

Department of Social Services – Reforms to strengthen the community sector

Summary of submissions

Prepared for: Department of Social Services

Date: March 2024

Social Ventures Australia acknowledges Traditional Owners of Country throughout Australia. We pay our respects to Aboriginal and Torres Strait Islander Elders past, present, and emerging.

Legal disclosure statement

Social Ventures Australia (SVA) has prepared this report in good faith on the basis of the submissions provided to the Department of Social Services (DSS) in response to the 2023 Issues Paper A *stronger, more diverse, and independent community sector*.

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SVA Consulting is a team within SVA and Australia's leading not-for-profit consultancy. We focus solely on social impact and work with partners to increase their capacity to create positive change. Thanks to more than 15 years of working with not-for-profits, government and funders, we have developed a deep understanding of the sector and 'what works'.

Our team is passionate about what they do and use their diverse experience to work together to solve Australia's most pressing challenges.

We note that SVA is involved in the community sector – both in its own activities and with the clients and partners it supports. SVA also considers itself to be an intermediary (as defined in this report).

The views presented in this report are solely those of community sector stakeholders as written in their submissions to the DSS in response to the Issues Paper. SVA did not make a submission. Any information that was not drawn from a submission (e.g., definitions) is marked as such. In addition, SVA is working closely with DSS to disclose and manage any perceived or actual conflicts of interest.

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Contents

Executive summary	4
Introduction and purpose	7
Sector background	8
Key findings	11
How government should work with the sector	13
Issues.....	13
Solutions	13
How government should fund the sector	14
Issues.....	14
Solutions	15
Key enablers to strengthen the sector	16
Issues.....	16
Solutions	17
Glossary	18
Appendices	20
Appendix A: Further detail on issues	20
Appendix B: Methodology	35
Appendix C: List of submissions	38

Executive summary

As part of the Australian Government's (the government's) election commitment to supporting a stronger, more diverse, and independent community sector, in September 2023 the Department of Social Services (DSS) released an Issues Paper on the key challenges faced by the community sector (the sector). DSS asked for feedback on the Issues Paper to inform the development of policy reforms aimed at strengthening the sector. Social Ventures Australia (SVA) was commissioned by DSS to undertake the related consultation and analysis tasks, in consultation with the Community Services Advisory Group (CSAG) and DSS. This report is SVA's summary of the key findings emerging from the 237 submissions received in response to the Issues Paper.

Submissions were received from a range of organisations and individuals. Organisations that provided submissions included CSAG members, peak bodies, intermediaries, research organisations, community service organisations (CSOs), for-profit providers, and local governments. Individuals included sector employees, volunteers, service users, and advocates. Key findings were developed through qualitative thematic analysis of content from each of the submissions. The content was used to articulate the issues raised, and then identify the key solutions proposed for those issues.

Overall, the submissions welcomed the government's interest in a stronger sector, and some acknowledged that the government has taken steps towards improving its relationship with the sector and the sector's sustainability. However, several expressed frustration that the sector is being asked to respond to questions that government has asked previously, and where there is already significant agreement on what changes are needed. In general, submissions call for a significant reframing of the relationship between the government and the sector.

Submissions emphasised that the sector is a major contributor to the wellbeing of individuals, families, and communities across Australia and a substantial employer. Yet significant and escalating challenges are undermining the sector's potential to provide high quality support to people in need. These include increased demand, workforce challenges, and rising obligations to carry out compliance, administration, and training activities – which have been exacerbated by the rising cost of living, significant shortage of housing in Australia, and COVID-19 pandemic.

In this report, the issues and solutions raised by organisations and individuals who sent in submissions in response to the Issues Paper ('stakeholders') have been broadly grouped into three categories: how government should work with the sector, how government should fund the sector, and key enablers to strengthen the sector.

The key issues identified by stakeholders in **how government should work with the sector** included that collaboration and co-design between government and the sector are too infrequent and ad-hoc, underfunded, and lack diversity in representation. In addition, poor collaboration within and between governments, including state and territory governments, creates duplication and misalignment. This leads to ineffective funding allocations, including gaps and duplication, inhibiting the sector's ability to improve community outcomes.

Stakeholders raised a range of solutions to address these issues, including to:

1. Collaborate and/or co-design with the sector earlier and more often across commissioning, service delivery, and policy cycles

2. Continue to engage and improve CSAG as a positive mechanism for collaboration
3. Ensure collaboration and co-design is done in a meaningful, accessible, and inclusive manner that supports diverse perspectives to be heard
4. Adequately fund collaboration and co-design activities
5. Ensure there is adequate time for the sector and community members to participate fully in collaboration and co-design
6. Provide dedicated funding, where appropriate, for intermediaries to play a sector coordination role
7. Improve coordination across and between governments

The issues identified by stakeholders in **how government should fund the sector** included the negative consequences of competition within the market-based service commissioning model, a lack of full-cost funding, inadequate indexation payments, short grant durations, and inflexible grants that do not allow CSOs to respond to emerging needs and impose significant administrative burden. These were noted to have detrimental effects on the ability of the sector to collaborate and innovate, the strength of the workforce, service coverage, and financial sustainability for CSOs, inhibiting the sector's ability to improve community outcomes.

A range of solutions were offered by stakeholders to these issues, including to:

1. Explore ways to support collaboration between CSOs
2. Simplify the processes for finding and applying for grants
3. Balance increasing the diversity of services funded, sector sustainability, and client outcomes in funding decisions
4. Explore alternatives and/or improvements to the market-based service commissioning model
5. Pay for the full cost of service delivery, including direct costs, indirect costs, and cost increases due to government decisions to support better pay and labour conditions and stronger community outcomes
6. Improve indexation processes and make them more transparent
7. Increase grant durations and notice periods for grant variations, extensions, and cessations including to create more secure employment opportunities and enable better planning
8. Increase flexibility in grants by focusing on outcomes
9. Explore alternatives and/or improvements to current systems for data collection and reporting
10. Prioritise funding for CSOs with local and specialist knowledge
11. Provide long-term, flexible funding for place-based approaches

The issues identified by stakeholders in **key enablers to strengthen the sector** included the sector not being valued or sufficiently understood by government, gaps in the available evidence base on what works to improve outcomes, and a need for additional capacity in CSOs. These issues challenge the effectiveness of the sector and lead to decisions that are not sufficiently informed by relevant expertise and evidence. This leads to sub-optimal resource allocation, inefficiencies, and inhibits the sector's ability to improve community outcomes.

Stakeholders raised a number of potential solutions to address these issues, including to:

1. Place more weight on the sector's views through improved engagement and a cultural shift in how the sector is viewed
2. Elevate the role of the sector in the policy cycle, program design, grant design, and funding decisions
3. Dedicate specific funding for capacity building and embedding evidence-based practice

4. Collect, commission, and publicly release accurate and up to date data on what social services are delivered and what needs services are addressing
5. Collaborate with the sector to explore alternative ways to support capacity building for CSOs

Introduction and purpose

The government recognises and seeks to learn more about the challenges that the sector is experiencing and collaborate with the sector to develop and implement solutions. In September 2023, DSS released an Issues Paper and sought feedback from the sector on a number of topics relating to the government's election commitment for a stronger, more diverse, and independent community sector. The five focus areas for consideration were:

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 term grant agreement terms
4. Ensuring grant funding flows to a greater diversity of CSOs
5. Partnering with trusted community organisations with strong local links

The Issues Paper aimed to reflect what DSS had already heard from the sector, through CSAG and previous sector reports, about current challenges and ideas for solutions across these areas.

SVA was commissioned to support DSS with consultation management and policy analysis relating to this commitment. The first phase of this work was to analyse and synthesise the submissions received through the DSS-led public consultation. A total of 237 submissions were received from the sector in response to the Issues Paper. The submissions were received from a wide range of stakeholders, including both organisations and individuals. Organisations were varied in size and included CSAG members, peak bodies, intermediaries, research organisations, CSOs, for-profit providers, and local governments. Individuals included employees, volunteers, service users, and advocates. Stakeholders are based in different areas – including capital cities, regional towns, and remote areas across all states and territories within Australia. Stakeholders are members of and have experience engaging with different cohorts (e.g., people with lived experience of disability, Culturally and Linguistically Diverse (CALD) communities) and specialist areas (e.g., health, family violence, employment, and housing).

This Summary Report (report) presents the key findings from SVA and DSS' analysis of submissions relating to how government works with and funds the sector. Every submission was analysed, however due to the volume of submissions and length of this report, not every specific perspective has been captured. The approach used to develop findings aimed to balance presenting prevalent and unique perspectives across the submissions, to reflect the shared and unique expertise that stakeholders hold (see *Appendix B: Methodology* for more detail).

DSS and SVA wish to acknowledge the stakeholders that contributed their time and expertise to responding to the Issues Paper (listed in *Appendix C: List of submissions*).

Sector background

Community services are services that provide support and assistance to individuals, families, and groups to maximise their potential and enhance community wellbeing.¹ In the context of government-funded service delivery, community services can overlap with other sectors, including health, aged care, employment services and early childhood services. The different groups in the community services system are shown in *Figure 1* below, which shows the way that the community services system is framed in this report.²

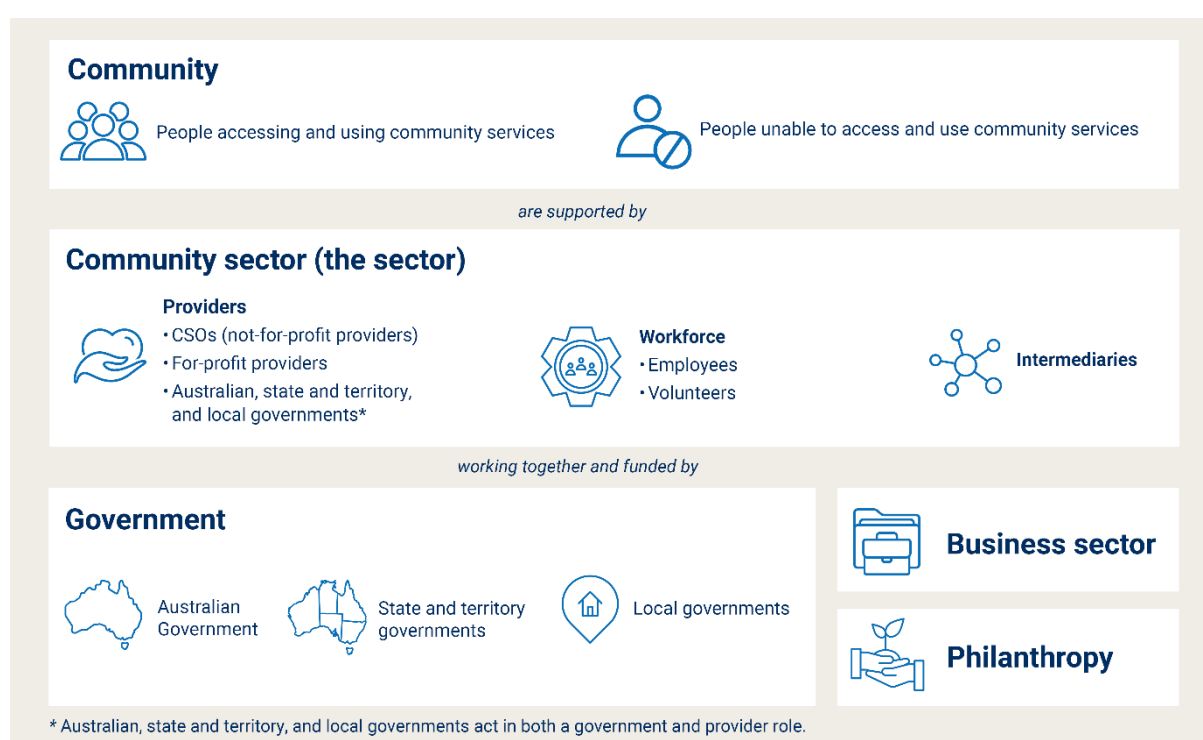


Figure 1: The community services system (framing for this report)

This report is primarily focused on the support and funding provided by the government to CSOs – ‘organisations that are not-for-profit and established for community service purposes’.³ The following definitions are used:

- **Sector:** the community sector – which consists of all organisations and individuals that provide or coordinate community services.

¹ Steering Committee for the Review of Government Service Provision, [Report on Government Services 2023: Community Services \(Part F\)](#), Productivity Commission, Australian Government, 2023. This is the same definition as used in the Issues Paper.

² The framing of the community services system used in this report draws primarily on the definitions and terms used in the Issues Paper, as well as various submissions of stakeholders.

³ Australian Taxation Office, [Community Service Organisations](#), Australian Government website, 2017. This is the same definition as used in the Issues Paper.

- **CSOs:** not-for-profit organisations that provide community services.
- **Intermediaries:** organisations or individuals who engage and coordinate not-for-profits, funders, and other stakeholders working to address a common social issue or problem. Examples of organisations that could play an intermediary role include peaks, large organisations, and/or specialist intermediaries.
- **Government:** the Australian Government. State and territory or local governments will be identified specifically when relevant.

In their submissions, stakeholders provided important background information on how they understand the sector's purpose and social and economic contributions:

- **The sector is a major contributor to the wellbeing of individuals, families, and communities across Australia.** It delivers essential services both on behalf of governments and on its own initiative, and helps the government to design policies and services.
- **The sector is united in its commitment to reduce inequality and poverty, despite differences between the organisations and individuals that make it up.** Providers and individuals vary greatly in their size, operating locations, and specialist skillsets. Despite these differences, providers and individuals share a common purpose in working towards improved human rights, greater inclusion, and genuine self-determination for the people in their communities.
- **The sector makes a large contribution to the Australian economy.** It employs a significant portion of the Australian workforce and generates value for the Australian economy. Both employees and volunteers play a critical role in delivering this value.

Stakeholders raised significant and escalating challenges that are undermining the sector's potential to provide high quality support to people in need. These challenges include:

- **Increased demand for services and increased complexity of support needed.** The growth in the number of people seeking support and the level of support needed has been steadily increasing for a long time. It has recently been accelerated by the COVID-19 pandemic, the rising cost of living, and the significant shortage of housing in Australia.
- **Workforce recruitment and retention.** Short grant durations, low or no indexation of funds, and inadequate funding lead to short-term employment contracts and uncompetitive pay and labour conditions, which makes recruiting and retaining quality staff difficult. Staff turnover and shortages contribute to exhaustion and burnout, which leads many staff to leave the sector completely despite their passion for the work. Parallel to this, there has been a long-term decline in formal volunteering participation.
- **Increased obligations to carry out compliance, administration, and training activities.** Ever-increasing obligations to meet industry standards and accreditation requirements (including across jurisdictions), abide by insurance regulations, respond to legislative changes (e.g., Fair Work Act changes), carry out data reporting and acquittals, and facilitate staff training (without additional resources) place extra strain on an already stretched sector.

These challenges compound and force the sector to do more with less resources. Improvements to efficiency and innovation led by the sector have allowed the sector to sustain their work in the face of these challenges. This was captured by ACOSS in their submission:

'For ten years, the community sector has exhausted almost every efficiency, innovation and alternative it can muster to make the most of its funding.'

Several stakeholders highlighted the creative thinking, hard work, and commitment that has underpinned the sector's resilience. However, many stakeholders believe that continuing to try to meet increased demand with an increasingly less stable and stretched workforce will push the sector to breaking point.

Key findings

All submissions were reviewed to develop the key findings presented in this report. While each of the submissions reviewed brings the unique perspective of the organisation or individual making the submission, there are a number of common themes which were surfaced through the review process.

Overall, the submissions welcomed the government's interest in the topics raised in the Issues Paper. Several expressed frustration that the sector is being asked to respond to questions that government has asked previously, and where there is already significant agreement on what changes are needed.

Many submissions referred to the Productivity Commission's 2010 *Contribution of the Not-for-profit Sector* report as one example of a comprehensive set of recommendations, informed by sector consultation, that have mostly not been adopted by governments.⁴ Many submissions also referred extensively to material that has previously been provided to government via other consultation processes.

Others noted that the *Not-for-profit Sector Development Blueprint* is occurring concurrently with this process and shares similar aims, making it difficult for organisations to participate meaningfully in both processes, and reflecting the lack of co-ordinated approach to the sector that they see as common across government. Several did not focus on the challenges of the concurrent processes but affirmed the importance of taking other reviews like the *Not-for-profit Sector Development Blueprint* and Productivity Commission's *Philanthropy Inquiry* into account, following the government's commitment to do this in the Issues Paper. The 2023-2033 *National Strategy for Volunteering* was identified as another key source to consider.

Many submissions acknowledged that the government has taken steps towards improving its relationship with the sector and the sector's sustainability, including recent changes to indexation and supplementation, the establishment of this consultation process, and the development of a *National Strategy for the Care and Support Economy*. They also noted the government's election commitment to improve funding processes, create longer funding cycles, and invest in sector capability.

While the initial scope of the Issues Paper was primarily on grants to the sector, submissions raised a much wider range of issues.⁵ These include negative consequences of market-based commissioning and lack of recognition of CSOs' expertise. This report has sought to include all significant issues raised by stakeholders, even if outside the scope of the Issues Paper. There are strong links and interdependencies between most of the issues raised.

⁴ Productivity Commission, [Contribution of the Not-for-profit Sector](#), Australian Government website, 2010.

⁵ As stated in the Issues Paper, 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. Procurement is the process of acquiring goods and services for the Commonwealth's own use or for the use of third parties. Note that procurement is out of scope for further analysis.

This report organises key findings in three categories: **how government should work with the sector**, **how government should fund the sector**, and **key enablers to strengthen the sector**. Each category presents a summary of issues and solutions raised by stakeholders that relate to the topics within that category (listed in *Figure 2*). A diversity of views was raised for each topic, both in support and sometimes against the approaches that topics refer to.

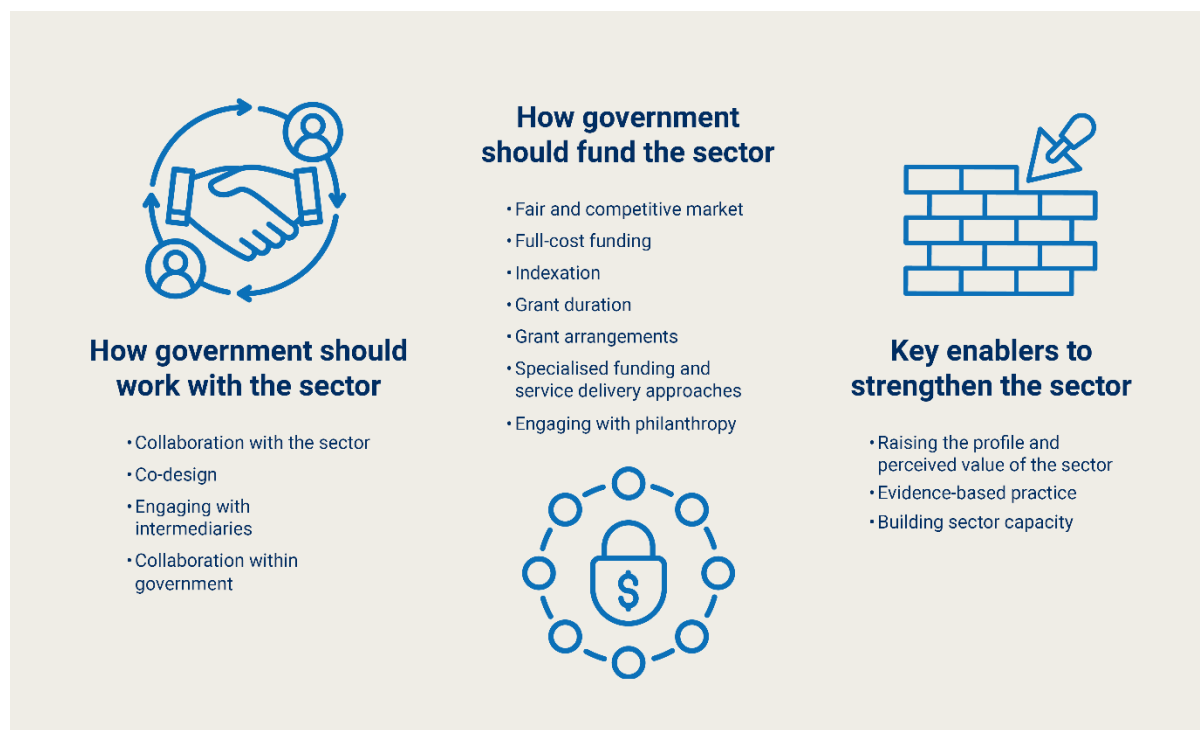


Figure 2: Topics within categories of findings, noting that stakeholders expressed a diversity of views both for and sometimes against the approaches that topics refer to

Summaries of issues and solutions are presented across topics. There is a wide range of complex interdependencies inherent to funding and delivering effective and sustainable policies and programs by the sector. Where these interdependencies can be seen in the issues and solutions raised by stakeholders, this has been noted in the findings.

Note that the issues and solutions presented have different levels of support and were discussed by varying numbers of stakeholders. This report aims to balance presenting prevalent and unique perspectives across the submissions, to reflect the shared and unique expertise that stakeholders hold. Note that the findings only reflect the perspectives of stakeholders who provided submissions and other members of the sector will have relevant views on the topics discussed.

Further detail on the issues for each topic listed in *Figure 2* is included in *Appendix A: Further detail on issues*. See *Appendix B: Methodology* for further information on the methodology.



How government should work with the sector

Issues

This section explores how government can best work with the sector, as part of the wider sector ecosystem that includes community, philanthropy, and the business sector.

The key challenges that stakeholders identified were that collaboration and co-design are too infrequent and ad hoc, they are underfunded, and lack diversity in representation. Furthermore, poor collaboration within and between governments including state and territory governments creates duplication and misalignment. These challenges are problematic because they mean that funding is not always allocated where it is needed most and they have the potential to impact on policy and program outcomes. See *Appendix A: Further detail on issues* for a detailed exploration of the issues discussed by stakeholders that relate to how government should work with the sector.

Solutions

The key changes that stakeholders would like to see are:

1. **Government should create more opportunities for collaboration, co-design, and consultation** across commissioning, service delivery, and policy cycles where it will add value. Engagement with the sector should be ongoing, regular, and able to be initiated by both parties.
2. **CSAG is a positive example of collaboration between government and the sector and should continue in its current format with some improvements.** The main improvements needed are better representation of different types of CSOs (especially small to medium sized CSOs and those operating regionally, rurally, and remotely) and greater engagement of non-members.
3. **The format of collaboration, co-design, and consultation needs to be accessible and inclusive** so that different CSOs and community members can participate fully. Government should provide multiple methods of engagement so that CSOs of different sizes and maturities can engage in ways that align with their experience and available resourcing. The government should work with CSOs to facilitate engagement with the community, leveraging their existing relationships and expertise in engaging with people experiencing disadvantage. The importance of facilitating engagement with First Nations peoples and communities was identified specifically.
4. **Government should recognise the value of the sector's expertise and community's lived experience by adequately funding the sector and community members to participate in collaboration, co-design, and consultation activities.** This includes funding CSOs for their participation in advisory groups (including CSAG) and advocacy work, and providing upfront funding to community members to remove barriers to participation (e.g., travel, internet).
5. **Government needs to ensure that there is adequate time for the sector and community members to participate fully in collaboration, co-design, and consultation activities.** This includes providing advance notice about opportunities and

sufficient time to respond. Co-design processes with community require extra time, to ensure that they are carried out in a way that is genuine, meaningful, and respectful.

6. **Government should provide, where appropriate, dedicated funding for organisations or individuals playing an intermediary role** (i.e., engaging and coordinating non-profits, funders, and other stakeholders working to address a common social issue or problem⁶) that is flexible and long-term. Note that this role could be played by organisations including peaks, large organisations, and/or specialist intermediaries. The change that stakeholders are calling for is dedicated funding, as organisations which already play an intermediary role do not always receive specific funding to do so, and several stakeholders believe that the sector will benefit from increasing the amount of intermediary work supported.
7. **Government should improve coordination, alignment, and collaboration across different departments and levels of government** to support more effective collaboration between government and the sector. Developing a common understanding of the community services system, partnering to achieve and measure outcomes, aligning and coordinating grants processes, and coordinating collaboration, co-design, and consultation will minimise duplication of work for CSOs and ultimately support better outcomes for communities. To ensure that the sector's perspectives are heard at the whole of government level, several stakeholders expressed support for establishing an advisory group that sits within the Department of Prime Minister and Cabinet (to complement existing advisory groups within departments and agencies like CSAG).



How government should fund the sector

Issues

This section explores how government funds the sector; the funding arrangements that they enter with providers; specialised funding and service delivery approaches; and the role of philanthropy.

Relating to how government funds the sector, stakeholders identified key challenges in the negative consequences of competition within the market-based service commissioning model, and complex grant application processes. For funding arrangements, stakeholders identified issues including the gap between funding and the full cost of delivering services, inadequate indexation payments, short grant durations, and restrictive conditions that impose a significant administrative burden and reduce CSOs' scope for innovation and ongoing improvement. They also shared that philanthropy should not replace government funding of service delivery, and different perspectives on the role it should play (if any).

Across the three areas of specialised funding and service delivery approaches discussed – funding for place-based approaches, specialised services and specific cohorts, and disaster response – the main challenge that stakeholders identified was how to ensure that CSOs with strong links to communities

⁶ N Sahni, E Matsui and L Hult, [When Building a Field Requires Building a New Organization](#), The Bridgespan Group, 2017.

and cohorts in need are empowered by flexible funding that meets the unique needs of these communities and cohorts. For a detailed exploration of the issues discussed by stakeholders that relate to how government should fund the sector, see *Appendix A: Further detail on issues*.

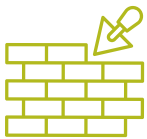
Solutions

The key changes that stakeholders would like to see are:

1. **Government should explore ways to support formal and informal collaboration within the sector**, including providing funding for collaboration in grant agreements, establishing communities of practice with CSOs of different sizes and government representatives, and ensuring grant agreements provide flexibility for different forms of collaboration.
2. **Government should simplify the processes for finding and applying for grants.** To support CSOs to apply for grants that align with their purpose and capacity, the government should make finding out about opportunities easier through improved grant portals and stronger promotion. To support CSOs to put forward high quality applications with effort that is proportionate to the value of the grant, the government should streamline grant processes, extend grant application timeframes, and support capacity building.
3. **Government needs to balance increasing the diversity of services funded, sector sustainability, and client outcomes in funding decisions.** Funding a more diverse range of CSOs should not compromise the financial sustainability of CSOs who already receive funding, or client outcomes. To support increased funding flows to smaller and specialist CSOs, government could consider providing dedicated funding streams.
4. **Government should explore alternatives and/or improvements to the market-based service commissioning model.** Government should collaborate with the sector to understand the unintended consequences of market-based commissioning (e.g., less collaboration between CSOs) and potential solutions, noting that this is a complex area and there are no simple fixes.
5. **Government should provide payment for the full cost of service delivery**, including direct costs, indirect costs, and cost increases, especially those arising from government decisions. **Gaps in paying staff adequate wages and the costs of engaging volunteers were emphasised.** This requires government to have a better understanding of CSOs' costs, which could be supported by an independent costing body and/or consultation. Funding criteria and decisions should be made transparent. CSOs should be able to use any surpluses to reinvest in their workforce, trial innovation, or build organisational capacity.
6. **Government should change the way that indexation is calculated** so that it is applied to a wider range of costs, better reflects real cost increases, and fully accounts for cost increases linked to government decisions. Indexation rates and calculation methods should be made transparent. To provide funding certainty for CSOs and ensure that they do not need to operate out of pocket, the timing of indexation payments should be assured in advance and aligned to CSOs' expenditure.
7. **Government should increase grant durations and notice periods for variations, extensions, and cessations. This would support more secure employment conditions for the workforce and enable better planning.** Almost all stakeholders called for longer grant durations, with several stakeholders referencing previous government

commitments and review recommendations to implement this.^{7 8} The largest proportion of stakeholders called for a five-year minimum grant duration, with suggestions ranging from two to ten years.

8. **Government should increase flexibility in grants by focusing on outcomes.** To respond to changes in demand, costs, and community needs (including disasters), grants must permit CSOs to work in partnership with government to adjust outcomes, timeframes, and funding when required. Reporting should reflect this focus.
9. **Government should explore alternatives and/or improvements to current systems used for data collection and reporting,** such as DSS's Data Exchange platform (DEX). They should consider adopting a whole of government grants management solution. Reporting should be proportionate to the size of the grant to avoid creating unnecessary administrative burden and allow both qualitative and quantitative data to be shared as evidence.
10. **Government should prioritise funding for CSOs with local and specialist knowledge,** which is critical to combatting place-based disadvantage and supporting specific cohorts like First Nations peoples and people with lived experience of disability. This requires embedding inclusion into grant processes (e.g., trauma-informed practices, flexibility in engagement methods, cultural awareness, and supporting accessibility) and ensuring people with specialist expertise (including lived experience) are included in decision-making. Government could consider having dedicated funding streams for specialised services for specific geographies or cohorts.
11. **Government should support place-based approaches with long-term, flexible funding.** This should include funding for a local 'convenor', 'glue', or 'backbone' to support coordination and collaboration. They should also consider developing guidelines about how to embed place- and community-focused principles into service design, for use by both government and CSOs.



Key enablers to strengthen the sector

Issues

This section explores key enablers to strengthen the sector – ways of working and values that influence the quality of the government's working and funding relationships with the sector.

The key challenges that stakeholders identified were the sector not being valued or sufficiently understood by government, gaps in the available evidence base on what works to achieve outcomes,

⁷ Productivity Commission, [Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services: Report No. 85](#), Productivity Commission, Australian Government, 2017. Referenced in multiple submissions.

⁸ Jenny McAllister, [Speech to Australian Services Union Members, Blaxland – Restoring Respect for the Community Sector](#), Jenny McAllister website, 2022. Referenced in Australian Council of Social Service (ACOSS) submission.

and a need for additional capacity building to support CSOs and their workforce. These challenges are problematic because they undermine the effectiveness of the sector and lead to decisions being made without consulting the sector's expertise or robust evidence. This ultimately inhibits the sector's ability to improve community outcomes. See *Appendix A: Further detail on issues* for a detailed exploration of the issues discussed by stakeholders that relate to key enablers to strengthen the sector.

Solutions

The key changes that stakeholders would like to see are summarised below:

1. **Government should adapt their ways of working and culture** in order to raise the profile and perceived value of the sector. There is a need to place more weight on the sector's views, which requires respecting CSOs as equal and expert partners.
2. **Government should elevate the role of the sector in policy cycles, program design, grant design, and funding decisions.** As discussed in *How government should work with the sector*, government needs to create more opportunities for collaboration and co-design where it will add value. This is linked to respecting CSOs as equal and expert partners, and should also enable the sector to initiate discussions about emerging issues in the community, not necessarily tied to a specific grant program.
3. **Government can support embedding evidence-based practice and building the capacity of the sector by providing funding.** Linked to funding the full cost of service delivery, government should consider dedicated funding streams to build the shared evidence base and capacity of CSOs, and adding premiums to grants to support ongoing improvement.
4. **Government should share evidence that they use to make decisions with the sector and be transparent about how decisions are made.** Government should collect, aggregate, and share accurate, up to date, and anonymised data on community need and service provision. To support CSOs to continuously learn and improve, government should provide the sector with feedback on policy and funding decisions.
5. **Government should support capacity building for CSOs** in grant management, data management, measurement and evaluation, reporting, sector leadership, finance, cybersecurity, digital and technology skills, and responding to climate change.
6. **Government should collaborate with the sector to explore alternative ways to support capacity building for CSOs.** Ideas discussed included funding peaks and larger CSOs to support capacity building for smaller CSOs and Aboriginal Community-Controlled Organisations (ACCOs), empowering individual CSOs to lead their own capacity building, and the need for ACCOs to lead their own capacity building as well as sector wide cultural capacity building.

Glossary

Aboriginal Community-Controlled Organisation (ACCO): as defined in the *National Agreement on Closing the Gap*, an organisation that ‘delivers services, including land and resource management that builds the strength and empowerment of Aboriginal and Torres Strait Islander communities and people and is: incorporated under relevant legislation and not-for-profit; controlled and operated by Aboriginal and/or Torres Strait Islander people; connected to the community, or communities, in which they deliver the services; and governed by a majority Aboriginal and/or Torres Strait Islander governing body.’

ACOSS: Australian Council of Social Service.

CALD: Culturally and Linguistically Diverse.

Capacity building: ensuring that staff have the skills, knowledge, and infrastructure to deliver high quality services and fulfil their grant duties.

Co-design: one specific approach to collaboration, when government, community members, and organisations work together to define an issue, develop, and deliver a solution (often through program or policy).

Collaboration: when government, community members, and organisations combine resources and align efforts to solve complex issue(s).

Community: people living in Australia, including current service users, people unable to access and use services, and the broader population.

Community Service Organisations (CSOs): organisations that are not-for-profit and established for community service purposes.

Community Services Advisory Group (CSAG): the key stakeholder engagement group for CSOs to communicate with DSS and share feedback, insights, and recommendations on grants policy and process improvement opportunities.

Competitive tendering: the process of selecting a preferred supplier from a range of potential suppliers by seeking offers (tenders) and evaluating these on the basis of one or more selection criteria.

Consultation: when government poses a question or topic for community members and/or stakeholders to consider, then asks them to provide their views on it.

DEX: Data Exchange platform – DSS’ grant and program reporting database. Funded service providers use it to report on activities, participants, and milestones.

DSS: the Department of Social Services.

Evidence: factual information that can be used to support a decision – it may be quantitative (e.g., program data) or qualitative (e.g., stories from people with lived experience).

Government: the Australian Government. State and territory or local governments will be identified specifically when relevant.

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

Indexation: 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. This follows the definition adopted in the Issues Paper.

Intermediaries: organisations or individuals who engage and coordinate non-profits, funders, and other stakeholders working to address a common social issue or problem. This encompasses many organisations that are not specialist intermediaries. Examples of organisations that could play an intermediary role include peaks, large organisations, and/or specialist intermediaries.

Market-based service commissioning model: in this report, the term market-based service commissioning model is used to refer to a system in which governments make purchasing decisions to allocate resources to service providers for service delivery through competitive tendering or similar processes. It does not generally include consumer-driven market-based systems where individuals make purchasing decisions and government funding is directed accordingly, such as in early childhood education and care and the National Disability Insurance Scheme.

Place-based approaches: co-ordinated, long-term approaches, some are community-led initiatives, that aim to build thriving communities and ensure local solutions meet the needs of that community. This follows the same definition adopted in the Issues Paper.

Policy cycle: the process which the government uses to conceptualise how policy should be made – identify issues, policy analysis, policy instruments, consultation, coordination, decision, implementation, and evaluation.

Providers: organisations which provide community services, including CSOs, for-profit providers, and local governments.

Sector: the community sector – which consists of all organisations and individuals that provide or coordinate community services.

Stakeholders: organisations and individuals who responded to the Issues Paper.

Appendices

Appendix A: Further detail on issues

This appendix documents the issues raised by stakeholders across all topics within the three categories of findings: **how government should work with the sector**, **how government should fund the sector**, and **key enablers to strengthen the sector**. See *Appendix B: Methodology* for information on the quantification of findings.

How government should work with the sector

Collaboration with the sector

Many stakeholders highlighted that collaboration between government and the sector needs to improve, if there is to be a genuine partnership between government and the sector. Several stakeholders highlighted that this commitment presents an opportunity to rethink how engagement occurs between all stakeholders in the sector and to facilitate systems change to address entrenched disadvantage. Stakeholders identified the following issues relating to how government collaborates with the sector:

- Collaboration is infrequent and ad hoc.
- Collaboration and consultation are not always seen as respectful of CSOs' time and expertise.
- It can be difficult for CSOs to balance their collaborative and advocacy roles.
- Many CSOs do not receive adequate funding to support them to participate in collaboration activities.

'... consulting over and over again on issues that have been explored multiple times previously uses up time and effort that could be better expended elsewhere, especially when requests for consultation are uncoordinated, at short notice and frequently with no compensation. All these issues have been identified and communicated multiple times over the years.' – *The Australian Research Alliance for Children and Youth*

'... at the same time as this consultation process is underway, the Department of Prime Minister and Cabinet is developing a Strategy for the Care and Support Economy. The Department of Social Services is developing a Not-for-Profit Sector Development Blueprint. The Productivity Commission is also undertaking a review of philanthropy. We question why these consultations processes are happening separately from each other, when their purposes are so closely related.' – *Anglicare Australia*

Many stakeholders highlighted that a lack of effective collaboration was contributing to policies, grant processes, and services that are not fit-for-purpose.

'... often policies are imposed on the sector without due consideration or active collaboration. This includes requiring CSOs to deliver services which are not appropriate for the communities in which they work (e.g., that are culturally insensitive or not evidence based). This leads to poor outcomes and wasted government expenditure.' – *Uniting NSW.ACT*

Several stakeholders called out that reforms to develop a stronger, more diverse, and independent community sector will not work without actively acknowledging, valuing, and including First Nations peoples and communities' ways of operating.

Stakeholders also provided specific feedback on CSAG:

- CSAG is a valuable forum for collaboration between government and the sector.
- CSAG needs to be more representative of different types of CSOs (especially small to medium sized CSOs and those operating regionally, rurally, and remotely).
- CSAG members should be funded for their engagement.

'CSAG provides a working example of a practical, respectful partnership between the sector and government' – *Relationships Australia (CSAG member)*

'[CSAG is an] excellent forum for collaboration between the government and CSOs' – *NSW-based CSO (non-member)*

'membership of CSAG is weighted heavily in favour of the largest, national-level agencies' – *Southern Youth and Family Services (the smallest organisation on CSAG)*

Co-design

Co-design is one specific form of collaboration. It was specifically addressed in many submissions, noting that there was some variation in how stakeholders used terms like 'collaboration', 'co-design', and 'consultation'. There are strong similarities between stakeholders' feedback on co-design and their feedback on collaboration between government and the sector more broadly.

Many stakeholders highlighted the need for significant improvements to approaches to co-design, as they did for collaboration more generally. They identified the following issues:

- There is not enough co-design with the sector or community during policy cycles, grant design, and the problem identification stage of service delivery.
- At the same time, the sector and community can feel over-consulted by the concentrated application of co-design activities to service design and implementation which can involve asking similar questions to the same groups within an overlapping or short timeframe.
- Lack of coordination between different government departments and governments leads to duplicated work.
- Lack of funding for co-design activities and rushed timelines are significant barriers to effective co-design.

Many stakeholders emphasised the importance of listening to the voice of lived experience in co-design processes.

‘Strengthening the voice of service participants, and those unable to access current services, in the development, design and implementation of services and systems that can shape their lives can contribute to more effective service outcomes. It can also improve the skills, experience and wellbeing of participants and the broader community in which the service is located.’ – Brotherhood of St Laurence

Engaging with intermediaries

Several stakeholders were supportive of intermediaries playing a role to support sector coordination. They provided feedback on how the sector should engage with intermediaries – organisations or individuals who engage and coordinate non-profits, funders, and other stakeholders working to address a common social issue or problem.⁹ Intermediaries can play a range of roles to influence systemic change, such as catalysing new kinds of collective action, developing new knowledge and evidence, and strengthening capability across a field.¹⁰ Several stakeholders explained that fragmentation within the sector and limited collaboration present barriers to achieving systemic change in policy and implementing effective practices. Many stakeholders were supportive of intermediaries coordinating sector efforts to help overcome these barriers.

The 'intermediary' role

It is important to note that there is no simple, universally acknowledged definition of 'intermediary'. The definition used in this report is from the Bridgespan Group. The findings presented in this section are based on perspectives from stakeholders who explicitly used the term and stakeholders whose perspectives clearly related to the roles of intermediaries listed above. SVA identifies as an intermediary (as noted above in the introduction to SVA Consulting). The Australian Research Alliance for Children and Youth referenced a report which identifies The Front Project, Indigenous Eye Health, and Health Justice Australia as examples of organisations which act as intermediaries within the sector.¹¹

Despite general support for intermediaries, stakeholders had a range of views on who government should fund to play the intermediary role. The following ideas were presented:

- Peaks and large organisations should be funded to act as intermediaries.
- Specialist intermediary organisations should be funded to act as intermediaries.
- For-profit and business sector consulting firms should not be funded to act as intermediaries.
- For-purpose organisations should be funded to act as intermediaries.

⁹ N Sahni, E Matsui and L Hult, [When Building a Field Requires Building a New Organization](#), The Bridgespan Group, 2017.

¹⁰ T Hussein, M Plummer and B Breen, [How Field Catalysts Galvanize Social Change](#), Stanford Social Innovation Review, 2018.

¹¹ M Miller-Dawkins, [Growing Fields, Shifting Systems: A Guide to Effectively Funding Field-Building Intermediaries](#), SVA website, 2022.

Collaboration within government

Many stakeholders felt a lack of collaboration and coordination within government is adversely impacting CSOs and service delivery. They identified challenges with:

- Siloing of policy areas and services that are closely inter-related, such as mental health, child protection, family violence, and drug and alcohol services
- Duplication and inconsistencies across grant application and reporting processes
- Duplication of consultations with CSOs about similar topics on which they have been previously consulted
- Confusion about the roles of different government departments and funders

Several stakeholders raised these issues in reference to both ways of working between different levels of government (federal, state and territory, and local), and across different Australian Government departments.

How government should fund the sector

Fair and competitive market

Feedback on the market-based service commissioning model was provided in four key areas explored in this report: the appropriateness of the market-based service commissioning model, government's role supporting collaboration between CSOs in the market, the diversity of CSOs and organisations funded to deliver services, and funding application systems and processes.

The appropriateness of the market-based service commissioning model

Several stakeholders raised issues with the appropriateness of the current market-based service commissioning model for delivering social services. Stakeholders acknowledged the intended benefits of the market-based model – namely to improve the quality and efficiency of service delivery through the promotion of competition between CSOs. However, they felt that these benefits have not eventuated because competitive tendering is not appropriate for the delivery of highly localised and complex social services.

'Competitive tendering can be an appropriate tool for procuring service delivery when there is a clearly specified service need that is readily available from a competitive market, and the buyer (in this case, government) is seeking the highest quality service for the lowest cost.'

However, services that address complex and entrenched disadvantage do not typically have these characteristics.

There is rarely a standard pre-designed service that will work in every setting that can be selected from a catalogue and submitted to a lowest-price tender contest.

Rather, quality services are bespoke – they must be tailored to local contexts and address interrelated challenges across economic, social, cultural and geographic settings. In these settings, competitive tendering, sourcing and contracting is unlikely to deliver high-quality outcomes – for government, service providers or local communities.' – Brotherhood of St. Laurence

Many stakeholders felt that the current market-based service commissioning model is forcing CSOs to compete on price, rather than quality, and is causing a range of adverse impacts for CSOs and the community. Several stakeholders believe that the current market-based model:

- Adversely impacts community outcomes, as CSOs reduce service quality and reach to keep their cost base competitive
- Creates service gaps, particularly for the most vulnerable and high needs cohorts, and in regional, rural, and remote areas, as delivering services can be prohibitively expensive
- Discourages collaboration, as CSOs see each other as competitors instead of partners
- Stifles innovation, by discouraging the sharing of lessons and best practice between CSOs
- Promotes poor labour standards, as CSOs keep wage costs down and under-staff programs to remain competitive
- Reduces sector diversity, as some CSOs have limited ability to compete on price

Government's role supporting collaboration between CSOs in the market

Stakeholder views were mixed on the benefits of formal partnership and sub-contracting arrangements to enable collaboration. The two main views were:

- Formal partnerships and sub-contracting are helpful for co-designing solutions, leveraging different organisational strengths, and in the case of smaller CSOs, providing opportunities that they would otherwise lack the scale to access and deliver.
- Formal partnerships and sub-contracting are not always fit-for-purpose for collaboration – they can be complex, costly, and unfeasible considering the time it takes to negotiate and deliver.

Many stakeholders raised other issues that they felt were adversely impacting collaboration in the market. They were:

- Lack of time and resources
- Inflexible grant arrangements
- Short grant application processes and other restrictive parameters in grant guidelines that make it challenging for CSOs to collaborate on applications

Diversity of CSOs and organisations funded to deliver services

Many stakeholders welcomed the government's election commitment to ensure that grant funding flows to a greater diversity of CSOs. They expressed that sector diversity is important for a healthy service system because it creates greater choice for service users and increases the ability of the sector to respond to the diversity of client needs and experiences.

By contrast, several stakeholders felt expanding the number of funded CSOs may not achieve the best outcomes in all situations. These stakeholders identified potential risks of fragmentation, loss of economies of scale, and siloed approaches to meeting community needs. They also flagged that new providers require additional support to ensure they can establish new services, build trust with communities, and develop internal capabilities.

Several stakeholders raised concerns with the ability of government to adequately fund even more CSOs.

'Given there is consensus within the social services sector that the present amount of government funds are inadequate to allow the existing funded CSOs to

deliver supports and services, increasing diversity will result in the present quantum of funds being divided into smaller portions (i.e., the pieces of pie get smaller) or the total funds available will [need to] increase (i.e., the pie grows bigger).’ – St Vincent de Paul Society National Council

There were also mixed views on the role of for-profit providers within the sector. They included:

- Many stakeholders supported the government’s election commitment to the sector to prioritise not-for-profit service delivery and contain the role of for-profit providers.¹²
- A small number of stakeholders (for-profit providers) stated that for-profit businesses shouldn’t be overlooked. They highlighted how for-profit businesses generate tax revenue, create jobs, stimulate economic growth, innovate to meet needs, and transfer skills and knowledge from other areas to the sector.

‘[t]he delivery of community services is largely not a commercial undertaking...for-profit providers should not receive funding for essential frontline services such as homelessness, domestic violence and emergency relief.’ – Jenny McAllister (Labor Party Senator), cited by ACOSS

Funding application systems and processes

Almost all stakeholders reported systems and processes are exacerbating challenges for CSOs to access funding. Many stakeholders expressed that grant application processes are long, complex, and resource intensive. Additionally, grant application portals vary across government departments, and they are not consistent or integrated, requiring CSOs to enter the same information multiple times. Many stakeholders believe that these challenges are especially difficult to overcome for smaller CSOs.

Full-cost funding

Almost all stakeholders agreed that CSOs are not being funded for the full costs of delivering services. Stakeholders believed this was due to both inadequate funding and rising costs.

Stakeholders identified the following issues with their current level of funding:

- Several stakeholders expressed that the direct costs of delivering programs are underfunded. Gaps in paying staff adequate wages and the costs of engaging volunteers were emphasised.
- Many stakeholders focussed on the extent to which indirect costs (such as IT, finance, and measurement and evaluation) are underfunded.

Several stakeholders mentioned research suggesting that the true indirect costs of charities are often in excess of 28%, while many grants allow for far less if they allow inclusion of these costs at all.¹³

¹² Jenny McAllister, [Speech to Australian Services Union Members, Blaxland – Restoring Respect for the Community Sector](#), Jenny McAllister website, 2022. Referenced in ACOSS submission.

¹³ Social Ventures Australia and the Centre for Social Impact, [Paying What It Takes: Funding Indirect Costs to Create Long-term Impact](#), Social Ventures Australia website, 2022. Referenced in multiple submissions.

Stakeholders identified the following areas where rising prices are a key driver for CSOs not being funded adequately:

- General spending (e.g., wages, energy, and transport)
- New requirements for CSOs (e.g., cybersecurity, accreditation, and domestic violence leave)
- Implications of the recent policy changes to the Fair Work Act that cap employment contracts to two years, which have the potential to substantially increase redundancy costs
- Substantial increases in insurance premiums post 2020, with several providers priced out of acquiring insurance entirely

Almost all stakeholders agreed that underfunding had a negative impact on their ability to deliver impact and operate effectively. The most common stated impact from underfunding was concerns about poorer outcomes for clients. There were also many stakeholders concerned that underfunding of wages and staff costs was affecting their ability to attract and retain staff in secure jobs with fair pay, opportunities for training and development, and safe working conditions. Finally, several stakeholders noted that broadly the sector was feeling the overall strain of a long period of inadequate funding, making them more financially vulnerable.

Indexation

Almost all stakeholders identified current indexation practices as a significant issue. The purpose of indexation is to maintain the value of government programs over time, when there are changes in prices, living costs, or wages.¹⁴ Stakeholders identified the following problems with indexation payments:

- Indexation payments do not cover the full range of costs that typically increase for CSOs over the life of grants.
- The quantum of indexation for costs that are indexed is often insufficient, with stakeholders receiving a lower level of indexation than their increase in costs. Several stakeholders attributed this to the formulas used to calculate indexation, which rely on Consumer Price Index (CPI) and Wage Cost Index (WCI) figures. Several stakeholders also believe that the productivity offset – which reduces funding year on year based on the long run rate of productivity growth that underlies forecasts – should be removed because productivity gains are hard to achieve and may not be realised as cost reductions for CSOs.¹⁵
- Ad-hoc timing of indexation payments, which are often received towards the end of the financial year in which services are delivered and sometimes late.

*Lack of clarity in how indexation is calculated and how much will be received.
'Organisations funded by DSS don't know what indexation they will receive, when to expect it, and how to cover the gap between the real cost of delivering services.
If organisations are not provided details of the indexation rate to be applied in a*

¹⁴ Parliamentary Budget Office, [Indexation and the Budget: An Introduction](#), Australian Government website, 2023. This definition is consistent with the Issues Paper.

¹⁵ Productivity Commission, [5-year Productivity Inquiry: Advancing Prosperity: Inquiry Report – Volume 1](#), Productivity Commission, Australian Government, 2023.

timely way, they are unable to plan their budgets or provide staff with certainty about their employment.’ – Anglicare Australia

Stakeholders explained that inadequate and unpredictable indexation is a problem because it makes planning for future service delivery difficult and increases financial risk for CSOs, who are required to fund in advance the increase in costs without knowledge of what indexation payments they will eventually receive. To mitigate this risk, CSOs may decrease the number of people supported or the level of support provided to individuals, scale back recruitment, and delay expansion and innovation activities.

Grant duration

Almost all stakeholders identified grant duration as a significant issue, with consensus that standard grant durations are too short. Many stakeholders explained that short grant durations cause significant challenges for service delivery and adversely impact community outcomes. They raised workforce challenges as the primary issue, with short grants making it difficult for CSOs to attract and retain high quality staff, as they are unable to offer secure employment. Stakeholders identified that this adversely impacts the quality of support and outcomes CSOs provide, because they can't meet service demand, lose institutional knowledge and experience when staff leave, and are discouraged from investment in education and training when it cannot be completed within the timeframe of the grant. Furthermore, changes in staff cause instability for people needing services, as relationships between CSOs and individual staff members with communities that support improved outcomes may need to be rebuilt.

Stakeholders identified multiple other challenges linked to short term grants. Many stakeholders believe that short term grants:

- Inhibit collaboration and innovation
- Require providers to dedicate significant time to regular fundraising that could otherwise be focused on service delivery
- Constrain what can be achieved – it is very difficult to establish a program, carry out meaningful measurement and evaluation, and support sustainable positive outcomes for people experiencing complex challenges in a one to two-year timeframe

Grant arrangements

Feedback on grant arrangements was provided in five key areas explored in this report: grant flexibility for improved service delivery and innovation, notification timeframes, performance metrics, compliance requirements, and grant management and reporting.

Grant flexibility for improved service delivery and innovation

Almost all stakeholders called for greater flexibility with grant arrangements. They identified the following issues that result from the current level of restriction in grant agreements:

- Limited potential for ongoing adaptation of programs to better meet community needs
- Limited scope to proactively respond to clear changes in the operating environment or community needs (including disasters)
- Reduced innovation

Notification timeframes

Many stakeholders agreed that notice periods for grant variation, extension or cessation are too short. Stakeholders believe that this practice is problematic, as it negatively impacts the ability of CSOs to forward plan and manage resources. Short notice periods also exacerbate workforce challenges as they do not provide stability for staff, resulting in high turnover.

'There are a significant number of tasks that need to be completed prior to the commencement of a variation or extension, including managing staffing arrangements, budgeting, and service planning. In instances where a grant may be ceasing, services require sufficient time to end client intake, begin closing the service, provide a warm handover to other services, and manage employment transitions including the paying out of redundancies.' – The Salvation Army

'It has become increasingly difficult to recruit staff to short-term positions without the possibility of grant extension, and the short-term nature of funding agreements can compromise the level of quality of programs being offered. On average, the turnaround time on recruitment and onboarding across the sector is three to six months, which takes significant time off program delivery for short-term grant arrangements.' – First Nations CSO

Performance metrics

Many stakeholders identified issues with the way their performance is tracked. They identified that:

- Performance metrics in grants are often not well aligned to service quality and program outcomes (and are instead overly focused on program activities and outputs).
- Performance metrics do not support learning and improvement.
- The outcomes that stakeholders are expected to report on can be unrealistic to achieve within the reporting period and/or length of the grant.
- Reporting requirements are not always clearly articulated within grants.

Compliance requirements

Many stakeholders noted a trend towards an increasing volume and level of compliance requirements in grants. While they recognised the intention of these requirements to reduce risks, they felt that in practice these requirements were counter-productive and in some cases contributed to adverse outcomes.

'This approach is not only counter-productive, but also displays a regrettable lack of understanding about the importance of good risk management practices. There is very limited evidence to suggest that grants with more detailed contracts containing more conditions, increased compliance and reporting requirements, more frequent reporting and shorter contract periods reduce risk or improve outcomes.' – Community Council of Australia

Several stakeholders recognised that some compliance requirements are essential to deliver quality services (e.g., appropriate data governance practices to ensure that all information captured is safe and secure). Stakeholders also flagged that where this is the case, government should fund the full cost of meeting these requirements.

Stakeholders raised several issues with current compliance, regulatory, and accreditation requirements. These included that requirements are often:

- Disproportionate to the size of the program funded
- Inconsistent across grants
- Not clearly articulated within grants
- Duplicative (especially for grants across different levels of government and jurisdictions, and frequently for grants within the same department or across departments)
- Time consuming

Lastly, several stakeholders reported that CSOs are finding it difficult to afford and access insurance. Insurance costs are increasing significantly, and for some types of insurance, have become so high that CSOs cannot afford it, or insurance providers have stopped offering the insurance as it is prohibitively expensive.

‘Insurance for our CSO is completely inaccessible. After the COVID period our insurance provider refused to insure us anymore. In seven years, we have had no incidents and no claims. The only insurance we can access has premiums that are many hundreds of times our annual turnover.’ – Queensland Remote Area Tracking Incorporated

Grant management and reporting

Many stakeholders identified issues with grant management and reporting. They included:

- Significant administrative burden because reporting and acquittal processes are often not proportionate to the size of programs, or consistent across grants
- The need to navigate multiple complex systems (including DEX) mandated to record service delivery data – which is resource-intensive, duplicative, and currently fails to deliver meaningful insights that contribute to improving services
- Limited understanding of the sector or relevant policy areas among funding arrangement managers, which results in increased workloads for CSOs as they have to build the capacity of funding arrangement managers, diverting staff from service delivery

Specialised funding and service delivery approaches

Feedback on specialised funding and service delivery approaches was provided in three key areas explored in this report: place-based approaches, funding for specialised services and cohorts, and disaster preparation, response, and recovery.

Place-based approaches

Many stakeholders were supportive of the potential for place-based approaches to deliver significant positive change for local communities. They praised the focus and attention provided to place-based approaches within the Issues Paper, with many stakeholders specifically commenting on the importance of place when combating entrenched disadvantage.

Several stakeholders highlighted the importance of considering the appropriateness of place-based approaches among a range of different service delivery options. These stakeholders felt place-based approaches should not be seen as a replacement for systemic reform and identified the following potential limitations of place-based approaches:

- Focusing only on specific issues
- Being constrained by geography
- Introducing unhelpful funding competition for local CSOs

Many stakeholders identified a range of challenges with how place-based approaches are currently being implemented:

- Inflexible funding arrangements can make it difficult for CSOs to be adaptive in identifying and responding to specific community needs.
- Funding arrangements do not always support shared local decision making on funding allocation.
- There is not always funding for a local 'convenor', 'glue' or 'backbone' to support coordination and collaboration, which is critical for true integration of services.
- Service providers are sometimes left out of collaboration processes, despite the key role that they play in delivering services that meet community needs.
- They can place significant demands on CSOs to participate – including attending many meetings with government(s) and local stakeholders – which can be difficult to meet due to the time required.
- There is a lack of coordination between federal, state and territory, and local governments.
- Using evidence to inform continuous improvement – not all CSOs have the capacity to collect, analyse, and report on data aligned to desired outcomes.

'There is already significant investment in many communities experiencing disadvantage, but most often its delivery is fragmented, siloed and not in areas the community wants – usually, more money is not needed, but rather better design and delivery of existing funds.' – Mission Australia

'Multiple actors are seeking to apply place-based approaches in the same or overlapping geographical areas, frequently without the dedicated coordination and alignment that is typically assumed to be a hallmark of this way of working.' – Australian Research Alliance for Children and Youth

Funding for specialised services and cohorts

Many stakeholders highlighted that funding processes and outcomes do not sufficiently support cohorts facing unique disadvantage. Two main issues were raised:

- Equitable funding processes (i.e., dismantling the systemic barriers to participation that disproportionately prevent certain CSOs and cohorts from accessing funding and services)
- Equitable funding outcomes (i.e., providing sufficient funding to support certain cohorts to achieve outcomes, due to factors that contribute to disadvantage)

Many stakeholders raised issues with grant processes that they felt are contributing to inequitable allocations of funding and service delivery. These stakeholders believe that structural

and systemic discrimination impedes CSOs who represent certain cohorts from meaningfully engaging in grant processes, reducing their likelihood of receiving funding. CSOs that work with the following cohorts were identified as experiencing this discrimination:

- First Nations peoples
- CALD communities
- Migrant and refugee communities
- People with lived experience of disability
- Regional, rural, and remote communities
- People needing alcohol and drug services

They key issues that stakeholders raised relating to the experience of CSOs working with these cohorts during the grants processes were:

- Language barriers
- Geographical barriers (including increased costs to deliver services outside of cities)
- Specific cultural requirements
- Lack of awareness in government decision-making about the complexity in experiences of disadvantaged cohorts
- Stigma against the challenges that people are experiencing

Many stakeholders flagged serious concerns about the need for additional funding to meet growing demand from disadvantaged cohorts. People and cohorts identified by stakeholders as more likely to experience disadvantage included First Nations peoples, CALD communities, migrant and refugee communities, people with lived experience of disability, regional, rural, and remote communities, people with low socio-economic backgrounds, the LGBTIQ+ community, and women. Stakeholders also noted that people and communities that are included in more than one of these cohorts may also face intersectional and compounding disadvantage.

ACCOs

ACCOs are an integral part of the community sector, delivering culturally appropriate services determined by the First Nations peoples and communities they serve. They are not-for-profit incorporated entities that are controlled and governed by First Nations peoples, connected to the community or communities where they deliver services.¹⁶

Relatively few ACCOs provided submissions in response to the Issues Paper, with several stakeholders calling for DSS to consult specifically with First Nations communities and ACCOs on

¹⁶ The *National Agreement on Closing the Gap* defines an ACCO as an organisation that ‘delivers services, including land and resource management that builds the strength and empowerment of Aboriginal and Torres Strait Islander communities and people and is: incorporated under relevant legislation and not-for-profit; controlled and operated by Aboriginal and/or Torres Strait Islander people; connected to the community, or communities, in which they deliver the services; and governed by a majority Aboriginal and/or Torres Strait Islander governing body.’

The *National Agreement on Closing the Gap* commits 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.

the issues in the Issues Paper. Many of their submissions raised similar issues to those covered by broader submissions. However, ACCOs also face unique or exacerbated issues, including:

- Inflexible approaches to all aspects of grant processes can limit the ability of ACCOs to deliver culturally appropriate services and hamper self-determination.
- Lack of funding to recognise the higher costs incurred by delivering services in culturally appropriate ways can mean less people are supported or service quality is compromised.
- Government engaging in multiple, overlapping, un-coordinated, and unfunded collaboration, co-design, and consultation processes creates heightened challenges for ACCOs.
- Smaller ACCOs may only be able to access government funding via sub-contracting or partnerships with larger organisations, which limits their capacity for self-determination.
- ACCOs who operate in regional, rural, or remote areas in communities with high disadvantage face challenges that include maintaining workforce capability, increased service delivery costs, thin markets, and managing disaster responses.

Many stakeholders, both First Nations and mainstream, raised concerns about the government's current progress towards meeting its Closing the Gap commitments. Stakeholders called for increased effort from the government in this area. Many were in favour of transitioning services for First Nations peoples from non-Indigenous organisations to ACCOs to better pursue this goal.

'ACCHOs [Aboriginal Community-Controlled Health Organisations] often experience issues when applying for funding through PHNs [Primary Health Networks]. PHN funding tends to favour large organisations and peak bodies, and is predominantly awarded to non-Indigenous organisations. Where funding is given to ACCHOs through PHN commissioning arrangements, the additional burden of reporting and administration can diminish the effectiveness and efficiency of the funding. The current commissioning arrangements through PHNs do not align with Government commitments to the Priority Reforms of the National Agreement and principles of self-determination for Aboriginal and Torres Strait Islander people.' – National Aboriginal Community Controlled Health Organisation

Disaster preparation, response and recovery

Almost all stakeholders that commented on disaster response in their submissions noted that disaster response and recovery has become a core function of CSOs. Recent disasters that have seriously impacted Australia include bushfires, floods, and the COVID-19 pandemic. During disasters, CSOs have been integral in providing food, equipment, clothing, shelter, and counselling and advisory services for people experiencing disaster-related trauma – playing an important role beyond their normal service delivery responsibilities.

In their 2022 Australian Community Sector Survey (noted in their submission), ACOSS found that only seven per cent of organisations considered their main funding source to be adequate for preparing and responding to emergencies. As noted in the Issues Paper, the total value of grants provided by government in 2021-22 and 2022-23 was significantly higher than previous years, in part due to disasters (in particular, COVID-19) and the resulting increase in demand for CSOs. However, almost all stakeholders that addressed disaster relief felt further funding was needed to

enable them to effectively respond to disasters. This includes both core funding for workforce and equipment, and supplementary funding to meet the surges in demand during and after disasters.

Several stakeholders also flagged a lack of capacity and capability to provide timely and holistic disaster support. CSOs do not always have enough staff to adequately respond to disasters and/or staff with the right training and experience to respond on the frontline to these challenging events.

Engaging with philanthropy

Almost all stakeholders that addressed philanthropy in their submissions emphasised that philanthropy should not replace or reduce government funding for service delivery. Despite this view, several CSOs identified engaging with philanthropy for supplementary funding as an opportunity to bridge the gap between government funding and the full cost of running services.

Beyond the general consensus that philanthropy should not fund critical services, stakeholder views varied on the role that philanthropy should play, if any. Those in favour of philanthropy identified several areas where they felt philanthropic funding was most valuable, including funding for piloting new programs and innovation, accelerating growth, and capacity building. By contrast, several stakeholders spoke out against philanthropy playing any role in funding the sector. These stakeholders identified issues with philanthropic funding including:

- It is frequently short-term in nature, creating uncertainty around the long-term sustainability of programs.
- It creates additional dependencies for CSOs to continue to deliver services (i.e., both government *and* philanthropic donors need to continue to provide funding).
- It increases administrative burden (due to multiple reporting requirements).

Key enablers to strengthen the sector

Raising the profile and perceived value of the sector

Many stakeholders felt government does not sufficiently appreciate and recognise the expertise of CSOs and the critical role they play. These stakeholders all expressed their desire for government to better acknowledge CSOs as trusted experts who are essential to the delivery of critical services to Australian communities. Stakeholders identified the following problems that result from the lack of recognition and low perceived value of the sector:

- Poorly informed policy and program decisions when CSOs' advice is not listened to or CSOs are left out of conversations that affect them
- Unbalanced distribution of funding including reduced sector diversity, service gaps, and over funding of for-profit providers who may have conflicting motives
- Inadequate and inflexible funding arrangements that do not cover the full cost of running services, increase administrative burden, decrease collaboration between CSOs, and decrease innovation

'The Federal Government is developing national policy frameworks directly relevant to the sector on economic, social and climate policy. The sector is routinely excluded while business and employer associations, as well as unions, are directly involved in such processes.' – ACOSS

Evidence-based practice

Many stakeholders shared there is a lack of transparency on how government uses data and evidence to make investment decisions. Stakeholders explained that this is a problem because:

- They do not know whether investment is going to communities or sectors where there is most need, which is needed for the sector to meet its commitment to reducing inequality and poverty.
- They do not know whether investment is going to programs that have a track record of achieving positive outcomes, which would help learning about what works well under certain conditions.
- It exacerbates frustration with the administrative burden of data collection requirements, as it is unclear how collected data is being used.

Almost all stakeholders wanted more access to data held by government to support their own decision-making, program improvement, and support a learning mindset. Stakeholders raised the following issues relating to this:

- Lack of access to aggregated sector data on community need and service delivery levels
- Need for greater transparency and timeliness of feedback to grantees on their own performance, particularly when grant performance metrics are not achieved

Building sector capacity

There was minor variation in how stakeholders used the term 'capacity building'. Generally, stakeholders used it to refer to the skills and knowledge that staff need to deliver high quality services and fulfil their grant duties. A small number of stakeholders also used it to describe the infrastructure needed to support their work.

Many stakeholders identified areas where capacity building support is needed. Areas identified included:

- Grant management
- Data management
- Measurement and evaluation
- Reporting
- Finance
- Cybersecurity
- Digital and technology skills
- Responding to climate change

Many stakeholders identified that the main barrier to effective capacity building is a lack of dedicated funding. Many CSOs emphasised that a lack of dedicated funding for capacity building is forcing CSOs to choose between absorbing this cost themselves, or to remain operating with capacity gaps. They highlighted that operating with capacity gaps is highly detrimental to the ability of CSOs to effectively deliver services, adapt to emerging challenges, and achieve program outcomes.

Several stakeholders identified additional barriers to effective capacity building. These were:

- Competitive tendering processes
- Inflexible grant arrangements
- Different governance structures between organisations

Appendix B: Methodology

This appendix outlines the methodology used to develop the findings in this report. It covers the submissions reviewed, the data analysis approach, and caveats and limitations of the methodology.

Submissions reviewed

A total of 237 submissions were prepared by the sector in response to the Issues Paper (see *Appendix C: List of submissions* for the list of stakeholders that provided submissions).¹⁷

Organisations that provided submissions included CSAG members, peak bodies, intermediaries, research organisations, CSOs, for-profit providers, and local governments that provide services across all areas of community services and for specific cohorts of people. Individuals included sector employees, volunteers, service users, and advocates. Each of the 237 submissions was reviewed to develop the findings in this report.

Many submissions made references to additional documents, such as other submissions the organisation or individual has previously submitted to other government review processes, or to other documents or reviews that the organisation or individual felt was relevant or needed to substantiate the points raised in their submission. These additional documents will be considered in the next phase of work, involving a sector and needs analysis. Some of the additional documents have nevertheless been reviewed to inform the findings in this report on a by exception basis, where:

- The documents referred to form a core part of an organisation or individual's submission (e.g., for some organisations whose entire submission referred to another submission it has previously provided)
- Reviewing the documents was necessary to understand the nuance of the points that the submission is making
- Reviewing the documents was necessary to validate supplementary evidence included in this report, to support key findings

Data analysis approach

Qualitative analysis

Key findings were primarily developed through qualitative thematic analysis of content from each of the submissions.

To support the analysis, categories were used to identify relevant points from the submissions.¹⁸ For each relevant point, a quote from the submission was noted down and summarised using keywords or a key phrase.¹⁹ The quotes and keywords or phrases across all analysed submissions were compared and synthesised to develop the key findings.

In identifying the key findings to include in this report, SVA has focused on highlighting:

¹⁷ Respondents had the option to answer a questionnaire and/or provide a written submission. For ease of communication, we have referred to all responses received from stakeholders as 'submissions'.

¹⁸ As an example, categories included 'indexation' and 'place-based approaches'.

¹⁹ As an example, keywords and phrases included 'transparency in indexation' and 'place-based funding needs to be flexible'.

- **A succinct summary of the key issues raised by stakeholders**, noting these are generally well known to DSS, and as a result, the focus has been on identifying useful evidence or differing perspectives.
- **Noteworthy solutions raised** by stakeholders that DSS may wish to consider, because the solutions are interesting, significant, or otherwise worth paying attention to. Three criteria were used to decide whether to highlight these solutions, namely that:
 1. The solution was raised multiple times by different stakeholders.
 2. The submission included evidence for the proposed solution.
 3. The organisation or individual putting forward the solution has expertise in that area. Expertise may cover a range of domains and also includes the unique lived experience of certain cohorts (e.g., First Nations-led CSOs).

Note that solutions only needed to meet one of these criteria to be considered for inclusion in this report – therefore, there are some unique solutions presented throughout the report from single organisations or individuals with specialist expertise. Note that SVA has not assessed or validated the merits of any of the solutions highlighted.

The general tone of each submission was also assessed as part of the analysis. Broadly, this assessment sought to identify the extent to which each submission was supportive, neutral, or critical of relevant government policies and practices. As with the key findings for the focus areas, the assessments of submission tone were also compared and synthesised, to develop an overall sense of the general views and themes from the sector.

Quantification of key findings

In *Appendix A: Further detail on issues*, key findings indicate the extent to which stakeholder submissions raised particular issues. Quantifying qualitative perspectives inherently involves some subjectivity, as well as extensive analysis, as not all submissions covered all issues, or used similar language or framing to describe the same issue. Consequently, it was not possible to quantify all findings with high precision within the timeframe available for developing the report. This motivated using an approximate approach to quantifying findings.

Where possible, an approximate sense of quantification has been indicated in the detailed exploration of issues in *Appendix A: Further detail on issues*, where this is apparent from the quotes and keywords and phrases identified in the review of each submission. The following categorisation is used where findings have been quantified using this process:

Categorisation	Definition
Almost all	A significant majority of submissions. Generally more than three quarters of submissions.
Many	A significant subset of submissions. More than one quarter of submissions.
Several	A noticeable subset of submissions. In most situations, around five submissions and up to one quarter of submissions.

A small number	An isolated subset of submissions. In most situations, limited to one or two submissions.
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Where the term ‘stakeholder’ has been used without a quantification in front, the term should be interpreted as follows:

- Where appearing in the same paragraph as a previous statement that quantifies submissions, as referring to the same number of submissions.
- In all other instances, as referring to two or more submissions – noting that a more exact quantification was not immediately apparent or assessed for that specific finding.

Other caveats and limitations

The following additional caveats and limitations should be kept in mind when considering the findings in this report:

- **The findings only reflect the views of stakeholders that provided submissions.** There are likely to be organisations with relevant views that did not provide a submission, for a range of reasons such as a lack of capacity to prepare a response, or limited awareness and visibility of government consultation processes. Consequently, there is likely to be some response bias towards organisations with greater resources and relationships with government.
- **The report covers a range of issues both within and outside of the scope of the Issues Paper.** The initial scope of the Issues Paper was primarily on grants to the sector, informing ‘the development of a package of recommendations to government, for consideration, on innovative approaches to grant funding’. However, submissions raised a much wider range of issues. The report has sought to include all significant issues raised by stakeholders, even if outside the scope of the Issues Paper.
- **There are a handful of instances where the report refers to documents not referred to in the submissions.** Generally, all documents and evidence (e.g., government reports, published research) referred to in the report have been referred to in submissions. Where this is the case, the report cites the submission that raised the document and SVA reviewed this evidence for its validity. In a small number of other instances, the report refers to other documents to define key terms, where this is important context to comprehend the relevant findings. These latter references are evident where a document is referred to without any reference to a submission.
- **Quantification is inexact.** As noted earlier, quantifying qualitative perspectives inherently involves some subjectivity, as not all submissions covered all issues, or used similar language or framing to describe the same issue. This reflects that many submissions were focused on specific topic areas that relate to their expertise and may not have commented on issues outside this scope, even if they held views on these matters. Moreover, even where multiple organisations have commented on a specific topic, they do so with varying levels of expertise and so are likely to frame the issue in different ways. Consequently, the quantification in this report should be interpreted as approximate. It is included to provide a general sense of stakeholder views and may not be representative of views across the whole sector.

Appendix C: List of submissions

Please note that this list only contains organisations which agreed to be named publicly.

54 Reasons	Centre for Community Child Health (CCCH), Murdoch Children's Research Institute
ACON	
ACOSS	Centre for Excellence in Child and Family Welfare
Alcohol and Drug Foundation	Charles Sturt University
Anglicare Australia	Cire Services Inc
Anglicare Sydney	CISVic
Anglo-Indian Australasian Association of Victoria Inc	City of Greater Dandenong
Australian Centre for Rural Entrepreneurship	Coffs Harbour Older Women's Network
Australian Hindu Multicultural Association Inc	Collapport8
Australian Network on Disability	Community and Place-based Network
Australian Red Cross	Community Council of Australia
Australian Research Alliance for Children and Youth	Community Employers WA
Australian Services Union	Community Foundations Australia
Australian Social Prescribing Institute of Research and Education	Community Industry Group
BaptistCare NSW & ACT	Community Legal Centres Queensland Inc
Bay Island Early Learning and Care	Community Resources Ltd
Benefolk Foundation	COTA Victoria
Berry Street Victoria	Darebin Information, Volunteer & Resource Service
Brisbane North PHN	Disability Advocacy Network Australia
Brotherhood of St Laurence	Diversity Council
Bungonia Heritage	Don Dunstan Foundation
Caloundra Community Centre	EACH
Calyx Business Innovators Pty Ltd.	Economic Justice Australia
Carers Australia	Ecstra Foundation
Carers NSW	Fairfield City Council
Carers Tasmania	Families Australia
Catholic Social Services Australia	Family & Relationship Services Australia
CatholicCare Victoria Tasmania and MacKillop Family Services	Federation of Community Legal Centres
Central Coast Community Women's Health Centre Ltd	Financial Counselling Australia
Central Queensland Financial Counselling Service	Foundation for Rural and Regional Renewal
	Frankston Pines Soccer Club
	Grawin-Glengarry Sheepyards Opal Fields Mens Shed Inc

Greater Forward Movement
 Hawkesbury Area Women and Kids Services
 (The Women's Cottage)
 Health Consumers' Council WA
 Health Justice Australia
 HeartKids Limited
 Hervey Bay Historical Village & Museum
 Inclusion Australia
 Integrated disAbility Action Inc
 Integrity Partners
 International Forum of Reconciliation and
 Peace
 inTouch
 Jesuit Social Services
 JFA Purple Orange
 Jobs Australia Limited
 Karitane
 Kids First Australia
 Kimberley Aboriginal Law & Cultural Centre
 Koala Action Gymie Region Inc
 Life Course Centre
 Linkwest
 Logan Together
 Lutheran Care
 Make a Difference Dingley Village Inc
 Marine Rescue Cockburn
 Meals on Wheels NSW Ltd
 Meals on Wheels SA
 Micah
 Michelago Region Community Association
 (MRCA)
 Mission Australia
 Multicultural Australia
 National Aboriginal Community Controlled
 Health Organisation (NACCHO)
 National Disability Services
 National Rural Health Alliance
 National Shelter
 Neighbourhood Centres Qld
 Neighbourhood Houses Victoria (NHVic)
 New Beginnings
 Nexus Foundation Partner
 No to Violence
 NPY Women's Council
 NT Mental Health Coalition
 Our Community Pty Ltd
 Park Towers Tenant Management Inc
 Paying it Forward Homeless Services Inc
 Possibility Project
 Queensland Alliance for Mental Health
 (QAMH)
 Queensland Muslims Inc
 Queensland Remote Area Tracking
 Incorporated
 Quercus Beechworth
 Regional Heritage Transport Association -
 Junee Roundhouse Museum
 Relationships Australia
 Renovation Insider
 Settlement Council of Australia
 Shire of Broome
 Sir Zelman Cowen Centre
 Social Impact Measurement Network Australia
 (SIMNA)
 Social Traders Ltd
 South Coastal Health and Community
 Services
 Southern Volunteering SA Inc
 Southern Youth and Family Services
 Spanish Window Community Services
 St Matthew's Uniting Church Baulkham Hills
 St Vincent de Paul Society National Council
 St Vincent de Paul Society NSW
 St Vincent de Paul Society Victoria
 Strath Neighbourhood Centre
 Strengthening Communities Alliance
 Susan McKinnon Foundation
 The Australian Alcohol and other Drugs
 Council

The Centre for Volunteering
The Community Collective Qld
The Salvation Army
The Smith Family
Together in 2770
Uniting NSW.ACT
Uniting Care Australia
Urdu Forum Incorporated
Victorian Alcohol and Drug Association
(VAADA)
Vietnamese Veterans Association of Victoria
Inc
Volunteering Australia
Volunteering Victoria
WA Association for Mental Health
Waikerie Rotary Club
Wattle Supports Pty Ltd
Welcoming Australia
Western Sydney Women
WESTIR Ltd
Whittlesea Community Connections
Windana Drug and Alcohol Recovery
Women With Disabilities Australia
Women's Legal Services Australia
Wyong Neighbourhood Centre Inc
YFS Ltd
yourtown
Youth Projects
Zoe Support Australia

A further 56 submissions were received from organisations where their confirmation of agreement to be named publicly was not received at the time of this report's publication.

A further 25 submissions were received from individuals, including sector employees, volunteers, service users, and advocates.