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Department of Social Services
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Founding Members

The Australian Government
The Sidney Myer Fund

Patron in Chief

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6 November 2023

Dear Community Services Advisory Group,

Thank you for the opportunity for the Foundation for Rural & Regional Renewal to make a submission to the '**A stronger, more diverse and independent community sector**' issues paper.

The Foundation for Rural & Regional Renewal - FRRR - (phonetically: F-triple-R) - is the only national foundation specifically focused on ensuring the social and economic strength of remote, rural and regional communities. FRRR's unique model connects common purposes and investment of government, philanthropy and businesses with locally prioritised needs, to create communities that are vital and resilient. Since FRRR's formation in 2000 as a limited company, with the Australian Government and Sidney Myer Fund as members, it has delivered over \$175 million to more than 14,000 projects.

Having reviewed the stronger, more diverse and independent community sector issues paper, FRRR's response is based on the following key considerations and through the lens of the remote, rural and regional communities we work with:

1. **Consultation and meaningful co-design** are key to successful outcomes for projects being delivered by community sector organisations (CSOs). Those in the communities doing the work are best positioned to know what is most needed, what it will cost to deliver and how long it will take.
2. **Flexibility in granting** is essential, especially when working with smaller organisations and remote, rural and regional communities impacted by workforce shortages, economic pressures and ongoing natural disasters.
3. **Utilising the experience and expertise of an intermediary organisation** like FRRR, which is well placed to ensure an equitable distribution of funds and to provide the wrap around support smaller organisations need to build capacity and be effective and competitive for grants.

Should you have any questions in relation to our submission, please contact the FRRR team at [REDACTED] or [REDACTED]

Kind Regards

[REDACTED]
Chief Executive Officer



Submission of the Foundation for Rural & Regional Renewal to ‘A stronger, more diverse and independent community sector’

The Foundation for Rural & Regional Renewal (FRRR) makes the following comments, numbered in accordance with the questions set out in the [Stronger, More Diverse and Independent Community Sector issues paper](#):

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

2.1 What would adequate and flexible funding look like?

To ensure adequate and flexible funding, it is FRRR’s experience that the best outcomes are achieved when we:

- **Consult with communities and local leaders** about what they need to thrive. They are best positioned to know what is most needed, what it will cost to deliver and how long it will take;
- **Broaden granting criteria and include support for capacity building** efforts;
- Ensure grants **allow for a minimum of 30% allocation for indirect costs** to ensure sustainability;
- **Ensure volunteer efforts are valued and accounted for** in project delivery costs; and
- **Allow flexibility, within reason, in program and project delivery timeframes** to ensure NFPs can deliver quality outcomes while also navigating challenges.

From FRRR’s granting work with small CSOs delivering vital services across Australia’s remote, rural and regional communities, our observation is that they are almost always under-resourced. Grant funding that is most readily available is often targeted at infrastructure and specific project types nominated by the funder, with minimal opportunity for organisations to cover indirect costs that are a necessary part of delivering quality, locally-prioritised programs and project outcomes. The grants available can also be highly prescriptive and time bound, leading grantees to try to ‘fit’ their programs into the narrow criteria because they need funding to continue delivering essential services. They can also find themselves scrambling to meet fixed and inflexible grant deadlines, while navigating community challenges that arise such as natural disasters, and workforce shortages. Cost of living pressures are also more acute in remote and regional areas where essential living expenses are already higher than urban areas.

In addition, small regional CSOs often rely heavily on their volunteer workforce to deliver services to their communities and ensure effective governance and operations of the organisation. The efforts of these volunteers are not always calculated adequately when it comes to assessing the true cost of delivering programs and services, and this can factor into a cycle of resource scarcity that is amplified in rural and regional CSOs.

The [‘Paying What it Takes’](#) report presented in March 2022 by the Centre for Social Impact, Social Ventures Australia and Philanthropy Australia recommended that a minimum of 30% of what is being granted for project delivery should be allocated to indirect costs to adequately support the overall management and sustainability of CSOs. FRRR supports this proposal as a step towards ensuring



adequate funding is available to value the embedded and ongoing costs of delivering effective programs and projects and leading to better outcomes.

There is often limited funding available for CSOs to build their long-term capacity to become more sustainable and less grant cycle dependent. Funding for capacity building resources, like professional fundraising, marketing or business development for small CSOs in remote, rural and regional communities, is also critical to building long term sustainability.

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

Remote, rural and regional CSOs would benefit enormously from the development of a single reporting model that addresses essential reporting requirements across funders, which can be updated or expanded over time to capture new or different reporting requirements. This is particularly true for smaller organisations with less capacity to manage multiple reporting processes. While a single reporting model would significantly streamline reporting if it was adopted across Government departments, investigating a single reporting model could also have wider application, so that CSOs could use a single report for other types of grants and funders.

Government could also play an important role in supporting capacity building and training for CSOs in how to effectively measure and evaluate programs, which would also support confidence building in managing reporting requirements.

3. Providing longer grant agreement terms

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

To ensure certainty and stability, CSOs are looking for **multi-year funding** that allows **timeline flexibility**, particularly as remote, rural and regional communities are often impacted by natural disasters. To maximise outcomes and ensure effective and impactful use of resources, starting with a realistic and generous grant agreement timeline and allowing for both timing and project scope flexibility (within reason) could lead to a higher probability of outcomes being achieved for the community and target group.

A minimum of three years of funding allows for adequate resourcing and project delivery time. Such multi-year funding, with the possibility of extension, would give organisations the confidence to make commitments to effectively deliver projects and achieve longer term, sustainable outcomes. In remote, rural and regional communities especially, progress moves at different paces in different communities depending on the local ecosystem, level of collaboration needed and trust that may need to be established to effectively deliver a project. Key staffing shifts can also have a big impact on delivery timelines, along with shifts in the ecosystem and level of need in the community.



For many projects, multi-year funding would support deeper impact and create certainty for organisations around committing to resourcing and infrastructure. In most cases, three-plus years are required to effectively deliver a project, allowing for ramping up with planning and strategy, enough time for program delivery, and period for winding down.

In addition, a **generous notice of non-renewal** of at least six months before the next round of funding would support small CSOs with forward planning, budgeting and allocation of resources, plus allow for supported ‘winding down’ of projects and resourcing.

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

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

FRRR recommends that to ensure grant funding flows to a greater diversity of CSOs, the Government should partner with key intermediaries that can provide expertise, efficiency and value-for-money approaches to distributing grant funding.

FRRR is such a trusted intermediary, priding itself on providing responsive grantmaking across remote, rural and regional Australia. In FY22-23, FRRR granted nearly \$22.5M to [organisations in 552 different postcodes](#) of rural Australia. We are a trusted partner of federal, state and local governments, philanthropy and business – raising funds each year to provide responsive granting.

FRRR grants to some of the smallest organisations in Australia - including those who are new and emerging - using flexible procedures that respond to new contexts. For instance, FRRR’s approach to financial due diligence of applicants provides an alternative pathway for those who have not yet delivered a full financial year of activity. FRRR knows that new and emerging organisations may not seek funding without outreach and support. Some may never have applied for grant funding before and require a flexible ‘front door’ through which to reach out, so it is important there is additional phone and email support to answer questions.

Through its grant-making, FRRR has provided more than \$175M to rural Australia over the last 23 years. FRRR’s grants support the social fabric of rural Australia – filling gaps arising due to market failures e.g. community-led health responses, community-owned aged care facilities, or the refurbishment of key community infrastructure such as halls, or running festivals and events that provide vital connection or attract tourists to town. But FRRR must raise the funds for this work each year.

An investment by the Government into FRRR as a trusted intermediary would enable FRRR to meet more of these vital needs, while also ensuring that Government grant funds can reach a diverse set of community sector organisations. FRRR has calculated that to expand its capacity to support remote, rural and regional Australia and deliver programs to meet the needs of regional Australia, it requires at least an additional \$5 million in funds annually.

This would deliver:



- a. a dedicated capacity building program, insights program, national small grants program, national disaster and climate preparedness & recovery program and expand the monitoring & evaluation capabilities of FRRR; and
- b. ensure FRRR has capacity to support future Government initiatives with a unique dataset of grassroots applicants and stand-up readiness in the face of disasters or challenges faced by remote, rural and regional Australia.

FRRR is seeking a contribution from Government to increase its corpus fund by \$100 million to achieve this, utilising this one-off investment to sustain regional benefits into the future. Such a corpus increase would also enable FRRR to leverage greater philanthropic support to further increase the Government's impact in Regional Australia. The Foundation was initially established with a \$10M contribution from the Australian Government. That investment enabled FRRR to attract other support from donors and the corpus has now grown to \$19M, while more than \$175M in grants has been distributed, confirming that we are prudent managers of such investment and able to achieve significant leverage for the benefit of remote, rural and regional communities.

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

There are only a few organisations in Australia that focus on building the capacity of remote, rural and regional community organisations to improve their effectiveness and sustainability.

FRRR is one of those, offering grants; training, coaching and workshops, networking opportunities and online resources. FRRR often works with Government, private donors and businesses to identify and support CSOs in remote, disadvantaged and disaster impacted regions.

However, there is no one-size-fits-all solution, which is why we tailor programs to suit the communities we work with. With some, we work deeply over multiple years through place-based initiatives to build the capacity of a group of local NFPs, while in others where we work broadly through our small grants programs, offering up to \$25,000, although most grants awarded are around \$10,000.

An example of working over the long-term is FRRR's place-based multi-year *Investing in Rural Community Futures (IRCF)* program, which focuses on investing in the long-term viability of a local NFP sector by supporting a range of initiatives in these towns, including organisational governance, participatory planning processes, skill development, communications and marketing, technology upgrades and fundraising strategies.

For small CSOs that have not applied for, or managed funding before, FRRR's small grants can build their capability and confidence in developing project ideas, applying for funding, project management, budgeting and meeting reporting requirements.

An example is The Resilience NSW COVID Regional Community Support Program funded by the NSW Government and delivered by FRRR. This program supported locally-based NFP organisations and volunteer-led community groups in remote, rural and regional NSW that played a critical role in



supporting their communities to navigate the impacts of COVID. The program offered contribution towards reimbursement for the costs of personal and care hampers delivered by these organisations and groups, as well as funding community projects that increased capacity for service provision in ongoing and future pandemic events.

Also recognising the impacts of COVID on communities, the Australian Government partnered with FRRR to distribute \$5 million from 2022 to 2024 to support community-led initiatives through the Rebuilding Regional Communities (RRC) grants. A key RRC objective is to sustain local remote, rural and regional organisations and their work through activities such as building a sustainable volunteer base ; growing services and support to assist vulnerable people and people experiencing disadvantage ; purchase of equipment or resources to strengthen organisations; and reducing the digital divide.

FRRR knows that communities benefit from the ranges of grants and supports that the Foundation provides. The initiatives funded address complex, interconnected social issues such as poverty, education, healthcare, social isolation and economic development. However, these issues often have multiple determinants and are influenced by various factors, including external factors and concurrent initiatives, making it difficult to isolate the impact of a single intervention.

To measure the impact we have on communities, FRRR has developed a Theory of Change framework to design evaluation and measurement processes, and established key performance indicators and data collection methods, through which we assess progress and measure the effectiveness of FRRR programs and supports. It is currently being refreshed and the updated model will guide how we evaluate impact into the future.

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

Larger CSOs operate within a different professional ecosystem to small CSOs, especially in remote, rural and regional communities. They have access to larger pools of funding and are resourced to better withstand fluctuations in staffing and other challenges that arise. Leaders of larger CSOs are better supported to participate in inter-agency and broader sector strategy discussions, providing opportunities for networking and advocacy that are out of reach for smaller CSOs.

Due to their level of resourcing, larger CSOs could potentially support smaller CSOs by including them in opportunities like workshops and training and collaborating on projects and funding opportunities. Due to the significant differences in operating realities between large and small CSOs, any support and collaboration would need to account for the imbalance of resources available. For example, where a large CSO may be able to afford to send a group of staff to a workshop, a small CSO may need support to cover wages or to pay for travel and accommodation for volunteers to allow one or two representatives to attend.

In FRRR's Investing in Rural Community Futures program, larger CSOs are encouraged to support smaller CSOs through a process of facilitated collaboration that builds trust and capacity tailored to the size of each organisation. This is possible due to an FRRR-managed community facilitator role embedded in



each community, which ensures equity in participation and opportunity to contribute to developing priorities for the community. Larger CSOs are encouraged to host events and workshops in their spaces and to offer resourcing and support where practical. They can also act as an auspice for smaller organisations looking to apply for funding. In some cases where trust and collaboration are well established, larger CSOs can become backbone organisations for remote, rural and regional communities, supporting the NFP sector with the needs, success and sustainability of the whole community in mind.

In many remote communities, there are very few CSOs. In this case, larger CSOs can help ensure that services are available in remote communities and support the establishment of small local CSOs to continue the work over the longer term.

5. Partnering with trusted community organisations with strong local links

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

FRRR has broad experience with place-based funding approaches for remote, rural and regional communities across Australia. Our guiding assumption is that local people are best placed to know what will make the most difference in their community, and deep consultation and co-design is at the heart of successful place-based work. Individual leaders are often key to the success of place-based work, and strengthening their skills, capacity and well-being is central to the success of place-based initiatives.

Effective place-based funding approaches ensure that community collaboration and co-design lead to the development of common goals, allowing more opportunities to be leveraged and reducing duplication of effort and resourcing for greater impact.

Several place-based models have proven especially effective, depending on the needs of each community:

- Small grants programs provide a straightforward and friendly ‘front door’ through which grassroots organisations can take the first step toward building their capacity to support and connect the community.
- Building local capacity through place-based partnerships with community foundations, councils and larger CSOs acting as connectors and backbone organisations to implement projects;
- Supporting deep capacity building over time by embedding a locally based community facilitator role to act as a neutral guide for organisations, sector leaders and volunteers, leading a community co-design process that provides a ‘roadmap’ for them to thrive together.

The key reflection is that effective place-based work requires trust, time, tenacity and a tailored approach to each community. FRRR has 20 years of experience effectively delivering place-based initiatives in remote, rural and regional communities, from one-off projects like funding the rejuvenation of the local community hall to five-year deep capacity building projects funding hundreds of small



projects to build capability and confidence across a whole community. FRRR also ensures each organisation applying for funding receives individual and flexible support to greatly increase their chances of success with their place-based initiative.

FRRR has also played an important role over the last twenty years in supporting the establishment and capacity building of community foundations, providing much needed local support for CSOs and other not-for-profits working in a place-based way.

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

- **Utilise trusted and experienced intermediaries, like FRRR**, with established and highly regarded granting mechanisms to increase the equitable social and geographical reach of funding to small grassroots organisations. This offers governments a defensible, robust, and transparent way to deliver funds to micro and small community organisations, particularly those in remote and very remote locations and often the ones with the strongest local links, in a way that avoids administrative burden and can be delivered at a pace that suits communities.
- **Dedicate ‘regional pools’ of funding and undertake locally led co-design** processes that identify appropriate local projects and initiatives, promote collaboration, decrease competitiveness, agree on the most appropriate delivery organisation, that is then formalised into a small grant application. This would enable a greater diversity of organisations (by type and size) to participate in funding opportunities. This is currently being undertaken by FRRR and DAFF through the [Future Drought Fund’s Helping Regional Communities Prepare for Drought](#) Community Impact Program to deliver \$12.1 million to small community organisations to build drought preparedness at a local level.
- **Explore a geographically focused, multi-agency approach to funding a locality or region** to avoid many applications, and multiple grant agreements with different reporting obligations and deadlines. This would enable smaller community organisations, often ones with more effective local links, to participate in funding opportunities.

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

The discussion paper refers to the potential to develop a place-based model for community sector grants funding. For remote, rural and regional communities this kind of model would need to address four key areas that are currently underfunded:

1. Addressing core structural issues and reducing silos in program delivery for greater overall impact;
2. Volunteer support in delivering community support and services;
3. Addressing the digital divide; and
4. Meeting operational costs.



In September 2021, FRRR commissioned a study, [The Heartbeat of Rural Australia](#), to explore how not-for-profits and community groups in remote, rural and regional Australia were faring. More than 630 community organisations from across Australia responded to the survey and provided significant insight into these issues.

- **Addressing core structural issues and reducing silos in program delivery for greater overall impact**

CSOs operating in rural and regional areas often deliver services that intersect with the work of other organisations and compete for scarce resources e.g. programs for early education, health services, mental health and justice reform. There is an opportunity for an intermediary organisation like FRRR to work with CSOs in communities to increase collaboration, reduce duplication of services and increase the likelihood of broader solutions to community issues.

- **Volunteer support in delivering community support and services**

For many rural and remote communities, delivering services relies heavily on volunteers and there is a significant gap in supporting remote, rural and regional CSOs to recruit, retain and manage volunteers that would need to be addressed in any place-based funding model.

FRRR's Heartbeat study identified that approximately a third of community organisations have either reduced volunteer hours, lost volunteers altogether to illness, isolation, relocation or caring responsibilities or lost them due to a lack of need following COVID.

Those organisations that have managed to retain volunteers reported that volunteers are working more to deal with demand (22%), and that they are recruiting or trying to recruit more volunteers (25%). Most respondents who are trying to recruit volunteers are finding it more difficult now than prior to 2020, placing even greater strain on their existing volunteer workforce.

By way of example, funding for volunteer-led, simple, low value but high impact projects that support preparedness for future climate-related impacts is a current gap for remote, rural, and regional CSOs in most states. Most of [the federal funding available](#) does not support projects under \$50,000 and require 50% co-contribution.

With adequate funding, and appropriate support for volunteers, CSOs and their volunteers can implement critical programs and projects such as this that strengthen both social capital and built infrastructure (broadly build community resilience). They also act as intermediaries to facilitate coordination and cooperation for preparedness between stakeholders, including government agencies, NFPs, business and local communities and important connection to on-ground volunteer activity, systems, and processes.

- **Addressing the digital divide**

Exacerbating the challenges faced by CSOs in remote, rural, and regional Australia, many areas have unreliable internet coverage, which makes it very difficult to deliver support and services,



particularly those that are designed to reduce stress and improve general health and wellbeing. This is creating a “digital divide” and leaving many communities feeling forgotten or left behind.

Half of Heartbeat respondents reported either no internet access or extremely or somewhat unreliable coverage. Just under a third of communities rated their internet access as ‘extremely reliable’, dropping to one in five in remote communities.

In addition, it is often cost prohibitive to access technology. Funding rarely extends to the operating costs required to maintain connectivity, software to manage service delivery, and training for staff and volunteers to be able to use technology for maximum effectiveness.

- **Meeting operating costs**

Operating costs are a fact of running any CSO and the challenge of paying for premises, staff, fleet and utilities can be significant for CSOs in rural Australia. The Heartbeat study identified that running costs account for an average 58% of revenues received by community organisations. The larger the organisation, the higher the costs, with more than half of all respondents allocating over 75% of their revenue to operating expenses.

Community organisations expressed frustration that grants and projects they receive funding for usually have approx. 10% admin costs associated, which is never enough to cover their base operational costs. (The Pay What It Takes report recommends at least 30%). Often, they can only access funding that is project-specific with no assistance to meet operating costs.

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

Broadly, FRRR supports any process that strengthens the capability of and collaboration between locally based NFP organisations to deliver services, programs or infrastructure that are intended to benefit rural, regional, and remote communities or regions at a hyper-local level.

Shared accountability is a positive approach to strengthening service delivery - if managed effectively and it is not too administratively onerous for participants or delivery partners. Ideally, it should form part of a wider funding model design, as one of many considerations in strengthening agency in collective local decision making, increasing transparency to funding beneficiaries, building local organisational capability over the longer term and ensuring value for money in delivery of funding. Complementary processes may include individual mentoring and community collaboration through processes like co-design, negotiated funding models, delivery organisation capability building, and flexible and simple funding agreements. This would enable a healthy mix of both smaller and larger organisations to play a role as delivery partners of government.

Particular, and unique consideration should be given to the equitable and transparent delivery of funding in strengthening service delivery to remote and very remote localities, where large service providers are often the delivery mechanism to enable the geographic reach required by government, as



locally based organisations do not possess the capability to apply for, manage and acquit government tenders and contracts. This further magnifies the inequity of services being delivered, at times, spread very thinly, or sporadically across wide geographic expanses from organisations that are not in, or of the local place and people they are intended to benefit.

Given the sparsity of population, and funding to remote and very remote communities, the need for transparency becomes higher to ensure value for money, and ideally, a considerable proportion of the funding is spent in local, often small, singular industry regional economies.

By way of example, where appropriate and invited to do so, FRRR acts as an intermediary, advocate and mentor in states and specific regions across NSW and Queensland to work alongside local delivery organisations to deliver programs or projects.

Key Recommendation:

Shared accountability is one of many important considerations in effective delivery of government investment to rural, regional, and remote communities to strengthen service delivery; if managed effectively, builds capability and equity amongst a diverse range of delivery partners, and not too administratively onerous for participants.

FRRR appreciates the opportunity to contribute to this important discussion. We welcome ongoing conversations with the Department of Social Services on how we might be able to support government to build a stronger, more diverse and independent community sector, with a targeted focus on ensuring grants reach and have an impact in remote, rural and regional Australia.