



## A stronger, more diverse and independent community sector

ARACY Submission

November 2023

**Australian Research Alliance for Children & Youth**

GPO Box 2807, Canberra City, ACT 2601

T: (02) 6204 1610 E: [enquiries@aracy.org.au](mailto:enquiries@aracy.org.au) W: [aracy.org.au](http://aracy.org.au)

ABN: 68 100 902 921





## Background/Overview

This submission responds to the consultation, led by the Department for Social Services, on the Australian Government's objective to grow *a Stronger, more diverse and independent community sector*.

We understand the Department will use this feedback to inform the development of a package of recommendations to the Australian Government on innovative approaches to grant funding that will support both short and longer-term reform to the operation of community sector grants.

## About ARACY

For over 20 years ARACY – Australian Research Alliance for Children and Youth – has been bringing people and knowledge together, to make change for the benefit of children and young people. ARACY is unique in linking all areas of wellbeing for children, young people, and their families.

*We believe all children and young people should have the opportunity to thrive.*

We strive to achieve this by championing evidence-based policy and practice, while forging alliances between government, policy making, research, philanthropy and service delivery with a focus on prevention, early support and engagement. We work for the creation of better systems and supportive environments, and to grow capability across the sector, improving outcomes for children and young people.

Learn more at [www.aracy.org.au](http://www.aracy.org.au)

## About the Nest

The Nest, Australia's wellbeing framework for children and young people is a way of thinking about the whole child in the context of their daily lives. Originally informed by the voices of over 4,000 children, young people, and experts, the Nest was developed by ARACY in partnership with 150 organisations between 2010 and 2012 and is regularly refreshed incorporating feedback from practitioners, children and their families. The Nest shows for a child to thrive their needs must be met in six key, interlocking areas.

1. Being Valued, Loved, and Safe
2. Having Material Basics
3. Being Healthy (physically, mentally, emotionally)
4. Learning (within and outside the classroom)
5. Participating (in decisions, groups, community)
6. Having a Positive Sense of Identity and Culture

Wellbeing can be thought of as a child or young person having everything they need to thrive and reach their full potential. It encompasses all areas of a child's life, which are linked and interdependent.

The Nest framework is a powerful counter to the all too frequent accusations of fracture, siloing and misalignment of children's research, policy, and practice. The Nest and its practical application using The Common Approach<sup>®</sup>, have been adopted by governments and organisations across Australia and internationally.

## Summary of Key Points

ARACY thanks the Department of Social Services for the opportunity to provide feedback on the Australian Government's commitment to *a Stronger, more diverse and independent community sector*.

The community services sector has a wide range of skills and capabilities. These are not always fully utilised in support of Government objectives for operational, strategic, and systemic reasons. A truly successful partnership between CSOs and government will require to consider all three of these levels.

The Department is to be commended for its recognition of the pragmatic and tactical issues that affect the CSO sector, and its commitment to tackling these with a focus on partnership and co-design, including with service users and those who are currently excluded from services.

We recognise these concerns are not new, and many organisations from the Australia Institute in 2004, to the Productivity Commission in 2010, to ACOSS, Social Ventures Australia and the Centre for Social Impact in more recent years have both described the issues and proposed viable and effective solutions. We are delighted the Department and the Australian Government are now committed to achieving better outcomes for the sector and ultimately the communities the sector supports and Australian society as a whole.

To achieve its aims, however, the Department would do well to also consider the systemic context in which it works. Changing processes and broadening engagement, while necessary and important, will be insufficient without also understanding the mental models, power dynamics, and multifaceted connections and relationships that hold current conditions in place.

Along with the practical suggestions both in the Issues Paper and in our submission below, which we expect to be echoed by many contributors, ARACY would therefore make a broader case for the role of CSOs in achieving systemic change for the betterment of communities and individuals in Australia.

Any examination of the CSO sector that seeks to achieve change must consider the role of *systems intermediaries* – the organisations that act as the “glue” bringing the different components of the system together and supporting reflection, alignment, innovation and collective activity to better outcomes.

Liz Skelton of Collaboration for Impact describes it thus:

“Intermediaries play a unique role in supporting the scaling of impact on the ground with communities and through leveraging networks across the ecosystems of social innovators, government and funders. Understanding this role better is critical to accelerate the impact we can have collectively.”<sup>i</sup>

Achieving systems change is complex, dynamic, long term and fits uncomfortably within traditional procurement and contracting processes. Nevertheless, it is now understood to create enduring improvements to our most intractable social problems, addressing the systemic factors that hold those problems in place is essential.

Systems intermediaries can help. They can identify and define problems, and more importantly the web of interdependencies and intended and unintended consequences these interdependencies create. They can find the levers for change that have the best likelihood of shifting a system in the desired direction. They can mobilise a wide range of actors across the system to activate those levers, and they understand how to recognise and evaluate the small and eventually large changes that result.

The Paul Ramsay Foundation observe in a 2021 article:

“ ... intermediaries can boost the impact of many actors, increasing overall effectiveness and improving outcomes for individuals and communities most at risk of cycles of disadvantage.”<sup>ii</sup>

Used well, systems intermediaries can short-circuit the churn of constant reviews, inquiries, strategies, and “reform” activity that tinkers around the edges, switching up processes and procedures and budgets, but somehow never achieving the lasting benefits hoped for.

We all need to pull together to achieve the aim of a stronger, more diverse and independent community sector. Systems intermediaries will be needed to harness, drive and support the sector in this work to create enduring change.

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

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

The community services sector has a wide range of skills and capabilities. These are not always fully utilised in support of Government objectives for operational, strategic, and systemic reasons. From ARACY’s experience, and what we know of others’, a truly successful partnership between CSOs and government needs to consider all three of these levels.

The Issues Paper provided identifies some of the operational issues, and these are further expanded up on the Issues Paper recently released for the Not-for-Profit Sector Development Blueprint. Rapid turnover of grant management contacts results in loss of relationships and knowledge. Delays of weeks and months in signing off Activity Work Plans affect CSOs’ ability to deliver. Consulting over and over again on issues that have been explored multiple times previously uses up time and effort that could be better expended elsewhere, especially when requests for consultation are uncoordinated, at short notice and frequently with no compensation. All these issues have been identified and communicated multiple times over the years.

At the strategic level, ARACY has observed a lack of cohesion within departments and poor communication of *overall* strategic priorities and objectives for the Department as they relate to our funding agreement. This is especially important for organisations acting as systems intermediaries. We cannot do our best work for the Department without a clear understanding of Departmental priorities as a whole, along with a broad range of relationships within the Department. We need a full and rich picture of the Department’s overall disposition, and the ability to request teams within the Department come together with us to look at opportunities for leverage across the ecosystem and agree collaboratively how we can best use our skills and capabilities to assist.

Also at the strategic level, we frequently observe CSOs and other organisations being commissioned to provide advice based on “the evidence”. ARACY is committed to understanding and using the available

evidence to guide policy and practice. However, we often see a failure to combine “the evidence”, narrowly defined, with what is happening on the ground and elsewhere in the system.

For example, multiple strategies and frameworks currently in operation include a commitment to data harmonisation, including Safe and Supported: the National Framework for Protecting Australia’s Children. Yet we understand that the National Child Wellbeing Data Asset being developed under the closely related National Strategy to Prevent and Respond to Child Sexual Abuse (2021-2030) will be created using a new conceptual framework for wellbeing. This is despite there being a powerful, well-evidenced framework already available in the form of the Nest, in use by multiple jurisdictions. This narrow focus ignores the wider context and the opportunities to support a better system, because these opportunities are deemed to fall outside the scope of this particular initiative despite the obvious links.

These issues at the strategic level are both driven and echoed at the systemic level. The suggestions for various forms of partnership and co-design in the Issues paper are to be commended, but they do not take into account the deeper drivers of the system. The power imbalance between service users, and even more so disenfranchised service “not-users”, and the other stakeholders who might form such a co-design partnership, is obvious. Less recognised is the inherent power imbalance between the governments who commission community services, including the Department, and the CSOs who provide those services.

The market for community services is essentially a monopsony, the opposite of a monopoly. Government, or governments, are the single purchaser. This creates a clear power dynamic. The bureaucracy itself has a fluid power dynamic with the relevant Minister, both explicit and implicit. The stated priorities and goals for a Department may be in direct or indirect conflict with the perceived priorities or preferences of the Minister. These dynamics operate at both the conscious and unconscious level, and can interfere with best intentions, on every side.

These deeper questions must be addressed alongside the tactics of “how can we include people without burdening them?”. This is one area where systems intermediaries can be powerfully brought to bear. Their knowledge of the system in question, while necessarily imperfect, is typically greater than other kinds of organisation, including government organisations. They are experts in understanding the dynamics of systems in general, and know what to look for and how the fundamental and recurring issues might be addressed. This is a critical aspect of the value that systems intermediaries can bring to the sector when resourced and enabled to do so.

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

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

There are many reports available examining the need for different and better funding of community services organisations, some of which are listed in the resources of the Issues paper. ARACY supports the recommendations made by ACOSS in their 2021 paper *Valuing Australia's community sector: Better contracting for capacity, sustainability and impact*<sup>iii</sup>.

The 2022 paper by Social Ventures Australia and the Centre for Social Impact, *Paying What It Takes: funding indirect costs to create long-term impact*, notes, ironically, a lack of investment in indirect costs was consistently identified as a key reason why organisations were unable to calculate their indirect costs reliably. Understaffed finance teams and limited systems were further stymied by the different reporting requirements of multiple funders, with finance teams required to maintain multiple definitions of their 'indirect costs' for different budgets.

More fundamentally, the same paper found a "significant proportion of not-for-profits stated that they underreported their indirect costs to funders due to a pervasive belief that funders are unwilling to fund more than 20% of indirect costs."<sup>iv</sup>

Peter Shergold AC noted in a 2011 article for *The Conversation* that:

"Government and community organisations may be becoming mutually dependent but the balance of that relationship is skewed by asymmetric power. Contractual ambiguity – and organisational interpretation – nearly always work in the favour of those who hold the funds, write the terms and administer the contract."<sup>v</sup>

Government will need lead the way in creating safe and honest conversations about adequate funding that fully covers indirect costs and enables CSOs to do their best work, in the most efficient manner, for better outcomes. The work by Social Ventures and Australia and the Centre for Social Impact on defining and creating a taxonomy of indirect costs is a good place to start and goes directly to question 2.2.

When funding "what it takes", all funders, including governments, should consider the positive impact long-term, stable funding can have on ensuring CSOs remain fit for purpose. Having the breathing room to develop strong strategic direction, evaluate their own work, and enhance both their understanding of the landscape and their own offering within the landscape, strengthens the organisation and the sector overall.

Addressing question 2.3, the impact of rising costs on CSOs is comprehensively described in ACOSS's 2022 Australian Community Sector Survey<sup>vi</sup>. ARACY supports the recommendations of the survey report, including:

1. **Fund the full cost of service delivery**, including infrastructure, management, workforce development and administration costs in all Commonwealth grants and contracts for community services.
2. **Apply equitable and transparent indexation to all grants and contracts** for community sector organisations, that reflects the actual increase in costs incurred by funded organisations. Ensure providers are notified in a timely manner and rates are published annually.

The ACOSS survey report notes the positive steps taken by the Australian Government in the 2022 Federal Budget, most notably the supplementary financial assistance measure for community service organisations affected by increasing wage, superannuation bills, as well as high inflation. This was most welcome to ARACY, as to other organisations. However, we note similar supplementation from philanthropic funders came effectively untied. There was no obligation to direct the supplementary funding to the associated activity, enabling organisations to use the additional funding where it was most effective.

The ACOSS survey report makes a further recommendation, which addresses question 2.5:

3. **Undertake a comprehensive service needs analysis** to better understand community need for services, drivers behind changing need and gaps in the funding of service delivery. This analysis should inform investment decisions made by government.

ARACY would suggest the newly established Nexus Centre for place based approaches might be one avenue to achieve this goal, responding to the large body of evidence that communities are best placed to understand their own needs and contribute to how these needs can be addressed. Please see Focus Area 5 for more.

In terms of streamlining reporting requirements (question 2.6), ARACY believes there is a wider conversation to be had to understand how best to evaluate impact as well as activity in community services. The first “call to action” of *Paying What It Takes: funding indirect costs to create long-term impact* (SVA and CSI, 2022) is:

“Sector leaders are encouraged to support a range of activities and initiatives that educate not-for-profits, funders, government, the media and the general public that:

- a. Not-for-profit funders should focus on impact
- b. Low indirect costs do not imply that a not-for-profit is being impactful, and high indirect costs do not imply that it is not impactful
- c. Effective not-for-profits incur shared and indirect costs that need to be funded to enable them to achieve their impact
- d. Understanding impact requires investing in measurement systems”<sup>vii</sup>

This investment in measurement systems was similarly called for the Productivity Commission’s 2010 *Research Report into the Contribution of the not-for-profit sector*<sup>viii</sup>.

It is important to note “understanding impact” is not the same as “impact evaluation”. Any such investment would require a sophisticated approach that balances the requirement for monitoring of public expenditure with evaluation that appreciates the complexity of entrenched social issues and is able to provide context, nuance, and long term understanding of the contribution of any program or service.

This includes investing in high quality process evaluation that looks at accessibility, coverage and quality and which aims to improve it during implementation. It further includes understanding and developing the “pre-conditions for success”, such as growing relationships, trust and innovative governance.

Patricia Rogers describes these multiple forms of evaluation effectively and succinctly in her article *Risky behaviour — three predictable problems with the Australian Centre for Evaluation* (Medium, 2023)<sup>ix</sup> and notes the potential for the Australian Centre for Evaluation to be a leader in supporting and driving innovative evaluation.

### Focus Area 3: Providing longer grant agreement terms

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

ACOSS, in their 2021 report *Valuing Australia's community sector: Better contracting for capacity, sustainability and impact*<sup>x</sup>, recommend standard contract lengths for community sector grants should increase to at least five and preferably seven years for most contracts. They further recommend contracts for service delivery in remote Aboriginal and Torres Strait Islander communities should be for a period of 10 years.

Where grants are varied, extended or come to an end, ACOSS recommend improving transitional funding arrangements for community sector organisations through:

1. An amendment to grant rules to ensure that service providers are given at least six months' notice of any renewal or cessation of funding. Where this cannot be achieved, and services are ceased, a contract extension of at least 12 months is provided
2. Contract provisions that allow an organisation to request additional funding where a contract is not renewed to manage the transition of services to another provider
3. Transparency, so that where funding has been transferred from one provider to another, they are made aware so as to facilitate the referral of service users
4. An 'Industry Fund' to resource retraining, redeployment and other supports for workers displaced by major reform programs.

The same ACOSS paper makes recommendations for improving funding flexibility. These recommendations include specifying outputs, outcomes and activities in contracts rather than inputs; permitting organisations that deliver services more efficiently to "keep" surpluses and redirect them to service delivery rather than return them to consolidated revenue; and including contract provisions that organisations faced with serious impacts from natural disasters can redirect funding to meet agreed alternative services. ACOSS further recommends removing restrictions on using government funds for advocacy or law reform in funding contracts. ARACY supports all these recommendations.

Another area of support CSOs may require where funding ceases is in record-keeping. The cessation of major funding can be the trigger for a CSO to end operations. However the obligation to maintain records, for example to meet tax requirements, can then pose a problem for organisations who are now without funding.

In the case of CSOs who act as systems intermediaries, we would further support the recommendations contained in Social Ventures Australia's *Growing fields, shifting systems A guide to effectively funding field-building intermediaries* (2022)<sup>xi</sup>. The authors observe:



“... when funders invest in a field-building intermediary but treat it as if they are funding a service or advocacy or research organisation they can create tension and difficulty and – at worst – limit the organisation’s effectiveness. For example, expecting the same results, timeframes and evaluation approaches of a field-building intermediary to a direct service or advocacy group can pull the organisation away from its focus and best contribution to trying to satisfy inappropriate funder expectations.”<sup>xii</sup>

The authors recommend funding for field-building intermediaries enables the flexibility and responsiveness required to work across a system or field by providing unrestricted funding rather than programmatic or project funding linked to specific outputs. The funding should also account for the depth of relational work involved and the fact that collaborative work can take more resources in order to produce results that are sustained.

#### **Focus Area 4: Ensuring grant funding flows to a greater diversity of community sector organisations (CSOs)**

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

Growing diversity within the sector will require committing to a range of positive initiatives, as well as unpicking some processes and structures which have the effect of reducing diversity.

Many grant processes, including those requiring Deductible Gift Recipient status, have the effect of excluding smaller or newer organisations. In general, smaller organisations have fewer resources with which to seek or manage funding (writing applications, completing reporting requirements, etc). Achieving some of the system-wide changes identified in the Issues paper, such as streamlined and harmonised reporting, would ease the burdens and lower the “cost of entry” for more organisations.

However, ARACY believes that to grow the diversity of the sector sufficiently to reflect Australian society, proactive measures to increase diversity will also be required.

By this, we do not mean growing the size of the sector. As the Issues Paper notes, there are currently over 60,000 registered charities in Australia. The work to be done is on ensuring a greater diversity of organisations have the opportunity to form stable, long-term funding partnerships with government.

As recommended by ACOSS, increasing the term of contracts for service delivery in remote Aboriginal and Torres Strait Islander communities to 10 years would provide certainty of funding and support more Aboriginal-controlled organisations into long-term and stable relationships with government/s.

Where services are procured to support specific cohorts, such as First Nations or CALD communities, or where these groups are highly represented in a community’s demographics, procurement criteria should privilege organisations who reflect and represent the communities they will support.

The Department should further consider active efforts to grow the capability of smaller and more diverse CSOs. Adding a premium to qualifying organisation’s contracts for the purpose of supporting governance and probity, for example by buying in finance support or growing in-house teams, would increase capacity and grow capability.

Organisations who act as systems intermediaries have an important role to play in increasing diversity and capability across the sector. Griffith University's Pathways in Place group undertook a literature review that found four key functions of a systems intermediary<sup>xiii</sup>. These are:

- Linking people by bringing them together
- Managing and communicating knowledge
- Building capacity in others
- Facilitating collaborative sense-making and decision-making.

Each of these functions has an important role to play in growing diversity and capability across the field, including bringing in a wider range of actors and helping to disseminate their unique knowledge and perspective.

When considering the role larger CSOs might play in supporting smaller organisations (question 4.3), it is instructive to look at the experience of the Department of Defence and its Major Service Provider Panel, established in 2018. Designed to streamline Defence procurement and secure an ongoing strategic capability, the MSP Panel concentrated Defence contracting and consulting services across 79 skill sets in the hands of four major consortia. Importantly, most of these consortia were formed by companies who were previously competitors – ie, there was no reason for them to come together in this way before the Department of Defence created an incentive to do so.

These four companies went on to earn \$2.246bn in three years, through 947 contracts with 759 extensions<sup>xiv</sup>.

While the intent was for up to 40% of work to flow down to small to medium enterprises (SMEs) through subcontracting, including specialist subcontractors, there was and is no public reporting of this. Smaller companies who were now required to subcontract were concerned about the risk of losing the Intellectual Property and specialist capability that is their unique selling point, while the Major Service Providers were now in a position to not only charge a margin on the smaller companies' work, but were well placed to poach key employees using their much greater purchasing power. The Major Service Provider Panel was reviewed in 2021, with the 2023 final report criticising its lack of transparency, uncompetitive practices and good value.

While the community services sector is a very different beast, there are still lessons to be learned. The nature of social services is to confound market forces. Thin or absent markets, major discrepancies in access and affordability, and the recent withdrawal of major players from some markets altogether in response to economic pressures – for example, Anglicare Tasmania withdrawing from providing NDIS services in January of 2023 – demonstrate that a purely market-led approach is insufficient, and blunt instruments such as requiring consortia or subcontracting risk skewing the market in unintended ways.

The Department of Social Services would be better to invest in systems intermediaries to achieve a more diverse and capable CSO sector, rather than placing this role on larger providers.

## Focus Area 5: Partnering with trusted community organisations with strong local links.

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

The popularity of place-based working has created unintended consequences of its own, including causing inadvertent competition for resources and participants and burnout among community leaders. The proliferation of programs, projects and pilots has also resulted in time-limited, siloed and piecemeal investments in place. Many place-based leaders talk about the high transaction costs of doing business with limited collaborative, cumulative or compounding value.

Recent mapping done by ARACY of place-based initiative sites in the 2023 paper *Place-based Initiatives in Australia: an overview*<sup>xv</sup> shows that in many cases overlaps, duplication and subsequent role confusion continue to proliferate the picture becomes even more complicated when place-based approaches led at the state or territory level are factored in.

ARACY found that many “place-based” initiatives were focused on a single issue (eg, homelessness, family violence, children, health, employment, etc) and were not coordinated or designed in response to a full understanding and prioritisation of community needs.

With all best intentions, multiple actors are seeking to apply place-based approaches in the same or overlapping geographical areas, frequently without the dedicated coordination and alignment that is typically assumed to be a hallmark of this way of working.

For example, ARACY notes a 2016 review conducted by the Children and Youth Area Partnership in Gippsland, Victoria, found nearly 50 place-based partnerships and alliances that each sought positive impact on vulnerable families, children and young people. A conservative estimate of state government funding placed its investment close to \$4m. A total of 33 full time equivalent (FTE) staff were spread among the different organisation, and participants in various groups estimated they spent more the 4,600 hours in the nearly 300 meetings per year.

Underneath these numbers lie a very real impost on not only the time of these participants, spread across communities, levels of government, and NGOs, but their energy, enthusiasm and commitment.

While little published research has investigated this issue, the issue appears to be greater for First Nations community leaders, members and organisations. Many place-based initiatives are working in areas with high populations of Aboriginal and Torres Strait Islander people, along with other priority populations such as Culturally and Linguistically Diverse (CALD) and refugee populations. Community groups made up of and serving these populations may find themselves in a paradox of having little real power, but being frequently invited to the table to provide their expertise and connections, often without reimbursement (eg, Hunt, 2013).

In Gippsland, the Children and Youth Area Partnership review found strong consensus among the relevant organisations that the funding paying for their 33-odd FTE staff could be much better used if it were pooled. Rather than each organisation having 1-2 generalist employees who needed to be able to

turn their hands to a little bit of everything, combining their resources could have allowed them to hire dedicated evaluation specialists, communications specialists, First Nations community workers, and many other specialisations that would have greatly strengthened the resource base of the regional child and family field.

However, upon investigation, it became clear none of the leaders felt they had the authorisation to even agree the idea in principle, let alone begin the work of unpicking the different organisational and funding requirements to enable resource pooling. The opportunity to build a shared and more powerful resource base across the region was lost.

It is clear investment is also required in government ways of working with communities, including workforce capabilities and institutional arrangements required for place-based approaches to succeed.

Flexible organisational structures and funding is required to enable local staff to participate both in the collective work as well as the work of their own organisations. Resources are generally managed through siloed reporting lines rather than pooled around the needs of the community. This is paradoxically often even more pronounced in those cases where presenting complexity results in engagement with multiple services and sectors. This mode of operating can also predispose services to siloed ways of thinking and doing, stifle innovation and necessitate “workarounds” at the individual worker level that are often not acknowledged, learned from or systematised.

In recent years there has been a growing movement towards a more relational approach to designing and investing in social services according to community need. In their 2020 paper *All together: A new future for commissioning human services in New South Wales*<sup>xvi</sup>, which distilled knowledge across Australia, New Zealand and the United Kingdom, Sydney Policy Lab noted that good commissioning needs to adopt four key principles:

- centering on the need to build relationships and trust
- elevating the role of communities in planning and delivery
- embedding learning and flexibility to allow for experimentation, reflection and evolution
- rethinking funding models to invest in people and communities.

While significant place-based initiatives are underway and new commitments will improve resourcing, the long-term financing model is yet to be seriously grappled with. Supporting strategic investment in places by maximising recent opportunities would improve certainty of resources for existing place-based initiatives. This would require working across all levels of government (Commonwealth, State, Territory and local government) to empower shared decision-making at the local level and combine investment across and in place.

One way to achieve this would be to establish an investment framework and mechanism that coordinates place investment across government(s), engages communities in investment planning and decisions, streamlines programs and processes, and delivers long-term, outcome-based resourcing in effective initiatives tailored to the local context as well as linking up investments to place-based (community) plans

This would include mechanisms to generate, administer and oversee distribution of commissioning funds for place-based initiative. Here there is an opportunity to learn from the innovative approach currently being undertaken in New Zealand. Through its Social Sector Commissioning 2022-2028 Action Plan<sup>xvii</sup>, the New Zealand Government is working with non-government organisations and communities to transform the way supports and services are commissioned.

Effective place-based collaboration requires innovative governance. A recognition that the governance required in the establishment phase is different to what will be required later on, and a commitment to regularly reviewing and redesigning is key, along with acceptance and patience from funders that time and effort invested in this way will pay off over the long term. Peter Shergold AC, writing in *The Conversation* over a decade ago, observed:

“If NFPs can be given a real opportunity to collaborate in the delivery of government services, including in designing the programs they are contracted to deliver, then one can envisage **a more participatory and networked form of governance.**”<sup>xviii</sup> (emphasis added)

The Thriving Queensland Kids Partnership’s *Place Conversations* (2023), a report capturing the outcomes of an event bringing together sixty-five delegates representing diverse organisations engaged in place-based approaches, identifies necessary enabling conditions across six levers of change: putting data and evidence to work; stronger workforces; integrated services; engaged communities; concerted leadership; and smarter investment. Full detail can be found in *Place-based Initiatives in Australia: an overview* (ARACY, 2023)<sup>xix</sup>.

## Conclusion

Recommendations addressing the key questions raised in the Issues Paper can be found in multiple reports, papers and research over the last several years. ARACY commends the work of ACOSS, Social Ventures Australia, the Centre for Social Impact, the Australia Institute and the Productivity Commission, among others, and endorses the specific recommendations identified in this submission.

ARACY recommends that the Department recognise the value created and added by the CSO sector as they deliver the services by which Government meets its obligations to Australian communities, as they enhance their capability through dedicated strategy, evaluation and development, and as they bring together the disparate actors across this and related systems to align effort, identify opportunity, and generate solutions. This wide-ranging value must be adequately and consistently funded over the long term, in ways which enable CSOs to meet the constantly evolving demands of the landscape and ensure their long-term fitness.

## November 2023

For further information please contact:

██████████ Lead for Operations  
██

## References

---

- <sup>i</sup> Skelton L (2021) A cheat sheet to “Evaluating the Results of Intermediary Organisations – A Paper for Intermediaries in Australia”, Mark Cabaj. Collaboration For Impact. Retrieved from <https://collaborationforimpact.com/a-cheat-sheet-to-evaluating-the-results-of-intermediary-organisations-a-paper-for-intermediaries-in-australia-mark-cabaj/> .
- <sup>ii</sup> Cabaj M (2021) Measuring the contribution of intermediary organisations. Paul Ramsay Foundation. Retrieved from <https://www.paulramsayfoundation.org.au/news-resources/measuring-the-contribution-of-intermediary-organisations-e> .
- <sup>iii</sup> Blaxland M and Cortis N (2021) Valuing Australia’s community sector: Better contracting for capacity, sustainability and impact. ACOSS.
- <sup>iv</sup> Social Ventures Australia and the Centre for Social Impact (2022) Paying what it takes: funding indirect cost to create long-term impact. Social Ventures Australia.
- <sup>v</sup> Shergold P (2011) Can governments and community organisations really collaborate? The Conversation. Retrieved from <https://theconversation.com/can-governments-and-community-organisations-really-collaborate-394> .
- <sup>vi</sup> Cortis N and Blaxland M (2022) Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey. ACOSS.
- <sup>vii</sup> Social Ventures Australia and the Centre for Social Impact (2022) Paying what it takes: funding indirect cost to create long-term impact. Social Ventures Australia.
- <sup>viii</sup> Productivity Commission (2010) Contribution of the Not-for-Profit Sector, Research Report.
- <sup>ix</sup> Rogers P, (2023) Risky behaviour — three predictable problems with the Australian Centre for Evaluation, Medium. Retrieved from [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) .
- <sup>x</sup> Blaxland M and Cortis N (2021) Valuing Australia’s community sector: Better contracting for capacity, sustainability and impact. ACOSS.
- <sup>xi</sup> Miller-Dawkins M (2022) *Growing fields, shifting systems A guide to effectively funding field-building intermediaries*. Social Ventures Australia.
- <sup>xii</sup> Miller-Dawkins M (2022) *Growing fields, shifting systems A guide to effectively funding field-building intermediaries*. Social Ventures Australia.
- <sup>xiii</sup> Branch S, Riley T, Krahe M, Klepac Pogrmilovic, B, Craike M (2021) System Intermediaries: a brief literature review. Findings snapshot. Pathways in Place: Co-Creating Community Capabilities: Griffith University, Queensland and Victoria University, Victoria.
- <sup>xiv</sup> Glenn, J (2021) Defence’s MSP creation is without strategy, and at a premium for resources. The Mandarin. Retrieved from <https://www.themandarin.com.au/150531-defences-msp-is-without-strategy-and-at-a-premium-for-resources/> .
- <sup>xv</sup> Harris D, Cann R, Dakin P, Narayanan S (2023) Place-based Initiatives in Australia: an overview. ARACY.
- <sup>xvi</sup> Goodwin S, Stears M, Riboldi M, Fishwick E, Fennis L (2020) All together: A new future for commissioning human services in New South Wales. Sydney Policy Lab, University of Sydney.

---

<sup>xvii</sup> Ministry of Social Development, 2022, Social Sector Commissioning 2022–2028 Action Plan, New Zealand Government.

<sup>xviii</sup> Shergold, P (2011) Can governments and community organisations really collaborate? The Conversation. Retrieved from <https://theconversation.com/can-governments-and-community-organisations-really-collaborate-394>.

<sup>xix</sup> Harris D, Cann R, Dakin P, Narayanan S (2023) Place-based Initiatives in Australia: an overview. ARACY.