



**Australian Government**  
**Department of Social Services**

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# **A stronger, more diverse and independent community sector**

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Issues Paper

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# Acknowledgement

The Australian Government acknowledges the traditional owners of Country throughout Australia on which we gather, live, work and stand. We acknowledge all traditional custodians, their Elders past, present and emerging and we pay our respects to their continuing connection to their culture, community, land, sea and water.

## Disclaimer

This document is not government policy. It is an issues paper developed by the Department of Social Services (the department) to generate feedback and ideas which may inform the way the government makes future decisions about funding practices and other government processes to better support the community sector.

The issues paper was developed in consultation with the Community Services Advisory Group (CSAG), the key community sector stakeholder engagement group for the department. While CSAG was involved in the development of the issues paper, it does not necessarily represent the views of CSAG.

## Have your say

You are invited to have your say on how the government can support a stronger, more diverse and independent community sector.

Community sector organisations (CSOs) and other interested stakeholders are encouraged to have their say about what they need to support them across the areas set out in this paper.

For more information on the consultation process and to make a submission visit the department's Engage website. You can tell us if you want your submission to remain confidential.

Closing date for submissions: **5pm Tuesday 7 November 2023 (AEDT)**

- **Website:** [www.engage.dss.gov.au](http://www.engage.dss.gov.au)
- **Email:** [CSAGSecretariat@dss.gov.au](mailto:CSAGSecretariat@dss.gov.au)
- **Mail:** Name GPO Box 9820  
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**Enquiries:** All enquiries should be sent to [CSAGSecretariat@dss.gov.au](mailto:CSAGSecretariat@dss.gov.au)

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# Introduction

The Australian Government is committed to supporting and strengthening the sustainability of the community sector so together we can continue to deliver services that improve the wellbeing of individuals and families in Australian communities. COVID-19, natural disasters, and the rising cost of living have all had a significant impact on the sector's ability to support Australians in need and positively contribute to the wellbeing of the broader Australian community.

As announced in the October 2022-23 Budget, the government will provide an additional \$560 million over 4 years from 2022-23 to support Community sector organisations (CSOs). This is in recognition of additional cost pressures from the Fair Work Commission's minimum wage decision, superannuation guarantee and higher inflation affecting CSOs, and the services they deliver.

In the 2023-24 Budget, the government provided ongoing adjustments to its indexation framework which applies to a range of programs funded by the government. The updated adjustments will allow the indexation framework to better align with changes in economic circumstances.

The government also announced a \$14.6 billion cost-of-living package in the 2023-24 Budget, which includes increasing the rate of working age and student payments and Commonwealth Rent Assistance. The income support measures in this package will commence from 20 September 2023. These measures provide targeted cost-of-living relief that will benefit around 2 million income support recipients and in addition to community sector funding, contribute to the government's social safety net. During 2023, the government is working closely with the sector to consult on options to fulfil its election commitment for a *Stronger, more diverse and independent community sector*. The commitment will help ensure:

- grants reflect the real cost of delivering quality services, with options for longer-term contracts so CSOs can plan for the future, workers have certainty, and services can become part of the communities CSOs serve
- grant funding flows to a more diverse groups of CSOs, with a renewed priority of partnering with trusted community organisations with strong local links
- CSOs that support our communities are treated as respected partners of government, with meaningful consultation processes in place to ensure the sector has the voice and respect it deserves.

This work is being undertaken in consultation with the [Community Services Advisory Group](#) (CSAG). CSAG is the key community sector stakeholder engagement group for the Department of Social Services (the department) and is made up of 27 member organisations that are funded across a range of department programs. While CSAG was involved in the development of the issues paper, it remains a departmental paper and does not necessarily represent the views of CSAG members. The department is leading this work on behalf of the government due to its significant investment in community services.

# The purpose of this issues paper

The issues paper provides guidance for the community sector and the wider Australian community to provide feedback on the government's election commitment for a *Stronger, more diverse and independent community sector*.

While everyone has a role to play in strengthening the community sector, the focus of this paper is on the role of the Australian Government in supporting the community sector. We want to hear from:

- CSOs
- advocacy organisations
- experts (including academia)
- providers
- people accessing and using community services
- people unable to access and use community services
- employee representative bodies.

This feedback will inform the development of a package of recommendations to government, for consideration, on innovative approaches to grant funding that will support both short and longer-term reform to the operation of community sector grants.

This issues paper is organised around 5 focus areas drawn from the government's commitment.

1. Giving the sector the voice and respect it deserves through a meaningful working partnership.
2. Providing grants that reflect the real cost of delivering quality services.
3. Providing longer grant agreement terms.
4. Ensuring grant funding flows to a greater diversity of CSOs.
5. Partnering with trusted community organisations with strong local links.

It includes questions for consideration by the community sector and other stakeholders. Responses to the issues paper will help the department inform the government of what changes could be made, particularly to grants policy, practices and processes and how they might be implemented. The contents of this issues paper has been developed by the department to generate engagement and will inform government considerations. It will not necessarily be agreed to or implemented by government.

Where consent has been provided, public submissions will be made available at [engage.dss.gov.au](https://engage.dss.gov.au). The department will provide a report on the findings of the submission process for consideration by government. A summary of submissions will be made available at [engage.dss.gov.au](https://engage.dss.gov.au).

## How we got here

Since July 2015, CSAG has been the department's key community sector stakeholder engagement group. CSAG discusses broad issues and opportunities relating to grant policies and programs, including funding arrangements.

CSAG has been instrumental in identifying best practice opportunities, and informing the department of critical systemic issues in the sector. CSAG plays a key role in helping to ensure the department understands the impact (immediate and over time) of grant decisions and changes to processes on service providers and users.

This issues paper aims to reflect what the department has already heard from community organisations, through CSAG and broader community sector reports, about current challenges and ideas for how the government could support a stronger, more diverse and independent community sector.

The department is now seeking your feedback on how to improve funding practices and processes and opportunities to strengthen collaboration with CSOs, to deliver improved program outcomes.

## Why change is needed

The community sector has, and is, continuing to experience significant challenges. Changes experienced by the community have had an impact on the ability of CSOs to adequately and effectively support those in need. These changes include:

- rising cost-of-living
- the impacts of COVID-19 and natural disasters
- a decline in volunteer numbers.

The department also recognises that the current difficulties in delivering services in the community are also an accumulation of challenges experienced by the sector over a number of years.

There are record levels of demand for support, particularly in relation to crisis and food relief, housing, homelessness, and domestic and family violence. In the face of this increased demand, the community sector has reported that many organisations do not have adequate funding and resources to provide enough support required to meet community needs.

CSOs are experiencing:

- greater costs for delivering services, including rising operational costs
- greater demand on services, with increasing numbers of clients often requiring multiple, or complex supports and services
- changes to the sector, including workforce shortages and reductions in volunteerism.

The community sector has also expressed frustration at the limitations of current grants funding and processes to allow them to meet growing and changing community needs.

Findings from Australian Council of Social Service's (ACOSS) 2022 Australian Community Sector Survey<sup>1</sup> found that only:

- 11% of community sector leaders agreed that their organisation's main stream of government funding adequately covers increases in wage costs
- 9% of community sector leaders agreed that funding covers the full cost of service delivery. This was a significant reduction from the 2021 results (20%).

Finally, there are pockets of entrenched disadvantage across Australia, and solutions need to be found to enable the community sector to better target disadvantage and improve the sector's capacity to adapt and respond to community needs.

## The evidence base

There are numerous reviews and research reports produced that identify the main challenges and improvements required to ensure a stronger, more diverse and independent community sector:

- [2023 ACOSS Community Sector Survey](#)
- [The ACOSS 2021 Better Contracting Report](#)
- [Participatory Grant-making: Building the evidence](#)

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<sup>1</sup> AT THE PRECIPICE: AUSTRALIA'S COMMUNITY SECTOR THROUGH THE COST-OF-LIVING CRISIS: FINDINGS FROM THE AUSTRALIAN COMMUNITY SECTOR SURVEY, APRIL 2023 [https://www.acoss.org.au/wp-content/uploads/2023/04/At-the-Precipice\\_ACSS-2023.pdf](https://www.acoss.org.au/wp-content/uploads/2023/04/At-the-Precipice_ACSS-2023.pdf)

- [Early Evidence Of The Impact Of Community-Led Change](#)
- [Strengthening Communities Position Paper](#)
- [Operation of Grants Hubs ANAO](#)
- [Paying what it takes - Funding indirect costs to create long-term impact](#)
- [Seal the barrel: a new robust system for the administration of government grants](#)
- [2023 ACTCOSS Cost of Living Report](#)
- [2015 impact on Service quality, efficiency and sustainability of recent Commonwealth community service tendering process by the department](#)
- [Stronger ACCOs, Stronger Families Final Report](#)
- OECD's work on the social and solidarity economy:
  - [Social Economy and Innovation](#)
  - [Global Action: Promoting Social and Solidarity Economy Ecosystems](#)
  - [OECD Recommendation on the Social and Solidarity Economy and Social Innovation.](#)

## Relationship with related strategies and other initiatives

A number of government strategies and initiatives contribute to overall community sector development, including the commitments under:

- [Australia's Disability Strategy 2021-2031](#)
- [National Strategy for Volunteering](#)
- [Safe and Supported: National Framework for Protecting Australia's Children 2021-2031.](#)

The department is also committed to implementing the reforms outlined in the [National Agreement on Closing the Gap](#). Priority Reform 2 (building the community controlled sector) and Priority Reform 3 (transforming government organisations) are particularly relevant for this work. Additionally, Pillar 2 of the [Australian Public Service Reforms](#), strives for an APS that puts people and business at the centre of policy and services.

There are significant commitments made in these initiatives to appropriately consider, support and work with specific cohorts within our community. These commitments form the foundation on which government is strengthening the sustainability of the community sector.

In this context, the 2023-24 Budget provided a \$199.8 million package to target entrenched disadvantage, which included measures to extend place-based partnerships in targeted communities and enhance shared decision-making and local solutions.

Any reforms or changes in approaches as part of this process will need to build on existing efforts, across multiple portfolios. The government will also take into account other reviews, such as the [Philanthropy Review](#) and the [Not-For-Profit \(NFP\) Sector Blueprint](#).

A list of related strategies is outlined in the appendices.



# Context

## Community services

There are differing views regarding how community services should be defined. In this issues paper, we define them by the function they provide in their local community by delivering community services. In line with the recent Report on Government Services 2023 by the Productivity Commission,<sup>2</sup> this issues paper defines community services as those that:

*...provide support and assistance to individuals, families and groups to maximise their potential and enhance community wellbeing... In the context of government service delivery, 'community services' include services providing assistance to specific groups with an identified need for additional support. This may include children and young people, families, older people and people with disability. Community services can overlap with other sectors, including health and early childhood services.*

## Definition of Community sector organisations

CSOs deliver essential community services, advocacy, social justice and social wellbeing supports to people experiencing poverty, disadvantage and hardship every day. CSOs play a front-line role in supporting communities to respond to and recover from disasters and local emergencies. CSOs also play a critical role in creating hubs where individuals, families and children can make connection with community and participate in activities which help foster wellbeing, enable children to thrive and reduce the impacts of loneliness and social isolation.

For the purpose of this document, CSOs are defined by the [Australian Taxation Office](#) (ATO) as:

*...organisations that are not-for-profit and established for community service purposes, which provide for the wellbeing and benefit of others. CSOs promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members who have a particular need by reason of youth, age, infirmity or disablement, poverty or social or economic circumstances.*

## Data source and methodology

There are challenges associated with identifying which CSOs receive what grants from the Australian Government. There are CSOs that receive grants from the government outside of the Community Grants Hub, for example through the Business Grants Hub. Further, the department does not collect data from funded organisations that identifies if an organisation belongs to the community sector. For the purpose of this paper, data is extracted based on organisations who are registered with the Australian Charities and Not-For-Profit Commission (ACNC). It is likely to be a much larger pool of organisations than if it was possible to limit the data to CSOs only.

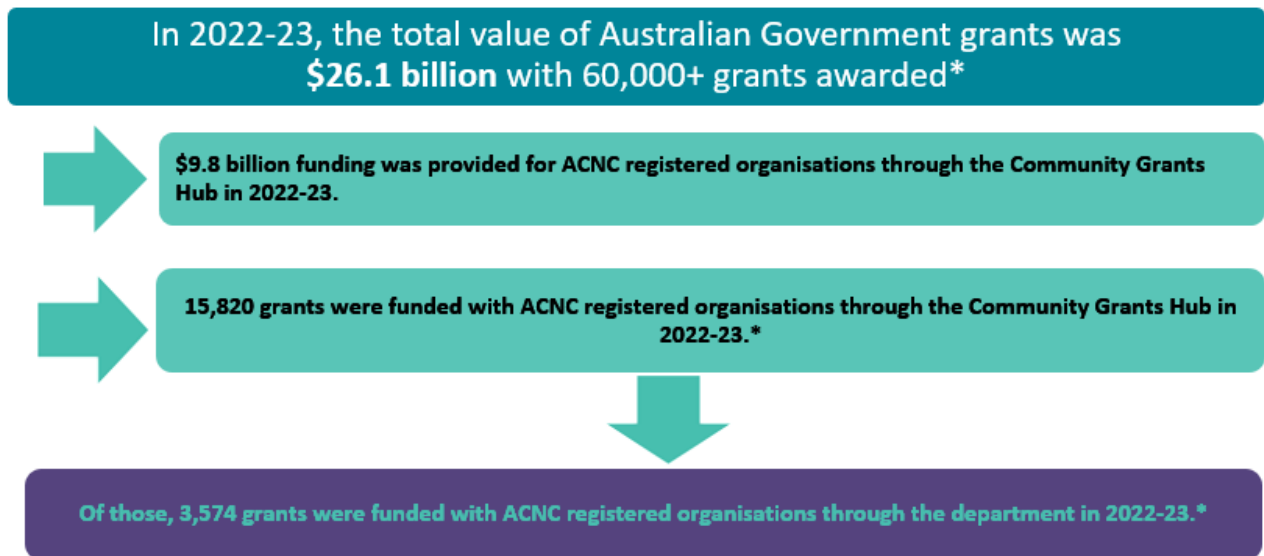
## Commonwealth grant funding to the community sector

Thousands of organisations across Australia are funded each year through government community services grants. Funded organisations provide support to millions of people in Australia and are particularly important in the lives of people experiencing poverty, disadvantage and hardship. There are opportunities to improve the efficiency and efficacy of grant programs by working in partnership with the community sector.

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<sup>2</sup> [F Community services - Report on Government Services 2023 \(pc.gov.au\)](#)

In 2022-23, the total value of Australian Government grants was \$26.1 billion with 60,000+ grants awarded (including new grants and variations). ACNC registered organisations received \$9.8 billion funding through the Community Grants Hub in 2022-23. This was 15,820 grants (including new grants and variations). Of those, 3,574 grants were funded through the department in 2022-23.



\* Includes new grants and variations.

Annual grant funding to the community sector can fluctuate year-on-year. The total value of grants awarded in the 2021-22 and 2022-23 financial years was much higher than in the previous financial year (2020-21). This was mostly a result of reinvestment in programs that were operationally impacted during COVID-19 and the introduction of government measures to provide additional crisis and other support to Australian communities.

Additional funding in response to COVID-19 and other events has included:

- \$200 million under the former Community Support Package between 2019-20 and 2021-22 to boost Financial Counselling, Emergency Relief and Food Relief services in response to COVID-19
- an additional \$25 million Flood Package provided in 2021-22 to boost community services in communities affected by the February-March 2022 floods in New South Wales and Queensland.

This was complemented by other policy interventions that impacted the community sector, including both government and non-government-led initiatives, such as rental moratoriums, and other fee waivers and concessions.

A significant proportion of grant funding for the community sector is delivered through the department, however funding for some areas also comes from various other departments and agencies. This includes funding for:

- preventative health
- mental health
- employment
- multicultural and settlement programs
- social cohesion
- disaster relief.

Over the past 5 years, the department has made efforts to streamline and improve community sector grant funding, including moving some programs to longer-term (5-year) funding agreements.

Longer-term funding aims to provide greater certainty for service providers to better plan and improve delivery. The department has streamlined reporting requirements through online services such as the Grant Recipient Portal and the automation of annual acquittal requirements. In parallel to these reforms the department has also worked with providers to build a greater understanding of outcomes reporting.

## Definition of a grant

A grant is an agreement that provides financial assistance by, or on behalf of, the government. Grants are intended to contribute to policy and program outcomes and support the person or organisation receiving the grant to achieve its goals.

Grants are generally the most appropriate financial arrangement for government to use when supporting the delivery of community services. Grants can provide CSOs with flexibility, within the parameters outlined in grant agreements, to deliver services in response to changing community needs. Grants also provide the necessary structure for delivery and reporting through a signed grant agreement. It is important that grants are focussed on maximising funding to achieve policy outcomes, with an appropriate portion agreed for administrative overheads.

Grants are different to procurements, the other standard financial arrangement often used by government. A procurement is the process of acquiring goods and services to be delivered on behalf of government while grants are used to support the administration of government entities and deliver outcomes and services to the Australian public. Procurement begins when a need has been identified and a decision has been made on the procurement requirement. It continues through the process of risk assessment, seeking and evaluating alternative solutions, and determining whether value for money has been achieved before awarding a legally binding contract. Goods and services are then delivered and paid for in accordance with the contract.

## Typical grant process and requirements

Once the government determines that the type of financial arrangement will be a grant, a grant opportunity is developed. Developing the grant opportunity will consider outcomes desired of:

- the program
- potential grant applicants
- what is appropriate for the grant opportunity, including the value of the proposed grants.

Matters considered during design include, but are not limited to:

- establishing the rationale for the grant opportunity, in particular what outcomes are required and how these will be measured
- defining the operational objectives
- feedback from key stakeholders
- identifying the capabilities required for those who will assess applications.

Applicants are asked to submit an application, generally addressing a number of assessment criteria. A merit list is then developed and a recommendation made to the appropriate delegate (often the minister for the relevant portfolio) for consideration.

A grant agreement is offered to successful applicants which describes the key deliverables, the performance management framework, reporting milestones, acquittal requirements and other terms and conditions, such as Child Safety and Insurance requirements etc.

## Legislation and guidelines

The government administers grant funding to CSOs through a range of initiatives, with grant funding administered under the [Commonwealth Grants Rules and Guidelines](#) (CGRGs).

The Public Governance Performance and Accountability Act 2013 (PGPA Act) and the CGRGs guide how the government delivers funding to the community services sector.

There are different types of grants, with the nature and length of grant funding depending on the policy and program objectives they are being awarded to achieve. Typically, grants for service delivery are over a longer period of time, while grants to achieve specific and time-limited objectives are over a shorter time period. Depending on the nature of the grant, there are different selection processes (see Appendix B for more information), including:

- open competitive
- targeted/restricted competitive
- open non-competitive
- closed non-competitive
- demand driven
- ad hoc.

The Department of Finance is responsible for the grants policy framework, including the CGRGs and the grant agreement templates used across agencies. The department works closely with the Department of Finance to ensure that implications for the CGRGs are appropriately considered. Any changes proposed through this process will need to consider the alignment with the CGRGs and the PGPA Act, and retain integrity standards to ensure they are not vulnerable to corruption.

### [Accessing information about grants](#)

[GrantConnect](#) is the central platform where all potential grant applicants can find information about current and upcoming Commonwealth Grant Opportunities, and all relevant grant documentation. This includes community sector grants. GrantConnect also publishes the outcomes of grant application processes.

## Focus areas for consideration

This section is organised around the 5 focus areas drawn from the government's commitment.

1. Giving the sector the voice and respect it deserves through a meaningful working partnership.
2. Providing grants that reflect the real cost of delivering quality services.
3. Providing longer grant agreement terms.
4. Ensuring grant funding flows to a greater diversity of CSOs.
5. Partnering with trusted community organisations with strong local links.

For each of these focus areas, this section outlines:

- what the department has heard
- what could be considered for each of the focus areas
- questions for stakeholders to consider and provide feedback against.

## Feedback on this paper

The department welcomes your feedback on the issues raised in this issues paper. We have developed questions for each of the 5 areas of focus and 2 general questions, which are listed below. Respondents are welcome to respond to some, any or all of these questions. Respondents are strongly encouraged to provide relevant case studies and examples to support their responses.

### **Questions**

#### **1. Giving the sector the voice and respect it deserves through a meaningful working partnership**

- 1.1 What would a partnership between CSOs and the government that achieves outcomes for Australians being supported by the community sector look like?
- 1.2 How can CSOs and government streamline the sharing of information, particularly through utilising technology to effectively engage, distribute, share, influence and inform in a timely and efficient manner?
- 1.3 How can government ensure the community sector, including service users and those not able to access services, have an opportunity to contribute to program design without imposing significant burdens?

#### **2. Providing grants that reflect the real cost of delivering quality services**

- 2.1 What would adequate and flexible funding look like?
- 2.2 What administrative and overhead costs are not being considered in current grant funding?
- 2.3 How are rising operational costs impacting the delivery of community services?
- 2.4 What have been your experiences with, and reflections on, the supplementation and change to indexation?
- 2.5 How can CSOs and the department work together to determine where funds are needed most to ensure equitable and responsive distribution of funds?
- 2.6 How can government streamline reporting requirements, including across multiple grants, to reduce administrative burden on CSOs?

### **3. Providing longer grant agreement terms**

- 3.1 What length grant agreements are CSOs seeking to provide certainty and stability for ongoing service delivery?
- 3.2 What timeframes should the government aim for, at a minimum, to provide final outcomes on grant variations/extensions before the current grant ceases?
- 3.3 What funding flexibility do CSOs require to enable service delivery and innovation?
- 3.4 What flexibility is required by CSOs in acquittal processes to support and encourage sector innovation?
- 3.5 How can government improve the variation process, with consideration that CSOs must demonstrate alignment with the grant agreement and provide evidence of value-for-money outcomes?

### **4 Ensuring grant funding flows to a greater diversity of Community Service Organisations**

- 4.1 How can the government ensure opportunities are available for new and emerging organisations to access funding?
- 4.2 What programs, supports and information are already available for smaller CSOs to help build capacity of the organisation? Are these working?
- 4.3 How could larger CSOs support smaller CSOs? What are the barriers to providing this support?

### **5. Partnering with trusted community organisations with strong local links**

- 5.1 What is your experience with and reflections on place-based funding approaches?
- 5.2 What innovative approaches could be implemented to ensure grant funding reaches trusted community organisations with strong local links?
- 5.3 Which areas do you consider have duplicative funding or gaps you think need to be addressed, and what is the evidence?
- 5.4 Where there is a community-led change initiative, could shared accountability to community and funders (government) strengthen service delivery?

### **6. General questions for each focus area**

- 6.1 If any, what are the problems or challenges you think have been overlooked?
- 6.2 What other solutions or changes could also be considered?
- 6.3 What does success look like?

## Area of focus 1: Giving the sector the voice and respect it deserves through a meaningful working partnership

The government needs to create more meaningful processes to design funding, programs and services in partnership with the community sector. Collaboration and partnership is a key principle of the [CGRGs](#), which recognises that improved outcomes can be achieved through effective collaboration, shared understanding of expectations and positive working relationships.

The government engages regularly with CSOs at different stages of funding and program delivery and different programs may have different engagement requirements. However, there are currently limited formal mechanisms that give the sector a stronger voice to co-design models to get the best outcomes.

Examples of improved engagement include the establishment of CSAG, the Emergency Relief National Coordination Group (NCG) and the Charitable, Not-for-profit and Philanthropic Roundtable, which serve as vital mechanisms for effective, strategic sector advice and engagement on issues such as emerging service trends, client needs and demand for services.

### Co-design

Co-design is a process that focuses on working collaboratively to design a solution together. It requires sufficient time and resources to be effective. It should also include users of the program or services.

Co-design is not suitable in all circumstances, particularly where a rapid response is required. However, opportunities for engagement and co-design with the community services sector may exist within the policy design and grant lifecycle (outlined below).



- Design: direct involvement of beneficiaries and grant recipients in program design.
- Select: draw from consultation to factor in gaps in current grant recipients during the selection process.
- Establish: establish a best practice collaborative model of grants administration to enable co-governance.
- Manage: gain user insights into delivery problems, and the monitoring of program delivery.
- Evaluate: post-engagement surveys to assess user experience, and agreement on the recommended solutions.

While co-design would be typically done in the early stages of the policy or program development cycle, there are multiple stages that government could engage or re-engage both CSOs and the users of services. This would provide more opportunities to utilise their expertise in making sure programs are effective and meeting the needs of the community they are designed for.

As government and society moves towards the inclusion of greater public participation in problem-solving and solutions generation, communities will expect co-design to become the standard for policy and service design rather than the exception.

There is an opportunity to establish clearer principles of co-design that can be adapted to unique community settings and experiences to generate an understanding of challenges and opportunities, with a focus on working towards community-led solutions. The department has undertaken a number of public participation processes guided by the principles of co-design which are focused on the idea that people are experts in their own lives and policies should be designed by people with relevant lived experiences.

## What the department has heard

The community sector reports it does not have enough genuine opportunities to have a role as experts and to co-design with government to achieve improved outcomes for people who receive their services. The sector proposes that more engagement with them in the design of new policies and programs would help to ensure funding and delivery models achieve improved and more sustained outcomes.

More engagement of community members, including people accessing and using community services and those that are not, during the grant process design would also help people who use the services to be at the centre of program design and delivery.

The sector has indicated that the government needs to consider the most effective and efficient way to engage CSOs. There are often multiple consultations underway across government with the same stakeholders and tight time constraints, which can cause consultation fatigue for the sector and divert valuable resources. A lot of consultation and engagement activities are not funded by government and are expected to be part of CSOs core service offering to support and inform government policy. Government has an opportunity to better synthesise information and demonstrate the research, evidence and advice, which has informed policy or program reform prior to consultation. This is due to the amount of information consultation collectively provides on a regular basis or which is generated through program reporting such as Ask Izzy.<sup>3</sup>

The CSOs are often funded from multiple sources, such as Federal and state or territory governments in addition to philanthropic contributions. These multiple funding sources do not often collaborate to share program or policy-specific insights and generate duplicate administration, reporting or evaluation insights on the sector or organisations.

## How to achieve this

Options to achieve this could include the below.

- Testing collaborative methods and co-design in the grant life cycle. This includes grants being delivered in [Stronger Places, Stronger People](#) partner communities (see Appendix B for more information), tailored to the needs of those communities, including those who experience barriers to accessing services.
- Embedding collaborative methods and co-design in the grant lifecycle. This may include during the grant discovery phase through to incorporating user insights into monitoring of the programs. Reviewing and improving monitoring and evaluation processes within the grant lifecycle can streamline output and outcomes based reporting from CSOs to government, resulting in a robust evidence base that can inform program design and development, and minimise consultation fatigue for CSOs.
- Co-creating a Stronger, more diverse and independent community sector. Using this consultation process, the advice of CSAG and future consultation to understand what CSOs'

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<sup>3</sup> [Ask Izzy](#) is a free and anonymous website that connects people in need with housing, a meal, money help, family violence support, counselling and other services in Australia.



vision for a stronger, more diverse and independent community sector is, and how this can be achieved.

- Co-designing with the sector (and others) as part of standard practice through development of appropriate tools and mechanisms, including to share available data and analysis, to embed collaborative practices.
- Improve linkages across government and funding partners to streamline and minimise reporting imposts on organisations and the sector and improve the strategic insights from provider operations.
- Bolstering the roles and responsibilities of advisory groups like CSAG in recognition of the expertise and knowledge in the community sector to increase opportunities for co-design, consultation and collaboration.
- Undertake a CSAG membership review. CSAG has already agreed to a membership review to ensure appropriate representation and engagement to strengthen the voice of the sector.
- A forward work program and platform for inclusive, effective and strategic sector engagement. The community sector has suggested this is needed to ensure services supporting diverse individuals and communities are:
  - appropriately represented
  - considered through streamlined consultation efforts across government
  - forward planned to enable resources to be apportioned and strategic advice provided, particularly in the event of rapid response scenarios where co-design may not be feasible
  - understood in the complex intersectional context they are in
  - respected and responded to in an appropriate and timely manner.

## Key questions

- |     |   |
|-----|---|
| 1.1 | What would a partnership between CSOs and the government that achieves outcomes for Australians being supported by the community sector look like?  |
| 1.2 | How can CSOs and government streamline the sharing of information, particularly through utilising technology to effectively engage, distribute, share, influence and inform in a timely and efficient manner? |
| 1.3 | How can government ensure the community sector, including service users and those not able to access services, have an opportunity to contribute to program design without imposing significant burdens?      |

## Area of focus 2: Providing grants that reflect the real cost of delivering quality services

Although there has been an increase in investment in community sector grants during the past 2 financial years, CSOs report that this investment has not kept up with increased demand for support and services from the community or with the rising costs to deliver quality services.

The community sector has been impacted by unprecedented hardship due to COVID-19, catastrophic natural disasters and local emergencies. Additionally, CSOs are facing increased financial pressures due to the Fair Work Commission's minimum wage decision and higher inflation pressures.

The government has put measures in place to support CSOs in responding to these pressures, with additional investments in its 2022-23 October Budget and 2023-24 Budget to:

- provide additional funding assistance to CSOs, on top of the regular indexation payments made to grant recipients
- make an ongoing adjustment to funding indexation, which increases funding to CSOs and service providers to address inflationary impacts.

### Additional funding assistance to CSOs

In the 2022-23 October Budget, it was announced \$560 million over 4 years from 2022-23 would be provided to support CSOs at need of funding supplementation due to additional staff wage pressures and higher inflation outcomes.

For the 2022-23 financial year, supplementation payments were made to eligible CSOs from February 2023. The department is planning to commence the supplementation process for 2023-24 during the first quarter of the financial year (timing is subject to Ministerial consideration and approval).

### Changes to government indexation

In the 2023-24 Budget, the government updated the methodology for determining indexation, aiming to align funding more effectively with the evolving economic environment. This updated framework aims to provide greater financial support to organisations, enabling them to manage rising costs and uphold the delivery of high-quality services.

### Philanthropy Productivity Commission review

The government has committed to working with the philanthropic, NFP and business sectors to double philanthropic giving by 2030. It has asked the Productivity Commission to undertake an inquiry to analyse motivations for philanthropic giving in Australia and identify opportunities to grow it further. The Commission invited public submissions earlier this year and will release a draft report in late November 2023 setting out its interim analysis and findings for public comment and feedback. The Commission will provide a final report to government by 11 May 2024.

## **Indexation**

Indexation is the process by which the forward cost estimates are updated to reflect the forecast economic conditions of the year in which costs are expected to occur. <sup>4</sup>

The application of indexation to a grant program, and the chosen indexation parameter, is a decision of the government. Indexation parameter updates may vary between grant programs and are not disclosed publicly. These updates may increase or decrease each year based on movements in Wage Cost Indices (WCIs) and Consumer Price Index (CPI). Using parameters like the CPI and the WCI ensure that funding keeps pace with changes in economic conditions.

Indexation funding increases help organisations address cost and wage pressures. Funding for a range of government programs, including major programs such as the Medicare Benefits Schedule, aged care home support programs, and programs that fund CSOs is indexed for wage and price growth. This long-standing framework, implemented in 1996, uses indices that are a weighted average of movements in prices and wages, and include an incentive for programs to improve their efficiency over time.

The wages growth component of the index has been updated to growth in the Wage Price Index (a measure not available in 1996) and the previous arrangement to average the wage component over a 5-year period has been removed. A productivity offset remains in place, based on the long run rate of productivity growth that underlies the Budget medium term forecasts. This revised framework will provide additional indexation funding for organisations, including CSOs, above the indexation increase which would otherwise have been delivered in the 2023–24 Budget. Over the period ahead, it will provide indexation to these programs that is more closely aligned with current economic conditions.

As a result of this update, payments are expected to increase by \$242 million in 2023–24 and around \$4 billion over the 4 years from 2023–24 to 2026–27, reflecting a revision to the indexation methodology to ensure it better aligns with economic conditions. The movements in individual payments are reflected in the estimates for these programs.

## **What the department has heard**

The community sector has specifically expressed concern about the efficacy of existing grant programs and their ability to:

- adequately cover the full and rising costs and administrative and resourcing burden on CSOs, such as compliance and training requirements, which impacts their ability to provide quality service delivery and deliver on government outcomes
- respond to increasing demand for support and services from the community
- support long-term planning to achieve longer-term, sustained solutions for people receiving services, particularly for those experiencing poverty, disadvantage and hardship.

In particular, the community sector has raised concerns that grant funding can be restrictive, limiting their ability to distribute funding within their organisations to areas or services where it is needed. This includes covering higher administrative, wage and operational costs and between services where higher demand exists.

*Cost-of-living increases over the last few years and a spiralling housing affordability crisis have meant more and more people are turning to the community*

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<sup>4</sup> [Indexation | Department of Finance](#)

*sector for support. Without adequate funding to sustainably staff our organisations, vulnerable community members are being turned away.*

### Chief Executive Officer, ACT Council of Social Services

Some community sector stakeholders are also concerned about the application of indexation. Indexation arrangements within longer-term grant funding agreements is important for CSOs as it helps them to meet the increased costs of delivering services. The ACOSS 2022 Community Sector Survey found that only 6% of community sector leaders perceived indexation arrangements to be adequate<sup>5</sup>.

Even though the community sector has welcomed the recent changes to the indexation parameter, it wants more transparency about the application and calculation of indexation on grants so they can better plan for using these funds. Specifically, the indexation rate and amount are not visible to CSOs, as these figures are not publicly available data. To further complicate planning around indexation, states and territories use different methodologies to calculate indexation rates.

Some CSOs have expressed concerns regarding the programs that are ineligible for supplementation, including programs that are jointly funded with a state or territory government. CSOs have also said that the timing of the payment for supplementation is too late. Payments are generally provided by the department around December each year. The department is updating procedures for passing on increases to allow additional funds to be disbursed within the first quarter of each financial year.

## Philanthropy as a funding source

The community sector has expressed support for philanthropy as an important source of additional funding for community service organisations. They have generally supported the government's efforts to collaborate with and help steward philanthropy in the community services sector. However, some have cautioned risks relating to any reliance on philanthropic funds due to its insecurity.

*However, philanthropic funding should never replace adequate, long-term and secure government funding. Often philanthropic funding is short-term or for specific programs that align with the interests of the donor or organisation.*

[Anglicare Australia, Public Submission to Productivity Commission Review of Philanthropy.](#)

## How to achieve this

Options to achieve this could include the below.

- Establish the evidence base. The department notes that it may be useful to undertake analysis of the sector to understand its composition, scope and funding flows. This will inform further work and determine the impact and adequacy of the additional funding committed by government (over the last 2 Budgets) that has already started to flow through to the sector.
- Improve coordination. The government could work with state and territory governments to further enhance coordination to ensure the most efficient use of resources and reduce duplication of funding efforts. This may include mapping the allocation of funds between the levels of governments to CSOs, identifying overlaps that lead to inefficient or ineffective resource use, and streamlining funding mechanisms, including indexation processes, to foster better coordination.

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<sup>5</sup> [https://www.acoss.org.au/wp-content/uploads/2023/04/At-the-Precipice\\_ACSS-2023.pdf](https://www.acoss.org.au/wp-content/uploads/2023/04/At-the-Precipice_ACSS-2023.pdf)

- Work with the philanthropic sector. The Productivity Commission is currently undertaking a review of philanthropy to analyse motivations for philanthropic giving in Australia and identify opportunities to grow it further. Insights from this review will be considered by government and could inform this area of focus.
- Timely and transparent indexation. Timeliness in passing of indexation and improved transparency of how indexation is applied is likely to assist CSOs to plan and budget more effectively.
- Greater clarity or flexibility in administration costs and level of grant funding. CSOs would be able to better plan and manage their service delivery budgets and resourcing appropriately.
- Greater transparency on where funding flows. CSOs would have opportunities to identify partnerships or consortia at a program or place-based level that result in greater efficiencies.
- Reducing administrative burden on CSOs. CSOs would focus their funding on the delivery of grant outcomes by reducing administrative costs through creating efficiencies.

## Key questions

- |     |  |
|-----|--|
| 2.1 | What would adequate and flexible funding look like?  |
| 2.2 | What administrative and overhead costs are not being considered in current grant funding?  |
| 2.3 | How are rising operational costs impacting the delivery of community services?   |
| 2.4 | What have been your experiences with and reflections on the supplementation and change to indexation?  |
| 2.5 | How can CSOs and the department work together to determine where funds are needed most to ensure equitable and responsive distribution of funds? |
| 2.6 | How can government streamline reporting requirements, including across multiple grants, to reduce administrative burden on CSOs?                 |

## Area of focus 3: Providing longer grant agreement terms

The government acknowledges that shorter-term funding arrangements (up to 2 years) can often provide less certainty in the community sector. Organisations usually require advance notice in order to ensure service continuity, retain staff or transition clients onto alternative programs.

Of the ACNC registered organisations funded through the Community Grants Hub in the 2022-23 financial year (including variations and new agreements):

- forty-seven per cent of grant agreements are 12 months or less
- twenty-two per cent of grant agreements are between 2 and 4 years
- thirty-one per cent of grant agreements are 5 years or longer.

In the 2022-23 financial year, \$9.8 billion was provided through new grants and grant variations to ACNC registered organisations through the Community Grants Hub. This included a significant number of grant variations typically to extend the timeframe in which to expend grant funds, compared to previous years. Almost \$635 million was provided as part of grant variations by the department<sup>6</sup>. In many of these cases, sufficient notice was given for variations. Arguably, it may be preferable to reach a situation where grant variations are minimised.

However, some programs are specifically designed for shorter-term (e.g. 2-year) grant funding as these grants support organisations with one-off, time-limited projects. For example, the [Strong and Resilient Communities](#) Activity, which provides grant funding to support vulnerable and disadvantaged people participate socially and economically through local community-driven solutions.

Longer-term funding agreements are typically used to provide stability to the sector and allow business planning for CSOs where overheads primarily comprise of staffing, IT and property costs. Longer-term funding agreements need to be able to be responsive to changes in the economy and other external factors that occur within the lifecycle of the grant. This is currently supported by indexation arrangements within longer-term grant funding agreements where government has made a decision to apply indexation to the grant program.

A recognised challenge of longer-term grant agreements is that they may lock potential new providers out of the market or inhibit the sector's ability to respond to emerging opportunities or new developments within the community. They also may limit CSOs' ability to innovate within the lifecycle of a grant agreement or restrict the ability to evaluate or review programs. In order to build a more diverse community services sector, the government will need to ensure that any longer-term funding arrangements promote and allow for the inclusion of local organisations and have built-in review and evaluation periods.

### What the department has heard

CSOs report that short-term funding arrangements compromise the sustainability of organisations and the programs they offer. Of particular concern is the impact of short-term funding arrangements on CSOs' ability to recruit and retain staff required to deliver programs and services. It also affects their ability to:

- forward plan
- focus on research, advocacy and policy development objectives
- achieve longer-term outcomes.

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<sup>6</sup> GrantConnect website, filtered by Variations and Department of Social Services,

Short-term grants are often tied to specific programs or activities. CSOs report that this can make it difficult to redirect resources to address emerging needs, or to invest in more innovative solutions to achieve outcomes or goals. Some of these short-term grants would not attract indexation because they are fixed-price services, funded for 12 months or less, or are specifically project-based.

The community sector has identified the following challenges.

- Short notice periods for renewal and cessation of grants affect CSO planning for optimal management of resources, and the ability to help participants in making a smooth transition off programs when they are finishing.
- Lack of flexibility to adjust how funds are spent within and across agreements, makes it difficult for CSOs to be responsive to higher priority needs as a result of increased demand, emergency events or natural disasters.
- Lack of flexibility to use funding amounts as required, rather than having pre-determined amounts in each financial year does not enable CSOs to distribute payments according to changing needs over time.
- Application processes can often be lengthy, onerous and divert resources from CSOs' core service delivery, focus and expertise.

## How to achieve this

Options to achieve this could include the below.

- Longer grant agreement cycles. The government could consult with the community services sector to identify which grants may be suitable for longer-term agreements noting that different grant agreement lengths can allow for innovation in the sector.
- Streamlined grant rounds and assessment processes. This could encompass simplified application and assessment processes by government for organisations seeking funding to deliver multiple services or for multiple government agencies.
- Improved notice period for grant renewals or cessations. This could include providing a minimum standard for the notice from government that organisations should be given for grant renewals or cessation, and frequent, clear and informative updates on the progress of grant renewals.
- Grant agreement flexibility. Options could be put in place by government to allow for the reallocation of available funding so CSOs can better respond to emerging end-user service needs and measure performance based on outcomes.
- Sub-contracting to support locally-led delivery. The government could consult with the community services sector to identify which grants may be suitable for the provision of funds to be reallocated for sub-contracting from the grant recipient.
- Foster community voice. The government could ensure policy design, reforms and grant agreements consider the views of the community and those being impacted before they are finalised, so that grants are designed based on advice from a community-led perspective.

## Key questions

- 3.1 What length grant agreements are CSOs seeking to provide certainty and stability for ongoing service delivery?
- 3.2 What timeframes should the government aim for, at a minimum, to provide final outcomes on grant variations/extensions before the current grant ceases?
- 3.3 What funding flexibility do CSOs require to enable service delivery and innovation?
- 3.4 What flexibility is required by CSOs in acquittal processes to support and encourage sector innovation?
- 3.5 How can government improve the variation process, with consideration that CSO's must demonstrate alignment with the grant agreement and provide evidence of value-for-money outcomes?



## Area of focus 4: Ensuring grant funding flows to a greater diversity of CSOs

In the 2022-23 financial year, grant funding was administered to 4,577 ACNC registered organisations through the Community Grants Hub. The CSO supplementation payments for the 2022-23 financial year were implemented in a fair and consistent basis at the same rate across all eligible community service sector grant programs.

The government acknowledges the importance of ensuring that funding for community services supports a variety of different organisations including:

- CSOs that are different sizes (from small and local through to large and national)
- organisations that support specific cohorts and intersectional community groups
- service providers, peak bodies and advocacy organisations.

### **The National Agreement on Closing the Gap**

The National Agreement on Closing the Gap (National Agreement) commits the Government to 4 Priority Reforms that change the way governments work with Aboriginal and Torres Strait Islander people and communities. The priority reforms are:

- Priority Reform One – Formal Partnerships and Shared Decision Making, commits the Government to building and strengthening structures that empower First Nations people to share decision-making authority with governments to accelerate community led and place-based progress on Closing the Gap
- Priority Reform Two – Building the Community-Controlled Sector, commits the Government to funding prioritisation policies and sustained capacity building and investment to build the Aboriginal and Torres Strait Islander community-controlled sector.
- Priority Reform Three – Transforming Government Organisations, commits the Government to systemic and structural transformation of mainstream government organisations to improve accountability, and to respond to the needs of Aboriginal and Torres Strait Islander people.
- Priority Reform Four – Shared Access to Data and Information at a Regional Level, commits Government to ensuring Aboriginal and Torres Strait Islander people have access to, and the capability to use locally relevant data and information to drive their own development and priorities.

Priority Reforms are integrated into funding models and arrangements to ensure greater diversity of organisations to deliver programs and services, such as:

- partnerships/consortia arrangements
- sub-contracting to local and specialist organisations for specific program delivery or services
- Shorter-term grants for specific projects or trials given to local organisations.

The government also understands that supporting organisations to deliver specialised services and supports to specific cohorts, such as Aboriginal and Torres Strait Islander people, people with disability and people from culturally and linguistically diverse (CALD) backgrounds, may require approaches that are different to traditional grant funding arrangements. This includes through ensuring diversified workforces, culturally competent, appropriate and safe practices, and targeting resources for priority groups. Government agencies may explore working together to build capacity and capability and tailor engagement strategies across these cohorts.

Partnerships and consortia arrangements are often valuable in building the capacity of smaller, local organisations. Larger organisations in partnerships also benefit from understanding the knowledge and practices specialist and local organisations offer.

Achieving more diversity in funded organisations will have some impacts on organisations that are currently funded, if funds and initiatives are spread across a greater number of organisations. This approach may put greater emphasis on supporting organisations that have a connection to, and understanding of, the community needs where services are being delivered rather than those seeking to establish or provide outreach services. It will require capacity and capability building and may lead to partnership approaches with larger, well-established organisations for support. It may be even more important for organisations to consider diversifying their funding sources and to be able to forward plan the critical services and supports their organisation will deliver.

## What the department has heard

The community sector has suggested the government ‘commit to funding a range of organisations, small, medium and large, working to address poverty, disadvantage and marginalisation’<sup>7</sup>. In order to achieve this there needs to be:

- better communication across the sector about grant funding opportunities
- more equitable access to grant funding, especially for smaller organisations who support intersectional groups within their community
- efforts to build a fair and competitive market of organisations in the community service sector.

Organisations that represent diverse population groups have also called on the government to ensure there is a diversity of organisations with access to funding that can support specific cohorts and intersectional community groups. For example, the Federation of Ethnic Communities’ Councils of Australia 2023-24 Pre-Budget Submission suggested that:

*...given the breadth of diversity within multicultural Australia, it is equally important to invest in existing multicultural organisations. These organisations have wide networks and deep relationships built over time with their communities based on trust and deep cultural understanding. During the COVID-19 pandemic, these organisations were crucial in facilitating engagement between communities and government.*

In addition, [Stronger ACCOs, Stronger Families report](#) authored by SNAICC – National Voice for our Children outlined that Aboriginal Community-Controlled Organisations (ACCOs) are inextricably connected to the community they serve which drives high quality service delivery. In recommendation 3 of the report SNAICC suggested this strength be recognised through investment, development and sustainability of ACCOs through core-functions funding.

## How to achieve this

Options to achieve this could include the below.

- A comprehensive review of funding flows from government to CSOs. This would help to identify barriers, explore opportunities for collaboration between CSOs and other initiatives such as Local Jobs Programs, and encourage greater transparency within the sector. This could include evaluating existing programs and identifying how smaller CSOs could play a greater role. This review would be informed by other concurrent initiatives.

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<sup>7</sup> [https://www.acoss.org.au/wp-content/uploads/2021/06/ACSS-2021\\_better-contracting-report.pdf](https://www.acoss.org.au/wp-content/uploads/2021/06/ACSS-2021_better-contracting-report.pdf)

- Shared decision-making that includes organisations, government and communities. This may involve forming meaningful partnerships and creating more opportunities for organisations working within communities, as well as the community themselves, to be part of decision-making processes about policy, programs, funding and outcomes. This can help ensure that funding is directed to activities and organisations, including smaller and more localised organisations, which are best able to meet specific community needs and align with existing strategies, reforms and national agreements.
- Establishment of a virtual Community of Practice (CoP) on achieving grant success. This may include resources and sessions supported by government to help the community sector improve communication, knowledge sharing and exchange of best practices regarding Commonwealth grants processes, expectations and documentation.
- Dividing suitable future Australian Government grant opportunities into separate streams for small and large CSOs. This may help to ensure targeted support for different communities and cohorts is delivered by smaller CSOs that may be local to a particular area or specialised in supporting specific cohorts or intersectional groups.

## Key questions

- |     |   |
|-----|---|
| 4.1 | How can the government ensure opportunities are available for new and emerging organisations to access funding?                               |
| 4.2 | What programs, supports and information are already available for smaller CSOs to help build capacity of the organisation? Are these working? |
| 4.3 | How could larger CSOs support smaller CSOs? What are the barriers to providing this support?  |

## Area of focus 5: Partnering with trusted community organisations with strong local links

The department has a number of initiatives to implement different forms of funding which strengthen local service delivery. This includes areas of entrenched disadvantage where place-based initiatives are an option, and trials where these initiatives could involve outcomes-based funding models. The government is looking at innovative new ways of working with partner organisations with strong local links.

### Place-based funding models and partnerships

There is increasing interest among government, philanthropists and corporates to invest in place-based models and partnerships, especially in areas of entrenched disadvantage.

Place-based approaches are co-ordinated, long-term approaches, some are community-led initiatives, and aim to build thriving communities and ensure local solutions meet the needs of that community. They typically involve local communities, multiple levels of government, service providers and other stakeholders working in partnership to plan, adapt and make decisions about government-funded services, programs and infrastructure to better meet local needs. In place-based approaches, change is usually community-led with the role of CSOs, governments, businesses and others being active partners with the community.

The government has engaged a Foundation Partner to inform a potential new [National Centre for Place-Based Collaboration](#).

Examples of Australian Government investment in place-based programs and partnerships include:

- the [Communities for Children Facilitating Partners Program](#)
- the [Stronger Places, Stronger People](#) initiative
- [Empowered Communities](#)
- [Connected Beginnings Program](#)
- [Stronger Communities for Children Program](#)
- [City and Regional Deals](#).

### Features of place-based approaches

Place-based approaches generally include the following:

- Driving cross-sector collaboration to integrate and address fragmented service delivery and supports in pursuit of long-term outcomes.
- Moving accountability, decision-making, funding and service delivery to the local level, to facilitate strategically targeted solutions tailored to community needs.
- Building community capacity to implement place-based reforms and use relevant facilities, services and networks to support improved community outcomes.
- The use of collaborative and interactive ways of working, including promoting community engagement and participation for citizens.
- An emphasis on localised flexible service delivery and funding models, rather than traditional government-funded programs.
- A commitment to apply localised efforts with a long-term vision to support community change.

## Working in partnership with communities to address disadvantage

As announced under the 2023-24 Budget [Targeting Entrenched Community Disadvantage package](#), the government will develop a whole of government framework to address community disadvantage to identify strategic objectives and key principles to guide how government works in partnership with communities. This includes finding opportunities to better use place-based approaches to target disadvantage and support a greater ability for communities to make decisions reflecting their needs.

### Outcomes fund and trials

In addition to place-based funding models the government has committed \$100 million towards establishing an Outcomes Fund, to be co-designed with stakeholders, including states and territories. An Outcomes Fund will make payments for programs delivered in local communities, based on these programs achieving agreed and measurable outcomes. This will support data-driven, evidence-based solutions, improving outcomes in a range of policy areas.

The Outcomes Fund is informed by the work of the Social Impact Investing Taskforce, and will adopt outcomes-based commissioning and social impact investing (SII) approaches. The Outcomes Fund will also build on existing work in this space, including the existing SII state and territory partnership trials. These trials provide up to \$22.3 million from 2017-18 to 2026-27 to trial joint investments with state governments on SII projects.

In contrast to grants which may only contribute towards the cost of service delivery, outcomes-based commissioning generally funds the full cost of service delivery in a target performance scenario, including capital costs. However, if performance is below target, then total government payments may be less than the service costs, and investors (or service providers if there are no investors) may make a financial loss.

### What the department has heard

There have been strong calls from the community sector for governments and other funders, such as philanthropy, to support more place-based approaches.

*We are delighted that this year's Federal Budget has seized the opportunity to scale up place-based community-led work to improve wellbeing and equity in local communities.*

[Sharon Callister, CEO, Mission Australia.](#)

The community services sector reports having strong interest in place-based funding models, but as noted by Social Ventures Australia 2019 [Funding community-led place-based practice report](#), direct funding pools for backbone resources and activities is limited and concentrated.

Community-led initiatives are working in partnership with the community sector and governments to create better results, including working collectively to share decision-making. Community-led initiatives are inviting further alignment of community sector efforts to their strategies for change. There have also been suggestions for community and funders (government) to share accountability as a way to strengthen service delivery.

## How to achieve this

Options to achieve this could include the below.

- Increased and continued support for the testing of innovative approaches at the local level. This may include funding and support for pilot projects to encourage communities to explore new strategies and interventions that can lead to positive change.
- Helping to improve pathways for new and emerging organisations to access funding. This could help to improve the diversity and responsiveness of the community sector.
- A place-based model for community sector grants funding. This would allow for a tailored approach in areas of entrenched disadvantage that puts community and user needs at the centre of policy design and service delivery.
- Explore better collaboration across government agencies to reduce duplication of services and inefficiencies in delivering services.

## Key questions

- |     |   |
|-----|---|
| 5.1 | What is your experience with and reflections on place-based funding approaches?   |
| 5.2 | What innovative approaches could be implemented to ensure the grant funding reaches trusted community organisations with strong local links?    |
| 5.3 | Which areas do you consider have duplicative funding or gaps you think need to be addressed, and what is the evidence?                          |
| 5.4 | Where there is a community-led change initiative, could share accountability to community and funders (government) strengthen service delivery? |

## Conclusion

The government is committed to supporting and strengthening the sustainability of the community sector, evident through the significant funding and ongoing efforts aimed to address the challenges faced by CSOs. The additional \$560 million over 4 years from 2022-23, announced in the 2022-23 October Budget, demonstrates the government's recognition of the increasing cost pressures affecting CSOs. Through ongoing consultation, the government will continue to support the development of a stronger, more diverse and independent community sector.

Community sector feedback on the issues raised in this paper will assist the government to improve the design and administration of grants to the sector. The engagement and feedback sought from the community in implementing the government's election commitment will be instrumental in shaping a stronger and more effective support system for Australian communities.

Interested individuals and organisations are invited to provide written submissions to the department through [engage.dss.gov.au](https://engage.dss.gov.au) by 7 November 2023. The closing time for submissions is 5pm 7 November 2023 (AEDT).

For more information on the consultation process and to make a submission visit the department's Engage website. Any questions about the issues paper and supporting consultation process can be directed to [CSAGSecretariat@dss.gov.au](mailto:CSAGSecretariat@dss.gov.au)

For further information on CSAG and the Stronger, more diverse and independent community sector election commitment, please refer to [the Department of Social Services website](#).

## Appendix A: Relevant strategies and resources

### [National Agreement to Closing the Gap](#)

The objective of the National Agreement on Closing the Gap (the National Agreement) is to enable Aboriginal and Torres Strait Islander people and governments to work together to overcome the inequality experienced by Aboriginal and Torres Strait Islander people, and achieve life outcomes equal to all Australians.

For the first time, the National Agreement has been developed in genuine partnership between Australian governments and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations (the Coalition of Peaks).

The National Agreement, and its requirements, have been agreed by all governments. The 4 Priority Reforms outline how governments must transform the way they work with Aboriginal and Torres Strait Islander people, organisations and communities. This includes changes to the way we fund organisations, build capability, deliver in partnership and share regional level data with communities to add local decision making.

### **Review of Philanthropy**

The Australian Government has committed to working with the philanthropic, not-for-profit and business sectors to double philanthropic giving by 2030. It has asked the Productivity Commission to undertake an inquiry to analyse motivations for philanthropic giving in Australia and identify opportunities to grow it further. The broad tasks are to:

- analyse trends in philanthropic giving in Australia and the drivers of these trends
- identify opportunities for, and obstacles to, increasing philanthropic giving in Australia
- recommend ways to respond to these opportunities and obstacles.

### **The Not-For-Profit (NFP) Sector Blueprint**

The Blueprint will be used to develop a suite of sector-led workable and effective options for reform to strengthen social capital and a vibrant sector. A stronger charities sector will contribute to stronger, more cohesive communities and lead to a more inclusive society.

### [National Strategy for Volunteering](#)

The National Strategy for Volunteering (2023–2033) is a 10-year blueprint for a reimagined future for volunteering in Australia. It is the first National Strategy for Volunteering in a decade, providing a strategic framework for enabling safe, supported, and sustainable volunteering.

The purpose of the National Strategy for Volunteering is to provide guideposts to a better future for volunteering. It highlights activities and approaches that are currently working and should be preserved, as well as opportunities for improvement and change. The National Strategy for Volunteering identifies an ambitious yet achievable future state for volunteering where individual and collective potential is harnessed for the common good.

### [Australia's Disability Strategy 2021-2031](#)

Australia's Disability Strategy 2021-2031 outlines a vision for an inclusive Australian society that ensures people with disability can fulfil their potential, as equal members of the community. Its purpose is to:

- provide national leadership towards greater inclusion of people with disability



- guide activity across all areas of public policy to be inclusive and responsive to people with disability
- drive mainstream services and systems to improve outcomes for people with disability
- engage, inform and involve the whole community in achieving a more inclusive society.

### National Strategy for the Care and Support Economy

The National Strategy for the Care and Support Economy sets a road map of actions to a sustainable and productive care and support economy that delivers quality care with decent jobs. It has 3 goals:

1. Quality care and support, so people have access to the care and support they need.
2. Decent jobs, with pay and conditions reflect the value of care and support work and workplaces that are safe and allow for career progression.
3. Productive and sustainable, with sustainable funding models.

### Targeting Entrenched Disadvantage Package

The 2023–24 Budget will deliver a \$199.8 million package to target entrenched community disadvantage. This package has a strong focus on intergenerational disadvantage and improving child and family wellbeing. This investment will deliver:

- investment dialogue on Australia’s children - A new strategy to partner with philanthropy through the Investment Dialogue on Australia’s Children— enabling the government to coordinate efforts and direct funding where it’s needed most
- \$7.8 million for a whole of government Framework to Address Community Disadvantage
- \$64 million for place-based partnerships, to extend the Stronger Places, Stronger People initiative
- \$16.4 million for a Life Course Data Initiative that will capture data insights to improve our understanding of how communities experience disadvantage, including through longitudinal data
- a new \$100 million Outcomes Fund which will see the Commonwealth partner with states, territories and social enterprises to tackle disadvantage by funding projects that deliver outcomes in communities
- \$11.6 million will fund a Social Enterprise Development Initiative to support ‘for purpose’ organisations such as social enterprises and charities to build their capability to access capital and support improved social outcomes.

### **Early Years Strategy**

The Australian Government is developing an Early Years Strategy (the Strategy) to shape its vision for the future of Australia’s children and their families.

Recognising how critical the early years are for children’s development and continued success over their lifetime, the strategy will aim to deliver the best possible outcomes for Australian children.

The strategy will help the Australian Government create a more integrated, holistic approach to the early years and better support the education, wellbeing and development of Australia’s children. It will seek to support improved coordination between programs, funding and frameworks impacting early childhood development.

## **National Housing and Homelessness Plan**

The Australian Government is developing a National Housing and Homelessness Plan (the Plan) to help more Australians access safe and affordable housing. The plan will be a 10-year strategy. It will set out a shared vision to inform future housing and homelessness policy in Australia.

The plan is an opportunity to better unite governments, unions, not-for-profits, industry bodies, superannuation funds and other experts in housing, finance and urban development in achieving better housing and homelessness outcomes across the country.

The plan will draw on insights from the public, including those with lived experience of housing stress or homelessness.

## **Multicultural Framework Review**

The Review will assess and make recommendations on the institutional arrangements and policy settings required to advance a multicultural Australia and meet the current and future needs of multicultural Australia at the Commonwealth level.

The Review will consider:

- the effectiveness of existing federal:
  - legislative and regulatory frameworks
  - policy settings and programs
  - interactions with communities
  - services designed to support multicultural Australia and how these interact with state and local government settings.
- roles and functions of government and non-government organisations respectively. They will also consider appropriate relationships between them, ensuring effective planning and provision of programs and services to multicultural communities
- the effectiveness of current federal diversity, equity and inclusion strategies. This ensures the Australian Public Service workforce reflects multicultural Australia
- identifying areas for reform to address any systemic barriers preventing people from multicultural communities from participating in Australian society. This includes second generation plus migrants.

## **Safe and Supported**

Safe and Supported: the National Framework for Protecting Australia's Children 2021–2031 (Safe and Supported) sets out a 10-year strategy to improve the lives of children, young people and families experiencing disadvantage or who are vulnerable to abuse and neglect.

The Australian government, state and territory governments, Aboriginal and Torres Strait Islander representatives and the non-government sector are working together through Safe and Supported toward the shared goal of making significant and sustained progress in reducing the rate of child abuse and neglect and its intergenerational impacts.

Safe and Supported is being implemented through 2 sets of action plans: Safe and Supported: First Action Plan 2023-2026 and Safe and Supported: Aboriginal and Torres Strait Islander First Action Plan 2023-2026 (First Action Plans). Launched in January 2023, the First Action Plans drive change through collective effort across governments and sectors that impact the safety and wellbeing of children and young people, and outline the actions and activities needed to improve outcomes for children and young people.

Safe and Supported and the First Action Plans were developed in partnership with Aboriginal and Torres Strait Islander people and recognise the importance of shared decision-making in the development and implementation of policy that impacts Aboriginal and Torres Strait Islander people.

### **National Disaster Risk Reduction Framework**

The National Disaster Risk Reduction Framework outlines principles and action points for Australia to nationally and collectively reduce disaster risk. The Framework affirms the importance of integrated actions, across levels and portfolios of government, and with the non-government sector, given the increased severity and risk of disasters.

The Framework also emphasises the importance of inclusive engagement, to ensure that all stakeholders – including CSOs and communities – are given opportunities to influence the broader disaster management system. This principle retains communities at the centre of activities, to ensure their voice is heard when policy, program and investment decisions are made.

The Framework is being implemented through a series of National Action Plans, the Second of which is being finalised at the time of writing.

## Appendix B: Glossary

Term	Meaning
ACNC Registered	<p>An organisation registered with the ACNC as a charity. The Charities Act clarifies that to be a recognised as a charity, an organisation must:</p> <ul style="list-style-type: none"> <li>• be not-for-profit</li> <li>• have only charitable purposes that are for the public benefit</li> <li>• not have a disqualifying purpose</li> <li>• not be an individual, a political party or a government entity.</li> </ul> <p><a href="#">Source</a></p>
Capability	<p>The demonstrated ability for an organisation to perform an activity. Capabilities may be internally assessed or externally verifiable such as training completion, certificates or organisation accreditation.</p> <p><a href="#">Source</a></p>
Capacity	<p>The ability of an organisation to undertake grant activities. It includes human resources, financial and regional capacity measures.</p> <p><a href="#">Source</a></p>
Grant Opportunities	<p>Refers to the specific grant round or process where a Commonwealth grant is made available to potential grantees. Grant opportunities may be open or targeted, and will reflect the relevant grant selection process.</p> <p><a href="#">Source</a></p>
Commonwealth Grants Rules and Guidelines CGRG's	<p>The Commonwealth Grants Rules and Guidelines 2017 (CGRGs) establish the Commonwealth grants policy framework. The CGRGs contain the key legislative and policy requirements, and explain the better practice principles of grants administration.</p> <p><a href="#">Source</a></p>
Community Grants Hub	<p>The Community Grants Hub (the Hub) provides a shared-services arrangement to deliver grant administration services on behalf of Australian Government client agencies to support their policy outcomes. Client agencies are responsible for grant policy and the development of grant programs, while the Hub is responsible for administering grant programs at the direction of policy owners and consistent with the requirements of the CGRGs.</p>
Community Services Advisory Group (CSAG)	<p>The Community Services Advisory Group (CSAG) is the key community sector stakeholder engagement group for the Department of Social Services (the department). CSAG engages in monthly information sharing between the department and the community sector on issues relating to grants policy and process improvement opportunities across the community services sector.</p> <p><a href="#">Source</a></p>
Consumer Price Index (CPI)	<p>The CPI is a fixed weighted price index that relates to household expenditure on retail goods and services and other items such as housing, government charges and consumer credit charges.</p>
Community Sector Organisation (CSO)	<p>Organisations that are not-for-profit and established for community service purposes, which provide for the wellbeing and benefit of others. CSOs promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members who have a particular need by reason of youth, age, infirmity or disablement, poverty or social or economic circumstances. CSOs do not operate for the profit, personal gain or other benefit of particular people.</p>
Grant	<p>An arrangement for the provision of financial assistance by the Commonwealth or on behalf of the Commonwealth:</p>

Term	Meaning
	<ul style="list-style-type: none"> <li>• under which relevant money or other Consolidated Revenue Fund money is to be paid to a grantee other than the Commonwealth</li> <li>• which is intended to help address one or more of the Australian Government's policy outcomes while assisting the grantee achieve its objectives.</li> </ul> <p><a href="#">Source</a></p>
Grant Agreement	<p>Sets out the relationship between the parties to the agreement and specifies the details of the grant. It is also used as a collective noun for grant agreement, schedule and activities.</p> <p><a href="#">Source</a></p>
Grant lifecycle	<p>The grant lifecycle includes the:</p> <ul style="list-style-type: none"> <li>• design phase <ul style="list-style-type: none"> <li>○ The design phase of the grants lifecycle involves planning and defining the details of a program and how it will be implemented to achieve intended outcomes.</li> </ul> </li> <li>• select phase <ul style="list-style-type: none"> <li>○ The select phase involves advertising the grant round and assessing and selecting the grantees.</li> </ul> </li> <li>• establish phase <ul style="list-style-type: none"> <li>○ The establish phase involves creating, populating, varying and executing grant agreements or contracts.</li> </ul> </li> <li>• manage phase <ul style="list-style-type: none"> <li>○ The manage phase involves monitoring and assurance of service provider performance.</li> </ul> </li> <li>• evaluate phase <ul style="list-style-type: none"> <li>○ The evaluate phase involves determining the efficiency or effectiveness of the grant outcomes and grant administration.</li> </ul> </li> </ul> <p><a href="#">Source</a></p>
Grant Opportunity	<p>A notice published on GrantConnect and the Community Grants Hub website advertising the availability of Commonwealth grants.</p> <p>Grant opportunity documents include:</p> <ul style="list-style-type: none"> <li>• the application guidelines and form</li> <li>• invitations to apply</li> <li>• supporting documentation</li> <li>• frequently asked questions</li> <li>• draft grant agreements</li> <li>• any templates for reporting or acquittals</li> </ul> <p><a href="#">Source</a></p>
Grant Round	<p>A Grant Round is a 'Grant Opportunity', a term to describe any grant round, invitation to apply or other such time when an applicant can be considered for a grant as defined under the CGRGs.</p>
GrantConnect	<p>Australian Government's whole-of-government grants information system, which centralises the publication and reporting of Commonwealth grants.</p> <p><a href="#">Source</a></p>
Grants Processing System (GPS)	<p>GPS is the Community Grants Hub's grants processing system used to record and manage grants applied for and awarded across the Hub's client agencies. It includes:</p> <ul style="list-style-type: none"> <li>• standard grants functionality to support block funding and some individualised funding</li> <li>• grants rounds and application assessment</li> <li>• review functionality for reporting</li> </ul>

Term	Meaning
	<ul style="list-style-type: none"> <li>grant agreement creation and management including financial commitment recording and payment processing.</li> </ul> <p><a href="#">Source</a></p>
Outcomes Fund	<p>An Outcomes Fund will make payments for programs delivered in local communities, based on these programs achieving agreed, measurable outcomes. This will support data-driven, evidence-based solutions, improving outcomes in a range of policy areas.</p> <p><a href="#">Source</a></p>
Partnership	<p>A partnership is an agreement by legal persons to share responsibility for debts, losses and obligations which any individual partner may take on in the course of conducting the business or activities of the partnership. An individual partner may be any of the types of legal entities described in the agreement. A partnership may consist of both government and private partners. An individual partner can enter into agreements on behalf of the partnership. The department can enter into an agreement with the individual partners of the partnership.</p>
Place-Based Program Model	<p>Place-based funding meets specific, often localised needs by using targeted or tailored approaches that are developed in partnership with grant recipients.</p>
Procurement	<p>Encompasses the whole process of procuring goods and services. See paragraphs 2.7 to 2.9 in the Commonwealth Procurement Rules.</p> <p>Procurement achieves policy objectives through the acquisition of goods and services for the Commonwealth's own use or for the use of third parties.</p> <p><a href="#">Source</a></p>
Selection processes	<p>The process used to select successful applications. Types of selection processes used include:</p> <p>Open competitive</p> <ul style="list-style-type: none"> <li>Open competitive funding rounds have open and closed nominated dates, with eligible applications being assessed against the nominated selection criteria. The delegate may select to fund some or all applications.</li> </ul> <p>Targeted or restricted competitive</p> <ul style="list-style-type: none"> <li>A targeted or restricted grant round is competitive, but is only open to a limited number of potential grant recipients. This selection process is used where there are few providers available in the market. This may be because of the highly specialised services or expertise required, geographical considerations or time constraints. Organisations are invited to apply and are assessed against selection criteria.</li> </ul> <p>Open non-competitive</p> <ul style="list-style-type: none"> <li>An open non-competitive selection process is open to the market for eligible organisations or individuals to apply. The delegate may select to fund all applications that meet eligibility and selection criteria. Typically, all eligible applications are funded.</li> </ul> <p>Closed non-competitive</p> <ul style="list-style-type: none"> <li>A restricted non-competitive selection process where applicants are invited by the entity to submit applications for a particular grant and the applications or proposals are not assessed against other applicants' submissions but assessed individually against other criteria. Typically, all eligible applications are funded.</li> </ul> <p>Demand-driven</p>

Term	Meaning
	<ul style="list-style-type: none"> <li>In a demand-driven grant round, applications that satisfy stated eligibility criteria receive funding, up to the limit of available funding. Demand-driven grant rounds are subject to revision, suspension or abolition of the grant opportunity.</li> </ul> <p>One-off</p> <ul style="list-style-type: none"> <li>Grants to be determined on an ad hoc basis, usually by ministerial decision. These grants are generally not available to a range of grantees or on an ongoing basis.</li> </ul> <p><a href="#">Source</a></p>
Stronger Places, Stronger People (SPSP) initiative	<p>The SPSP initiative supports community-led systems change in 10 communities through bilateral partnerships. The goal of the initiative is to disrupt disadvantage and early evidence of impacts is being demonstrated.</p> <p><a href="#">Source</a></p>
Sub-contract	<p>Sub-contracting is the practice of assigning or outsourcing part of the funded activity under a contract to another party. Sub-contractors can include program partners, agents or volunteers.</p>
The Public Governance Performance and Accountability Act 2013	<p>An Act about the governance, performance and accountability of, and the use and management of public resources by, the Commonwealth, Commonwealth entities and Commonwealth companies, and for related purposes.</p>