support services sector;

review of the aged residential care funding model; and exploration of nurse pay parity issues across the health and disability sector. While this work is not specifically COVID-19 related, the effect of COVID-19 is likely to be a significant additional factor. This is equally the case for any work that will be completed as part of the Government's response to the Health and Disability System Review.



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**Ministry of Health**

PROACTIVELY RELEASED

## Appendix 1: Other Government Support that has been available for Registered Charities and NGOs as of 5 April 2020

Funding	Type of Funding	Initiative Description
<b>Wage Subsidy</b>	Payroll top up	Estimated \$8 – 12 billion. Payment to firms, charities and NGOs for those that can prove a 30% reduction in revenue, designed to subsidise staff wages to enable organisations to keep staff on and pay them at least 80% of original wages or 80% of average wages (if rates vary month to month).
<b>Social Sector Funding</b>	NGO-social sector services	\$16.0 million – Providing support to individuals, whānau, communities at risk during uncertain circumstances.
	Disability Community Participation providers	\$6.0 million - Health mitigations for group-orientated services to provide support for disabled people during lockdown.
	Community Grants	\$4.8 million – Community-led solutions to supporting local resilience.
<b>Māori health response</b>	Funding	<p>\$30 million + \$15 million</p> <ul style="list-style-type: none"> <li>• Provider support for increased demand.</li> <li>• Backfilling and workforce capacity.</li> <li>• Resilient communications and engagement systems</li> <li>• Capacity increase to Whānau Ora commissioning agencies.</li> </ul>
<b>Pacific Health response</b>	Funding	<p>\$14.0 million</p> <ul style="list-style-type: none"> <li>• Capacity for Pacific Health and Disability providers.</li> <li>• Mobilisation of Pacific Health Networks.</li> <li>• Pacific engagement, communication and awareness raising.</li> <li>• Pacific focussed services – telehealth, contact tracing, aged care, disability services.</li> </ul>
<b>Business Finance Guarantee Scheme</b>	Government lending underwriting	<p>Unsure about charities/NGOs eligibility – but ‘business customers’ can apply to their own bank for loans (maximum limit \$500k) for supporting operating expenses while dealing with disruption caused by COVID-19.</p> <p>Some banks are doing concessionary interest rates, and some banks are applying their standard directors guarantee criteria.</p>

<b>Tax Relief</b>	Exemption certificates for schedular payments	This applies to contract workers (there will be a few in DHBs, primary care and in community services) who would usually have tax deducted by their payer. With an exemption they can organise to pay their own tax and seek deferrals.
	Low Value Asset depreciation rate	The minimum dollar value threshold for items that could be 'expensed' (or the full asset value) for tax purposes has been lifted (until March 2021). This means that any tax paying organisation that needed to purchase items worth less than \$5,000 (such as computers or other equipment) can claim the full value as an expense in the coming tax year (usually they would spread this over multiple years) – resulting in a lower tax bill.
	Provisional tax reviews	<p>Inland Revenue (IRD) is encouraging users to review their projected earnings and is offering refunds for provisional tax that was overpaid.</p> <p>IRD has also moved forward the increase of Provisional Tax thresholds – now anyone with a provisional tax instalment under \$5,000 can defer payment until the following February (ie, complying provisional tax instalments in this year can be deferred to Feb 2021).</p>
<b>Essential worker leave support scheme</b>	Employers scheme	<p>Essential workers who take leave from work to comply with public health guidance are being supported with a leave scheme to ensure they will continue to receive income. The key features of the scheme are as follows:</p> <ul style="list-style-type: none"> <li>• a light-touch hardship test to discourage essential service employers from applying when they do not need financial support to provide adequate leave</li> <li>• a four-weekly payment structure in place for at least the period of COVID-19 Alert Level 4, with Ministers to consider how long the scheme is available after this period</li> <li>• payment rates in line with the previous COVID-19 leave scheme and the current wage subsidy scheme (\$585.90 per week for full-time workers, and \$350.00 per week for part-time workers).</li> </ul>