



**ourcommunity.com.au**

Where not-for-profits go for help

2 November 2023

Department of Social Services  
GPO Box 9820  
Canberra ACT 2601  
By email to [CSAGSecretariat@dss.gov.au](mailto:CSAGSecretariat@dss.gov.au)

To whom it may concern,

I am writing on behalf of [Our Community](#), an organisation that for the past 20+ years has supported Australia's community sector organisation ecosystem. We provide training, practical advice and technological solutions that allow not-for-profit and funder/grantmaking organisations get on with the crucial work of building stronger communities.

Our Community owns and operates [SmartyGrants](#), a leading Australian grants management software solution used by more than 570 government and philanthropic funders (including numerous Australian Government agencies) to administer their programs. SmartyGrants is also used by hundreds of thousands of Community Sector Organisations (CSOs) to apply for, report on and acquit grants.

SmartyGrants systems and staff have been at the forefront of Australian grantmaking reform for more than a decade, helping countless organisations manage their grantmaking programs more efficiently and effectively. Close to 20,000 individuals receive our regular grantmaking updates, and many thousands more have accessed our policy templates, grantmaking help sheets, white papers and other resources, and have attended our grantmaking conferences and events. We build what we know and learn about best practices in grantmaking into the software.


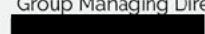
SmartyGrants is Australia's most-used grants management solution. Its ubiquity gives us a unique bird's eye view over the grants landscape, as well as an immense opportunity to influence funding policy and practice.

Our Community also runs one of Australia's leading donations platforms, [GiveNow](#), the nation's most comprehensive grants information website and database, [Funding Centre / EasyGrants](#), the Institute of Community Directors Australia (ICDA), which provides training and support for more than 50,000 not-for-profits, the not-for-profit news outlet [Community Advocate](#), and [SmartyFile](#), a red tape-busting data-storage and data-sharing tool used by thousands not-for-profits. Together, these enterprises give us a unique vantage point over the Australian social sector.

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We have also been a recipient of Australian Government grants so have first-hand knowledge about the processes involved in applying for, managing, reporting on and acquitting grants funds.

Our Community is driven by a mission to build “stronger communities through stronger community organisations”, which dovetails with the Australian Government’s stated aim to “support and strengthen the sustainability of the community sector with a view to delivering services that improve the wellbeing of individuals and families in Australian communities”. We support the government’s aims to ensure grants reflect the real cost of delivering quality services and options for longer-term contracts; inclusion of a more diverse and localised group of CSOs in funding portfolios; and processes that reflect partnership, respect and meaningful consultation.

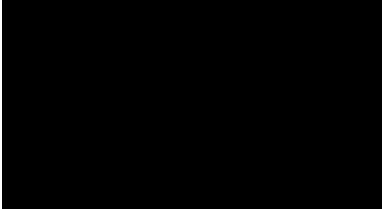
Our submission coalesces around an overarching recommendation that the government perform a technological and cultural shift to put learning and outcomes at the centre of its policy reform agenda, in line with the objectives put forward by The Hon. Andrew Leigh, Assistant Minister for Competition, Charities, Treasury and Employment, to better track the effectiveness of government programs. It is our belief that such a shift will lead to the realisation of the government’s central aims:

- 1. Giving the sector the voice and respect it deserves through a meaningful working partnership** – *CSOs’ own outcome goals, metrics and evidence must be sought, understood, and aligned with those of the funder. The government must adopt a learning rather than a punitive mindset in awarding funds and monitoring funded projects and programs. Our Community has built tools to help support the articulation of the funder’s objectives and alignment of those objectives to the grantee’s.*
- 2. Providing grants that reflect the real cost of delivering quality services** – *Government must pay what it takes or be content with unsatisfying, unsustainable outcomes. This includes investing 10% of grants funds in evaluation of results, and providing dedicated funding for capacity building.*
- 3. Providing longer grant agreement terms** – *Outcomes can be slow to emerge. Government must exercise patience and adopt a learn-and-improve mindset that allows for adaptation and modification as insights emerge. For shorter-term funding, the government should take care to clearly articulate policy outcomes and draw a line back through expected short-term results. Technology can help support these processes.*
- 4. Ensuring grant funding flows to a greater diversity of CSOs** – *Focusing on outcomes will organically draw the government towards grassroots and diverse CSOs, as well as other organisation types also working towards the same outcomes.*
- 5. Partnering with trusted organisations with strong local links** – *We recommend government direct-fund local organisations, and/or work through local government to fund grassroots organisations at scale.*

We expand on these points, in line with your focus questions, in the following pages.

I would welcome the opportunity to discuss any aspect of this submission with the Department in due course.

Yours sincerely,



Group Managing Director

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

### **1.1 What would a partnership between CSOs and the government that achieves outcomes for Australians being supported by the community sector look like?**

To improve partnerships between Community Services Organisations (CSOs) and the government, it's essential to establish a common language and understanding regarding outcomes and outputs, as our experience has shown.

Clarifying language through a standard approach within our grant management system (SmartyGrants) has made a significant difference to the quality of data emerging from grantees. The Outcomes Engine (SmartyGrants' standard solution to outcomes measurement and reporting – see 1.2 for more on this) provides standard language for evaluation concepts. In rolling out this tool to both grantmakers and grantees over the past 24 months we have learnt that the following is necessary to build a relationship between grantees (mostly CSOs) and grantmakers (government or other) to achieve significant outcomes.

#### **Develop a common terminology**

We recommend the government adopt clear definitions for terms such as "output" and "outcome." This will ensure all stakeholders have a shared understanding of these terms and no-one is left behind. Working with a widely used tool like SmartyGrants will help embed these terms in the grants landscape.

#### **Educational initiatives**

When we have run 'Outcomes Measurement 101' webinars for grantees, our sessions have sold out. Our educational materials have also been reused by grantmakers as part of grant information evenings or recorded on videos for applicants to access.

We also have run 'Outcomes Measurement 101' webinars for grantmakers, with the aim of enhancing their understanding of outcomes and outcome measures. These sessions are also heavily subscribed – government representatives working in the grants arena are keen for skills, tools and knowledge.

Offering training sessions, webinars, and educational materials focused on distinguishing between outputs and outcomes is incredibly welcomed by the sector, especially when accompanied with simple examples.

#### **Guidelines and frameworks**

The Outcomes Engine gives grantmakers the ability to create an outcomes framework that clearly differentiates outputs from outcomes (and indeed domains) and provides examples for better comprehension. These frameworks complement grant guidelines that are easily accessible and widely distributed among relevant stakeholders.

#### **Incorporate outcome-oriented grant programs**

Through the Outcomes Engine we have encouraged those administering grant programs to expand their focus from activities and outputs to tangible benefits or

changes for beneficiaries (outcomes). By providing 'plug-and-play' outcomes sections for grant managers to incorporate into their forms, we have made making outcome-orientated grant programs easy and accessible.

### **Standard outcomes measures**

Our system allows grantmakers to upload a set of standard outcomes and measures, which can be used within or across accounts, enabling a consistent approach to evaluating and reporting outcomes. We also curate a library of published outcomes frameworks so people can use a standard framework for their sector.

### **Monitoring and reporting system**

The Outcomes Engine provides a standard monitoring and reporting system that requires grantees to report on outcomes achieved rather than just outputs. This system encourages grantees to track and communicate the actual impact on beneficiaries.

### **Regular feedback and review**

We undertake (at our cost) six-month 'healthchecks' on the use of the Outcomes Engine. These sessions provide grantmakers with an opportunity to assess the quality of the data and effectiveness of the agreed-upon terminology and guidelines. This enables them to make necessary adjustments based on the feedback received to ensure ongoing clarity and alignment.

### **Disseminate results**

It's important that grantmakers showcase stories and case studies that highlight where outcomes have and have not been achieved. This serves to motivate and educate other stakeholders on the benefits of outcome-oriented approaches and encourage an environment of honesty and integrity in reporting.

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The points provided above appear a simple proposition but could be a game changer for the sector. If we really want to achieve the partnership between CSOs and government to advance outcomes for Australia we need to be crystal clear on what an outcome is and how to measure it. With a shared language and understanding around outcomes and outputs, CSOs and the government can effectively communicate, collaborate, and work towards achieving meaningful outcomes that truly benefit the intended beneficiaries.

## **1.2 How can CSOs and government streamline the sharing of information, particularly through utilising technology to effectively engage, distribute, share, influence and inform in a timely and efficient manner?**

SmartyGrants has, for the past 15 years, created enormous efficiencies for grant managers through a series of standardisation initiatives that allows for the sharing of data; its power is now being put to use to assist grant managers to become more

effective. Our inbuilt tools demonstrate how technology can be used to streamline and more effectively share information that can help accelerate impact.

## **Translations**

The SmartyGrants Translate functionality demonstrates how technology can be used to support diversity. This feature allows applicants to submit a form in a language other than English, while those assessing the application can view a translation of the form responses in English, or in the original language if required. The Department of Foreign Affairs and Trade (DFAT) has been using this functionality for close to a decade to assess, manage and report on more than 35,000 grant applications collected in 12 languages.

## **The Outcomes Engine**

Our principal technological tool for supporting a learn-and-improve mindset is the Outcomes Engine, which is embedded into SmartyGrants and thus available to any of the 570+ government (state, federal, territory and local governments) and philanthropic funding agencies that use the system to administer their grants. Following six years of research and development, the Outcomes Engine was released in September 2022 and is now being used by more than 60 funders to track the impact of their grants, with more users being added weekly. We have invested heavily in the design, build and rollout of this powerful tool.

Your consultation paper points out that “there are currently limited formal mechanisms that give the sector a stronger voice to co-design models to get the best outcomes”. The Outcomes Engine puts grantees’ outcomes and metrics into the frame.

The system is mostly self-serve (following some basic training) and consists of three main parts:

- Outcomes Framework (can be bespoke to the grantmaker or chosen from our library of validated frameworks), uploaded into the system using a simple template
- Template, linked questions – with responses cascading from form to form (e.g. application to progress to acquittal) to build up a picture over time
- Reports and dashboards, which draw qualitative and quantitative data automatically from frameworks and forms, unearthing insights and revealing progress over time.

The Outcomes Engines provides the scaffolding for standardised outcomes tracking. It allows aggregation and reporting against defined outcomes, while at the same time providing enough flexibility for grantmakers and, importantly, grantees, to define and report on their own outcome goals, metrics and qualitative data.

Grantmakers can define their own tracking and reporting framework (or use a common one), choose questions that are relevant to the work and capacity of their grantees, seek inputs from grantees, add their own questions, change the question order, adjust the language, and set validation rules – all within a standard structure.

Data flows in over time and aggregate reports showcase progress against outcomes, metrics and qualitative data that can be filtered by grantee, domain or outcome.

### **Creating a shared language: CLASSIE and CLASSIEfier**

It is important that lessons are shared. It's also essential that context be carefully considered when assessing outcomes. Both these imperatives are streamlined considerably by use of a common language.

In April 2016 we released CLASSIE (Classification of Social Sector Initiatives and Entities), a dictionary for the social sector. CLASSIE enables categorisation of:

- subjects – describing the work of a project or organisation (arts, environment, public health, employment, etc.)
- populations – commonly used to identify the beneficiaries or intermediaries of an intervention (people with disabilities, migrants, homeless people, women, animals, farmers, etc.)
- organisations – describing the types and sizes of organisations.

CLASSIE subject and population lists are available within SmartyGrants, and are also used by the Australian Charities and Not-for-Profits Commission (ACNC), and other users, to categorise charitable projects. We regularly receive and review user feedback, and updates are released every six to 12 months.

An additional tool developed by our data science team, CLASSIEfier can “read” a grant application and automatically apply subject and beneficiary labels without human intervention.

CLASSIE and CLASSIEfier allow SmartyGrants users to see what proportion of their funding is going to particular causes or populations, and can help provide context about the programs they are funding.

CLASSIE and CLASSIEfier are designed to help us reach a state of shared learning with minimal human intervention, allowing us to more easily compare and contrast and learn what works.

These tools are available for use today.

### **SmartyGrants Maps**

SmartyGrants also allows for geocoding of funding and programs, providing additional important contextual information about what's happening where, and what's being achieved as a result of those programs. This tool is available within SmartyGrants.

### **SmartyFile**

In January 2023 Our Community released SmartyFile, a technological tool designed to streamline the sharing of information.

SmartyFile allows CSOs to store their organisation's key files, contact information and other data, and then call up that data to pre-fill grant applications. SmartyFile also facilitates collaboration and sharing of information between CSO team members.

SmartyFile is currently used by more than 6000 CSOs across Australia, with uptake growing at an average of 9% per week.

### **The future: The Centre for What Works**

Anyone responsible for administering public funds should be curious to know what worked, what didn't work, why, and how they can do better next time. In Our Community's next phase of work we will be building a Centre for What Works to house grant data, derived from the Outcomes Engine, that will allow people funding or running social, economic, cultural and environmental programs to learn from the trials and triumphs of past programs. Importantly, because the tools have been built with sharing and learning in mind, the context (who, what, when, where, why and how) will also be available.

There's lots of good evidence being produced by CSOs already, but not much of it is being read, or used to inform future practice. The Centre for What Works will create the demand by serving up the right piece of data (with proper permissions and anonymised, if appropriate), to the right person, in the right format, at the right time.

The Centre for What Works is only made possible through a standardised data model that sits in the Outcomes Engine and SmartyGrants, illustrating how technology can be used to streamline the collection of information and the dissemination of information in useful ways.

### **The Australian Centre for Evaluation**

Our Community welcomes the Australian Government's pioneering work to create an Australian Centre for Evaluation, an idea put forward by esteemed economist Nicholas Gruen and championed for many years by The Hon. Andrew Leigh.

The government's aim in introducing this initiative is to "improve the volume, quality, and impact of evaluations across the Australian Public Service (APS), and work in close collaboration with evaluation units in other departments and agencies".

"Building a better feedback loop within government is in the interests of all Australians, and shows our commitment to real outcomes, evidence-based policy, and a culture of continuous improvement," Mr Leigh has said.

While we welcome this initiative we believe there is much work to be done to ensure it fulfils its potential goals. Funding must be dramatically increased - \$10 million over four years is inadequate for the task ahead. Money spent will be money saved if the Centre is successful in accelerating impact.

Progress and final reports submitted by grantees are rarely interrogated or reused. We recommend the government widen the ambit of the Australian Centre for Evaluation to aggregate and synthesize information coming from grant reports and other sources. As mentioned above, our categorisation tools can help ensure such information can be efficiently filed, interrogated for context, and meaningfully reused. A government tool could be built in conjunction with (or in place of) our own planned Centre for What Works.



The government must also widen the ambit of the Centre for Evaluation initiative to reach beyond randomised trials. While such evaluations play an important role in appropriate settings, they are also complicated and expensive to run, and not always suitable for community interventions.

As Rogers (2023)<sup>1</sup> writes, there are three predictable problems in the context of impact evaluations and evidence-based policy:

1. **Neglect of Comprehensive Evaluation:** The strong emphasis on impact evaluations may divert attention away from other vital forms of evaluation, such as process evaluation, which assesses factors like accessibility, coverage, and quality. Without attention to these aspects, the government may become overly focused on impact evaluations, potentially neglecting the broader evidence needed for effective governance and implementation improvements.
2. **Overreliance on Counterfactual Approaches:** Emphasizing a narrow range of impact evaluation methods, especially those relying on counterfactual designs like randomized control trials (RCTs), may lead to erroneous or misleading conclusions. Such approaches may not be suitable for complex, community-level interventions or system-wide policy issues where establishing a credible counterfactual is impractical. This could result in the inappropriate use of counterfactual methods and the dismissal of non-counterfactual evidence, leading to flawed policy recommendations.
3. **Oversimplification of "What Works" Approach:** Focusing solely on "measuring what works" may oversimplify the complex landscape of evidence-based policy. These approaches often seek to identify what works on average, which may not consider the nuances of specific contexts or groups. This approach can fail to account for differential effects, where a policy that works on average might be ineffective or harmful for specific populations. Public policy should prioritize safeguarding vulnerable groups, but a one-size-fits-all approach based on average effectiveness may disregard these crucial considerations and lead to suboptimal policy decisions.

We support these views.

## Measuring What Matters

Our Community welcomes the release of the Commonwealth Government's [Measuring What Matters](#) report and framework. This marks a significant step forward for our nation, consolidating the diverse opinions of Australians regarding progress. By identifying the crucial aspects that matter most to us, such as health, security, sustainability, social cohesion, and prosperity, we can revolutionise the way billions of dollars are invested in social change and development. As we have said, being clear about desired outcomes is essential to charting an appropriate direction towards them.

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<sup>1</sup> [https://medium.com/@patriciarogers\\_5608/risky-behaviour-three-predictable-problems-with-the-australian-centre-for-evaluation-e952622f52cc](https://medium.com/@patriciarogers_5608/risky-behaviour-three-predictable-problems-with-the-australian-centre-for-evaluation-e952622f52cc)

However, as in the case of the Centre for Evaluation, we believe more work needs to be done if the Measuring What Matters initiative is to fulfill its potential. High-level mapping needs to be translated into practical indicators that make sense to the people on the ground. While Our Community could undertake the task of translating the 50 metrics into project-level indicators (that could then be used within the Outcomes Engine), this approach, if not led by government, could lead to a plethora of un-standardised metrics, which will hamper data aggregation and comparison of results across projects.

To address this concern, we propose that all the metrics within the framework be transformed into short-to-medium-term outcomes and measures that can be applied consistently across funded projects. We recommend the work of the Australian Social Value Bank in produced metrics and questions that align with Measuring What Matters. Standardising the metrics (see section 1.1 above) would significantly benefit the sector and improve our collective understanding of what truly works in achieving positive change.

### **Lessons for government**

In this section of our submission we have highlighted a number of existing and nascent tools (ours and others) that can be used to achieve the government's objectives of using technology to streamline the sharing of information. These tools also support a shift towards outcomes-focused funding practices.

Our Community tools are already used by hundreds of government agencies and thousands of CSOs across the country. However, Australian Government agencies, with some notable exceptions, have been prevented from benefiting from many of these tools due to a government directive to channel all grants through the two Grants Hubs. As the ANAO's *Operation of Grants Hubs* report (published March 31, 2022) has noted, and we have learned through our own experience of applying for and managing grants through a Grants Hub, this model has been of limited value in streamlining grantmaking and achieving efficiencies. In our view, the Hubs run counter to facilitating a shift to outcomes-focused grantmaking. Grantmaking involves administration but it should not be considered, at its core, an administrative task. Done well, grants administration is part art, part science. The Hubs put at arms' length any bureaucrats with knowledge of, carriage for and expertise in delivering policy outcomes, which impedes efforts to achieve those aims. We recommend the Hubs model be dismantled as a matter of urgency and grantmaking be placed back in the hands of the agencies charged with setting and achieving the government's policy goals.

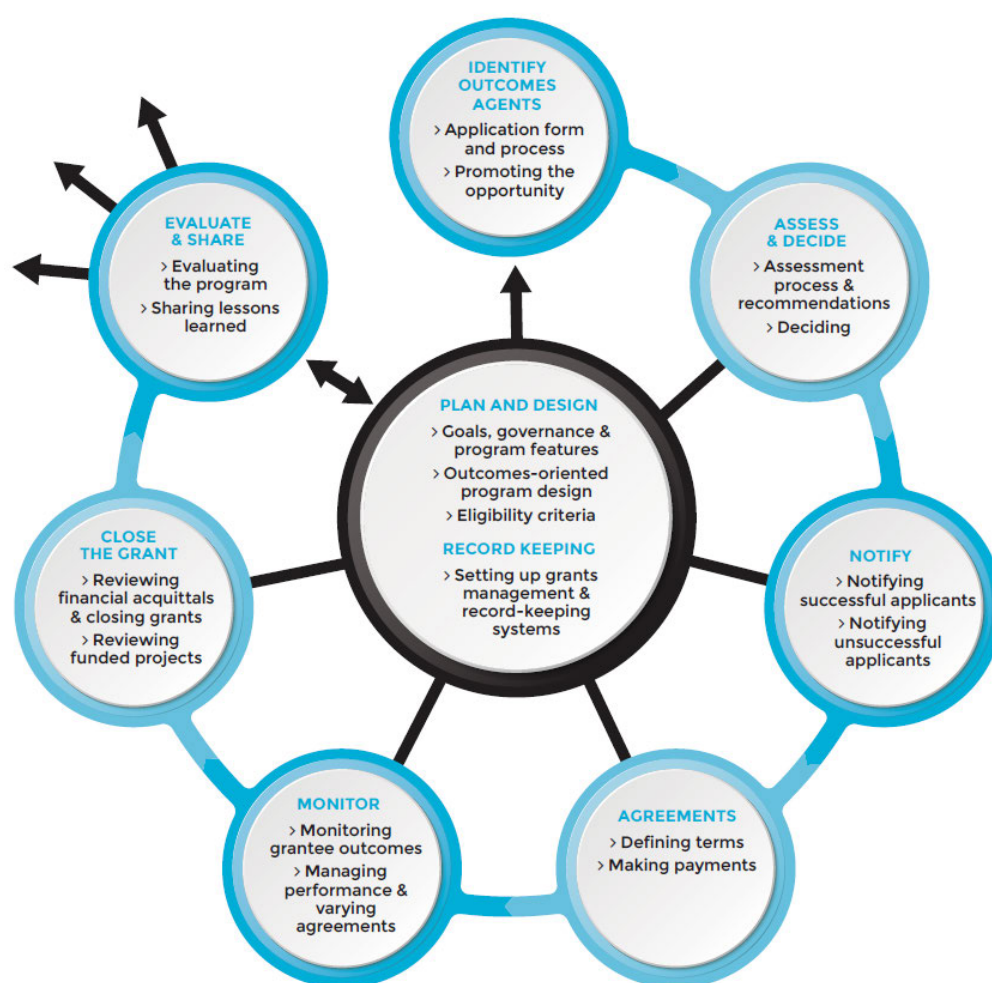
We further recommend that federal bureaucrats with carriage for new initiatives like the Centre for Evaluation and Measuring What Matters become familiar with successful tools such as SmartyGrants, the Outcomes Engine, CLASSIE and SmartyFile. The NSW Government has done this, being the first ever government in Australia (partnering with SmartyGrants) to deliver a whole-of-government grants management solution, reaping huge cost savings with concomitant outcomes and efficiencies.

A shameful amount of money has been wasted by governments, philanthropic funders and academic institutions building tools that overlap with or duplicate existing tools. We can provide countless examples of tools built with government and philanthropic funding that have no utility, no plan for sustainability and that have ultimately fallen over through lack of interest and have wasted tens of millions of dollars. We recommend the government take advantage of existing (proven) tools, and invest appropriately in development of complementary rather than duplicative tools.

It's worth noting that technology cannot, alone, bring about cultural change. Use of our tools, and those like them, must be backed by skills and knowledge as well as a meaningful shift in attitudes and practices. We recommend the government make efforts to adopt a learning, outcomes-focused mindset. Such a mindset is central to shifting the relationship between government and CSOs from command-and-control to partnership.

A learning mindset is not evident in funding processes currently. Commonly grant managers work through a linear grantmaking process: program design; application; decision; contract and delivery; reporting and acquittal. We recommend the government shift to a cyclical funding process. Throughout the process, and again at the end of each grant, there must be an analysis of emerging knowledge, and in-built opportunities and incentives to use the knowledge that is being gathered to inform program adjustments and design of the next round of funding. Government must be prepared to learn what works a little at a time, document and disseminate the lessons, adjust, and try again.

A learning mindset has been built into the Our Community tools described above. These tools are already used by hundreds of funders across Australia; however, whether they are taken up by DSS or not, the lessons we learned in developing these tools are, we think, worthy of consideration as part of this consultation.



Above: Our Community's best practice grantmaking model.

### 1.3 How can government ensure the community sector, including service users and those not able to access services, have an opportunity to contribute to program design without imposing significant burdens?

We defer to CSOs to address the matter of how they and their constituents can better contribute to program design.

However, we make the point that such approaches can be supported by building consultation and co-design into the grants administration process. Our Community tools (see previous response) can be utilised to support this approach. For example, the Outcomes Engine includes fields designed to elicit information from grantees about what outcomes they are working towards, how they plan to achieve those outcomes, and how those outcomes will contribute to achieving the government's policy goals. Grantees are also invited to outline (and, later, report on) the metrics they use to track their impact. These can be in addition to or in place of government-nominated metrics. Interrogation of metrics that have been submitted by grantees in applications and/or past rounds can be used to build the government's understanding

of success measures used by subject matter experts. Our Community is building a library of practical, meaningful metrics that can be reused by others seeking to achieve similar results.

We recommend government defines a limited number of key cross-program metrics via the Measuring What Matters initiative to allow whole-of-government outcomes tracking, some program-level metrics that correspond to particular policy outcome goals attached to each funding parcel, and then, at the project level, seek grantee input on the metrics they see as meaningful. Government should provide support (including financial support) for low-capacity grantees to define and articulate simple progress metrics. This approach will allow aggregation and comparison of results across government, across delivered programs, and per-project. You may use metrics from previous rounds to refine your common set.

Your consultation points out that “CSOs are often funded from multiple sources, such as Federal and state or territory governments in addition to philanthropic contributions”. This fact is commonly overlooked by funders. Integrating with grants portal aggregators like [Funding Centre](#) and shifting to common application, progress and acquittal form (such as those provided through SmartyGrants), with options for pre-fill (as facilitated by integration with tools like the ABR, ACNC and SmartyFile) will go a long way to relieving this burden.

Asking or allowing grantees to nominate their own activities and metrics also allows reuse of data.

Progress and final reports submitted by grantees are rarely interrogated or reused. We recommend you widen the ambit of the Australian Centre for Evaluation to aggregate and synthesise information coming from grant reports and other sources. Our categorisation tools can help ensure such information can be efficiently filed, interrogated for context, and meaningfully reused.

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

### **2.1 What would adequate and flexible funding look like?**

By way of general comment, we strongly suggest that government not shirk its responsibility to provide adequate funding to the Australian community sector. Government should not look to individual or institutional philanthropy, social investment or social enterprise to fill gaps. These sources are valuable but their financial contribution should be considered complementary, not core. While you're looking at strategies for doubling philanthropy, we recommend also investigating how to double government investment in the social sector. Government needs to be prepared to provide support for experimental, promising and proven responses not for a year or three years, but until our society's wicked issues are solved.

As a grantseeker told Our Community in 2018:

“Just as everybody wants to save the world but nobody wants to help do the washing up, grantmakers are too focused on innovation and pilot projects.

Something doesn't have to be innovative to be worthy, and few pilots ever get scaled up.

"It would be nice if your \$10,000 seed funding led to a cure for cancer through a TED-worthy, crowdsourced, citizenscience capacity-building pilot, but in the real world, money for a plain old mental health counsellor, teacher or community lawyer is a better bet."

Government should consider less restrictive funding practices, including investing in organisations, rather than specific projects, where appropriate. This form of funding supports high-impact organisations to plan for the long-term, invest in staff, and make good decisions about where to direct their funds. Our Community has co-authored a white paper on this topic: <https://smartygrants.com.au/help-sheets/whitepaper-unrestricted-funding-why-grantmakers-need-it>

## 2.2 What administrative and overhead costs are not being considered in current grant funding?

Evaluation is chronically under-funded. We recommend government allocate 10% of every grant to evaluation of the results of the grant. This approach allows the evaluation approach to scale in line with the size and cost of the intervention, while ensuring this crucial task is never overlooked.

In Israel, many government grants programs allocate 20% of total funding to innovative projects – recognising (not with fear but with pride) that many of these will fail, but the lucky ones create the most innovation. Failure-tolerance must be inculcated within the Australian Government, and Australian society, and accepted as a crucial part of innovation, along with the need not to hide the slightest failure or indeed consider it a failure. As with science, there are many stumbling blocks along the pathway to success. We have to stop pretending that we will hit upon perfect solutions without experimentation. If failure-tolerance was stated and relished as a form of innovation, Government Ministers would not need to hide from newspapers wanting to break every story about taxpayers dollars not working to 100% effectiveness.

Training and other forms of capacity building should be seen as an investment, rather than a cost; for CSOs, however, such activities may be seen to come at the expense of frontline services. We recommend a specific fund be established by government to support training and capacity building for CSOs so that such expenses are not seen to come at the expense of program delivery. Such a fund should be used to meet emerging challenges such as:

- safeguarding data through investment in technology and cyber security
- adapting and responding to climate change, and
- responding to demographic and workforce shifts.

The government should consult with the Community Council of Australia (CCA – an independent not-for-profit advocacy organisation) on identifying emerging capacity gaps.

We recommend that all government funding programs for business be reviewed to assess if those programs should be adapted or extended to CSOs. Similarly, government should undertake a process to review and cut red tape for CSOs, similar to efforts that have been undertaken to cut red tape for business. Such a review should take into account the considerable costs associated with managing compliance with multiple accreditation and regulatory schemes and adherence to privacy, cybersecurity, data handling, workforce and numerous other regulatory and reporting processes.

Community organisations are often at the front line of disruptions (natural disasters; demographics shifts) resulting from climate change but are being given little assistance to adapt their own organisations for the challenges ahead. Government should mount a climate-response “electrification fund” for CSOs. There are an estimated 600,000 not-for-profit groups in Australia. Our [2022 survey](#) of 570 CSOs revealed that 57% owned or leased at least one vehicle (with an average fleet size of five vehicles), spending an average of \$430 a week on petrol. 77% owned, leased or rented at least one building, with a typical organisation spending around \$10,000 a year on electricity and \$3700 on gas. Funding these organisations’ shift to more climate-friendly products and practices would save money that can be used to provide expanded services, while accelerating Australia’s shift to a zero emissions economy.

Government must invest in its own capacity as well. Bureaucrats must be empowered to manage evaluation and grantmaking activities – Our Community provides training to facilitate an uplift in these skills, as well as a host of low-cost and no-cost, highly impactful training for CSOs – see item 4.2 for more on this.

### 2.3 How are rising operational costs impacting the delivery of community services?

We defer to CSOs and their advocates to respond to this question.

### 2.4 What have been your experiences with, and reflections on, the supplementation and change to indexation?

We defer to CSOs and their advocates to respond to this question.

### 2.5 How can CSOs and the department work together to determine where funds are needed most to ensure equitable and responsive distribution of funds?

The community sector is over-surveyed and over-consulted (our response to this consultation has taken around 80 hours to compile), and the results of these investigations are rarely actioned. As CCA chief David Crosbie writes in a recent [Community Advocate](#) article:

As emeritus professor Myles McGregor-Lowndes points out in his revealing analysis of six government reports into the sector:

“In these reports alone, I counted over 160 recommendations, with 21 implemented, 113 unimplemented, and 33 partial or no longer applicable implementations.

“There is even one notable recommendation about recommendations from the 2010 Productivity Commission that ‘over the last 14 years, there have been five major reviews of the NFP sector, yet many worthwhile recommendations remain unimplemented.’”

We recommend DSS review past investigations before commencing new ones.

We also recommend you take advantage of tools like SmartyGrants Maps and ACNC data (which recently added Program classification to their data schema) to understand the work being done, by whom, and tools like the Outcomes Engine to understand who’s making progress, and how.

Grant applications and reports can also be used to review emerging trends. Some funders ask as part of their standard forms for applicants to identify any issues or opportunities they are seeing in the communities they serve. Our Community has worked with funders to build a tool (called Tabby) using artificial intelligence to surface trends in the resulting data.

## 2.6 How can government streamline reporting requirements, including across multiple grants, to reduce administrative burden on CSOs?

Government should use modern technological tools, such as those provided via SmartyGrants, to allow grant managers and their grantees to store and reuse data. Please refer to our responses in section 1 for more information on how our tools can be used to support this aim.

## 3. Providing longer grant agreement terms

We support a shift to longer grant agreements, though we caution that it is important to allow changes to funding agreements over time. We also urge the government to ensure budget is available to respond to emerging needs.

We support efforts to streamline administration of grant rounds and assessment processes. We advocate for use of standard fields, forms and contracts, and employment of time-saving tools such as those outlined in section 1. We recommend government integrate with tools like SmartyFile, the Australian Business Register and the ACNC to minimise double-handing of data (or just use SmartyGrants, which integrates with most of these systems already). The NSW government has implemented a whole-of-government approach to grantmaking following an extensive proof of concept and public tender, with the awarding of the tender given to SmartyGrants – we already see the benefits of data and outcomes being shared not just in silos with state or federal government but also across all sectors of



government to give a holistic view of funds allocated by all into localised areas and programs.

We advocate for most programs to consider employing a two-phase application process (EOI and full application) to save CSOs time in submitting (and government time in assessing) proposals that are unlikely to be funded.

### 3.1 What length grant agreements are CSOs seeking to provide certainty and stability for ongoing service delivery?

We defer to CSOs and their advocates to respond to this question.

### 3.2 What timeframes should the government aim for, at a minimum, to provide final outcomes on grant variations/extensions before the current grant ceases?

We defer to CSOs and their advocates to respond to this question.

### 3.3 What funding flexibility do CSOs require to enable service delivery and innovation?

We defer to CSOs and their advocates to respond to this question.

### 3.4 What flexibility is required by CSOs in acquittal processes to support and encourage sector innovation?

Government should separate financial acquittal from progress or final reporting – conflation of the two can result in assessment of learning and outcomes being overlooked or framed in favour of reporting on ‘performance’, outputs and receipting.

CSOs need the opportunity to share insights and learnings about programs. Often programs do not go directly to plan due to a range of internal or external factors, however CSOs can be incredibly adaptative, if given the opportunity by funding arrangements. The focus of acquittals needs to be on the funds spent and then on what happened, what worked well and for who, what didn’t work so well and what can be done differently in the future. We need to encourage adaption and improvement rather than strict adherence to project plans that may no longer be relevant.

A key challenge is that grantees think acquittals are a ‘tick-box’ exercise and grantmakers don’t pay much attention to them. (In many cases, the grantees are right.) To change this situation we must create environments whereby acquittal information is treated like gold, with findings carefully and respectfully noted and acted upon to influence future programs. Grantmakers need to start evaluating grant programs and then reporting back to grantees on how their collective knowledge and insights is bettering future design.

### 3.5 How can government improve the variation process, with consideration that CSOs must demonstrate alignment with the grant agreement and provide evidence of value-for-money outcomes?

We would challenge the thinking that CSOs should continue to align with the grant agreement, given circumstances often change over time. Rather, they should continue to align to the stated *outcomes* of the program. This shift in mindset will allow for flexibility without compromising results and value for money considerations.

Our Community is working to design and build into SmartyGrants an enhanced grant variations process that allows for both flexibility and accountability.

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

We support the aim to ensure grant funding flows to a greater diversity of CSOs, including peak bodies and advocacy organisations. However, we recommend against channelling money through large CSOs.

Smaller community service organisations are typically embedded in communities or in 'place'. Staff and volunteers work and live locally, and they know what works (and what doesn't) in a local context. They have good connections: they know the influencers (or *are* the influencers!) and 'mavens'<sup>2</sup> and they know the other local organisations that are working in the same or complementary fields.

Larger CSOs have reputations for delivering successful services, have wide reach, and considerable internal expertise when it comes to applying for funding, managing projects, evaluation and so on. But smaller organisations tend to be more nimble, more innovative and more responsive to local needs. They typically employ local community members that are representative of social and cultural demographics and are well suited to acting as first responders in emergencies or when local conditions change.

To ensure smaller organisations don't miss out on funding we suggest:

1. Smaller organisations (indeed, all organisations) must have the funds to do measurement and evaluation so they don't get put off by this requirement of receiving grant money. We recommend that 10% of all grants should be spent on measurement and evaluation, so the size of the organisation should not matter, so long as the measurement and evaluation requirements are proportionate to the size of the grant.
2. Keep measurement as simple as possible. For small grants, consider what is appropriate for that 10% figure: don't request a case study and an impact report and a social return on investment report if the funding won't

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<sup>2</sup> As per Malcolm Gladwell in *The Tipping Point* (2000), these are specific types of people who have the contacts, knowledge, and social skills to effectively spread an idea far and wide. People know that mavens are knowledgeable and trustworthy sources of information, so a maven's word carries a lot of weight.

- cover it. And don't reward an organisation with a grant for overpromising on the reporting side.
3. Think about collaboration. Support smaller funded organisations to share resources; i.e. the grantmaker could facilitate a conversation between grantees so one organisation develops a survey template and the other a semi-structured interview schedule, for example.
  4. Look at your grant application and reporting requirements through the lens of a smaller organisation. Imagine the time-strapped program manager sitting down to complete the form. How can you make it simpler? Rather than asking "What outcomes do you track?" and providing a big white box to be filled with 500 words, provide a drop-down list of some of the outcomes that could be reasonably expected for a program. The SmartyGrants Outcomes Engine has this functionality; check to see whether your grant management software has a similar tool (or adopt ours!).
  5. Look beyond the smart language, the high gloss and the big promises of larger organisations' reports and analyses, and think about who is best placed to deliver the outcomes you want. Who has the relationships and the local track record? Who is going to provide an honest account of what is really happening on the ground and offer genuine reflections on what worked well and what could be improved? You might find that smaller organisations are able to share some really great insights with local context and history.

It is important that as we increasingly insist on outcomes measurements in grant reports, we don't marginalise small and medium organisations. Small, medium and large not-for-profits all make up the rich fabric of civil society in Australia and globally, and grantmakers have a responsibility to ensure that organisations of all sizes get a "fair go" when applying for community money. A funding bias in favour of large organisations has been noted in our longitudinal [grants survey](#) over many years.

Failing the ability of government to provide direct funding for grassroots organisations, we recommend you work through local government agencies, which have deep knowledge of and connections with the communities in which they work. LGAs could be allocated outcomes-oriented funding that they can allocate to their communities, reporting back to the federal government on the outcomes achieved, and the means by which those outcomes are being achieved (again – SmartyGrants can facilitate such monitoring and reporting).

Your consultation paper references the need for "better communication across the sector about grant funding opportunities". We would urge you not to build a new federal government grants discovery portal – grantees do not think in siloes when searching for funds. Instead, you should tap into existing cross-sector tools such as [Funding Centre/EasyGrants](#), which allows CSOs to search for funds from all sources based on their own requirements and parameters.

#### 4.1 How can the government ensure opportunities are available for new and emerging organisations to access funding?

We recommend you ensure transparency of funding rounds, reduce the size of applications (don't ask any question unless you have a clear and valid use for the data that will be provided), and use tools such as SmartyFile to reduce the burden of applying for grants. The SmartyGrants team can provide advice on how to achieve these things with minimal disruption to your officers and your grantees.

#### 4.2 What programs, supports and information are already available for smaller CSOs to help build capacity of the organisation? Are these working?

The Institute of Community Directors Australia ([ICDA](#) – an Our Community enterprise) supports over 116,000 staff, volunteers and board members from small and medium sized CSOs to build the capacity of their organisations. ICDA hosts a free Policy Bank to save CSOs money and support board governance, delivers over 240 training sessions, hosts online self-paced courses, and develops and delivers capacity building resources, including translation of resources into four languages, including an Indigenous language, upon request. In addition, ICDA hosts a free board position-advertising/seeking website, which is used by over 480 small and medium sized CSOs annually.

ICDA training sessions focus on topics including financial management, outcomes evaluation, board governance, finding funding, increasing diversity, managing cybersecurity, communication and more. These support measures are working exceptionally well. ICDA delivers an annual impact evaluation of all training programs. Depending on the program, between 65% and 91% of attendees have reported increased confidence to lead their organisation; between 81% and 100% of the training participants report increased knowledge in a specific area; between 92% and 100% of training participants report increased skill levels after attending programs; between 79% and 93% of participants said they have extended their networks through attending training.

CSOs face a key challenge in financing access to training, even the type of low-cost training provided by ICDA. CSOs are experts in their own needs. Rather than (or as well as) providing funding for peaks, it's vital that governments provide specific funding for CSO capacity building so each organisation can choose the courses that they require.

We recommend against funding the training-delivery organisations themselves. Over the past two decades we have watched a cycle emerge in and around the Australian not-for-profit sector whereby people recognise the need for more capacity building for CSOs, a new group emerges to deliver the training, they struggle for sustainability (as CSOs struggle to pay), then the training body seeks and receives funding from philanthropy and government to develop new resources (duplicating existing

resources, such as those provided over two decades by ICDA) and provide free training. This model does not work. Eventually the foundations and government agencies cease funding (they only ever wanted to provide seed funding) and the training body falls over; only for the cycle to repeat over and over again. By funding CSOs to source their own capacity-building support you ensure development of a healthy and sustainable training ecosystem. The success of ICDA over two decades demonstrates how this can be achieved.

#### 4.3 How could larger CSOs support smaller CSOs? What are the barriers to providing this support?

The most prominent obstacle stems from the competitive dynamics within the realm of resource allocation. Large CSOs, often considered formidable entities in local communities, find themselves vying for the same financial resources as smaller organisations. While the concept of large CSOs refraining from pursuing identical funding sources could theoretically mitigate this challenge, such a proactive approach may be constrained by the funding targets and requirements faced by these larger organisations. In essence, the challenge lies not in the question itself but rather in the systemic constraints that influence the provision of support.

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

#### 5.1 What is your experience with and reflections on place-based funding approaches?

Our experience with and reflections on place-based funding approaches have been informed by our interactions with various community service organisations, including those involved in initiatives such as the Communities for Children Facilitating Partners Program, the Stronger Places, Stronger People initiative, Empowered Communities, Connected Beginnings Program, Stronger Communities for Children Program, and City and Regional Deals.

In addition, nearly 20 years ago, our Group Managing Director participated in a Victorian Government review of its community funding programs, comprising many hundreds of millions of dollars distributed via place-based community renewal programs, many of which were highly successful. A report (*Strong Communities: A Way Forward*) was delivered by inquiry chair, the Former Premier of Victoria, the Hon Joan Kirner – see here:

[https://www.ourcommunity.com.au/files/WaysForward\\_ExecSummary.pdf](https://www.ourcommunity.com.au/files/WaysForward_ExecSummary.pdf)

We have observed and heard that the implementation of place-based funding approaches these days is still at a low level. While these approaches hold promise in theory, their practical application on the ground has been inconsistent, particularly for smaller community service organisations. These smaller entities often struggle to cope with the significant demands placed on them, including attending a multitude of inter-agency meetings and participating in collective impact training and workshops.

Small CSOs typically lack the necessary financial support to engage fully in these activities.

Historically, governments have primarily directed place-based funding to larger non-governmental organizations (NGOs). However, this approach has frequently resulted in the bulk of the funding remaining concentrated within the larger NGO, typically situated in major cities and geographically distant from the specific "place" in question. In some cases, these larger NGOs may use a portion of the funds to hire a coordinator who then embarks on additional community resource mapping and facilitates inter-agency meetings to determine roles and responsibilities.

Despite the laudable intentions of place-based funding, there is sometimes a need for more equitable distribution of resources and a shift toward empowering local, community-based CSOs. These smaller organisations, with their closer proximity to the communities they serve, are sometimes better equipped to tailor interventions to the specific needs of the "place" and foster meaningful change. The current approach, which tends to centralise resources and decision-making, sometimes hinders the realisation of the true potential of place-based funding.

We advocate that some place-based funding be channelled through local councils – see below.

## 5.2 What innovative approaches could be implemented to ensure grant funding reaches trusted community organisations with strong local links?

Through SmartyGrants, we have cultivated relationships with more than 150 local government agencies, representing around a third of all Australian local councils. A substantial and growing proportion of these local councils have taken a proactive approach to tracking their community-building results. These councils effectively function as the pivotal "backbone" organisations responsible for forging a common agenda within their communities.

One noteworthy illustration of this approach is exemplified by the City of Greater Dandenong in Victoria. This municipality possesses a profound comprehension of the distinctiveness of its social and cultural demographics, with a substantial population of asylum seekers and refugees. Armed with data-driven insights, the council has strategically identified areas where investments can be most impactful. Furthermore, the council has garnered the social mandate to emerge as community leaders. The adoption of a shared measurement system, facilitated through the utilisation of the Outcomes Engine, has brought various partner organisations to the table through their community grant programs. In doing so, the council has effectively harnessed collective efforts to address local challenges, aligning with the criteria of collective impact: fostering a common agenda, ensuring continuous communication, enabling mutually reinforcing activities, providing backbone support, and embracing shared measurement.

Local government agencies, equipped with locally elected councils, skilled staff and existing governance mechanisms, could serve as the catalysts for place-based

collaborations and conduits for local funding initiatives. These agencies, which are deeply entrenched in their communities, possess an invaluable dual perspective, offering both a high-level overview of their communities and an intimate understanding of community dynamics. They can be ideally positioned to facilitate the distribution of funds, mitigating service duplication and avoiding the conflicts of interest commonly encountered by larger CSOs, which often juggle roles as backbones, funders, and competitors for service delivery.

A supplementary advantage of leveraging local councils lies in their access to physical resources within the community and robust business connections. This local presence and connectivity provides a competitive edge that out-of-town non-governmental organisations may not possess, enhancing the efficiency and efficacy of place-based collaborations.

A word of caution. The main criterion of success for a place-based initiative must be that it be community driven and co-designed by the community, not a top-down approach driven down by know-all council staff.

### 5.3 Which areas do you consider have duplicative funding or gaps you think need to be addressed, and what is the evidence?

No one knows because there is no transparency about who gets funding for what and where. See comment below.

### 5.4 Where there is a community-led change initiative, could shared accountability to community and funders (government) strengthen service delivery?

Local communities need to know exactly how much money is allocated to their community, which organisations are giving it, who is receiving it, what it is being spent on, and what the outcomes are. This ability can be unlocked by tapping into systems like SmartyGrants (with appropriate permissions, of course).

What should **not** occur is sharing the cost with community organisations, as suggested in your discussion paper. Outcomes-based commissioning generally funds the full cost of service delivery in a target performance scenario, including capital costs. However, if performance is below target, then total government payments may be less than the service costs, and investors (or service providers if there are no investors) may make a financial loss.

The social investing model exhibits inherent flaws. Substantial international evidence has revealed a propensity for gamification and the emergence of perverse incentives. Instead of adhering to payment-for-success paradigms, we advocate a return to a community service system, either centrally funded or funded locally through local councils acting as the neutral broker/backbone. This system would prioritise co-design, implementation, evaluation, and the acquisition of insights regarding efficacy within a given context.

The knowledge derived from these endeavours, encompassing both successful and unsuccessful outcomes, must be equitably rewarded and disseminated to foster a collective understanding. This approach is essential to breaking free from unproductive patterns of action. In environments characterised by profound complexity, particularly in communities marked by entrenched disadvantage, conventional, one-size-fits-all solutions frequently fall short. Innovation thrives when organisations are granted the latitude to experiment, learn from failures, and adapt through trial and error.

While there is a yearning for evidence-based solutions that can be scaled nationwide, the paramount influence of local context cannot be discounted. What may prove effective in one locale may necessitate meticulous adaptation and local trials to ensure suitability in distinct conditions. The expectation that community organisations bear the entire cost of such endeavours is unrealistic. This financial burden would dissuade their participation, or, in the event they do engage, they may opt for less challenging undertakings, leaving complex cases unaddressed.

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Our Community can be contacted to discuss any of the ideas and initiatives discussed in this submission by the following means:

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