

Submission to the Department of Social Services:

A stronger, more diverse and independent community sector

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Introduction

Thank you for the opportunity to contribute feedback on how the government can support a stronger, more diverse and independent community sector.

Ecstra Foundation welcomes the government's commitment to supporting and strengthening the sustainability of the community sector.

Improved approaches to community sector grant funding will provide greater certainty for community sector organisations (CSOs), improve long term sustainability, and lead to a more impactful sector. A sustainable and thriving community sector is vital to Australia's social and economic health.

Ecstra Foundation's submission provides responses to the themes raised within focus areas 1 - 5 of the Issues Paper *A stronger, more diverse and independent community sector* (the Issues Paper).

Our submission draws on our experience of funding and partnering with over 130 CSOs working to address economic exclusion and build financial wellbeing for people and communities. It includes practical examples of Ecstra's extensive grants program and how CSOs are addressing persistent issues of economic inequality through their work.

About Ecstra Foundation

[Ecstra Foundation](#) (Ecstra) is an independent charitable foundation committed to building the financial wellbeing of Australians within a fair financial system. Our mission is for more Australians to be confident making money decisions today, and to be planning for the future.

Ecstra is relatively unique in Australia, with a dedicated focus on supporting financial education, capability and wellbeing initiatives. Ecstra has committed \$32 million over four years in grant funding to 130 grant partners across these domains.

We work with partners in communities, schools and other learning environments to map, design, deliver and measure financial education initiatives that help build individual financial literacy, capability and confidence. We also support consumer organisations in their work to address the many structural barriers to financial inclusion and economic security.

Our free national financial education program in primary and secondary schools [Talk Money with Ecstra Foundation](#), helps school students learn about money lessons for life, be confident talking about money and to make informed decisions. Since launching in 2022, Talk Money has engaged 1,031 schools, delivered over 6,200 workshops with more than 230,000 student bookings and continues to expand to schools nationally. To date, a significant proportion of schools in lower socio-economic areas (32%) and regional and rural locations (23%) have benefitted from the program.

Ecstra's initial funding was provided through ASIC's Enforceable Undertaking regime (namely community benefit payments), ensuring that consumers are always at the centre of our work.

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

Charities make a significant contribution to Australian society and its economy. They provide critical services and support that people, communities, businesses and governments rely on and their economic contribution is equivalent to 8.5% of Australia's GDP¹.

CSOs work closely with the people and communities they serve. They are trusted by their communities and have a deep understanding of local needs, challenges and opportunities.

Philanthropic funders are also uniquely placed, often with established networks, expertise in the core areas they fund into, strong partnerships with the charities they work with, and the flexibility to collaborate with a range of stakeholders around an issue or cause.

Ecstra welcomes the recognition in the Issues Paper that there are opportunities for Government to collaborate and consult more closely with CSOs and the community in the design, implementation, and evaluation of government community sector grant funding.

We strongly support the use of co-design principles in structuring and delivery of funding programs. This is particularly important when considering how grant programs can better support diverse cohorts, First Nations communities and initiatives that seek to address complex, intersecting issues.

To balance the time and resource constraints often experienced by CSOs, Government could more effectively leverage peak sector bodies and philanthropic organisational knowledge and connections with the community, CSOs and private sector. This would assist in identifying gaps, opportunities to scale existing, effective initiatives and to learn from the outcomes of work to date.

We support bolstering the role and responsibilities of the Community Services Advisory Group and the commitment to undertake a membership review. As part of this process, there should be greater opportunity to hear directly from people with lived experience to ensure that addressing the needs of people and communities is at the centre of program design and delivery. Government grant agreements should also include specific funding provision to ensure CSOs are sufficiently resourced to embed lived experience in the design, delivery and review of services and support.

Some philanthropic organisations do include provisions in their grants for embedding lived experience expertise in their funding. However, if Government were to lead by adopting this best practice approach it is reasonable to assume that private sector and philanthropic bodies will follow.

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

Ecstra welcomes the commitment to ensuring grants reflect the real cost of delivering quality services. As acknowledged in the Issues Paper, CSOs are experiencing unprecedented demand for their services due to rising cost of living, the ongoing impacts of the pandemic and a series of severe weather events. They also face increased financial pressure from inflation and the recent Fair Work Commission minimum wage decision.

In many instances, they are also navigating staff and volunteer shortages and high turnover. As noted in the Issues Paper, despite recent welcome investments by Government to further

¹ 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.

support the sector, CSOs report that these investments have not kept up with increased service demand and rising costs of service delivery.

Underinvestment in essential areas and costs

Research shows CSOs in Australia are not adequately funded for the actual cost of providing their services, with many organisations reporting underfunding of indirect costs in funding agreements². As noted in the Issues Paper, the Australian Council of Social Service's 2022 Australian Community Sector Survey found that only 9% of community sector leaders agreed that funding covers the full cost of service delivery (representing a significant reduction from the 2021 results of 20%).

Through our work with over 130 grant partners focused on financial capability and wellbeing, grantees identified underfunding of essential areas such as impact evaluation, IT and cybersecurity, marketing, legal and human resources.

Measurement and evaluation costs

Increased awareness and demand for outcomes measurement by many funders, including Government, has led to increased reporting requirements for many CSOs. Through our financial capability work and grant making, we observe that CSOs often face a range of evaluation and impact measurement barriers³. This includes cost, time, resourcing and capacity constraints, as well as lack of access to outcomes planning tools and methodology, especially with regards to selecting appropriate measures for financial wellbeing.

Ecstra builds funding support into our grants to assist with impact measurement and evaluation. Grant partners also have access to our self-guided Outcomes Tool, which includes a template theory of change and an outcomes/indicator bank, with suggested survey questions and inbuilt flexibility to suit the needs of the grant partner.

More substantial grants may involve specific provision for an external evaluation, whilst integrating our financial capability/wellbeing indicators as part of their reporting. Providing access to evaluation tools and covering evaluation costs ensures grantees have the necessary resources to undertake effective evaluation, allowing them to focus on project delivery without having to expend more time and effort to find solutions to cover the cost.

Operating and indirect costs

Maintaining, upgrading, and staff resourcing for effective and essential IT infrastructure is an ongoing and increasing challenge for many our grant partners. Ecstra's Response and Recovery grant round supported CSOs to pivot to remote and digital delivery to ensure financial support services and outreach could continue during the pandemic and successive lock downs. Investment is crucial not only to optimise service delivery and operational efficiency, but also to minimise cybersecurity risks. Infoxchange's 2022 report on digital technology in the not for profit sector revealed that urgent action is needed to address the information security shortcomings apparent across the sector⁴.

In addition to the areas above, many of Ecstra's grants explicitly fund headcount cost – budgeted positions to deliver on a specific project, as well as percentage estimates of management time. Specialist positions are often not funded via grants as they are seen as

² *ibid.* While this research primarily focused on philanthropic funding, insights collected about government funding indicate that funding of indirect costs is highly variable, with underfunding occurring in some areas.

³ For an overview of impact measurement challenges faced by both funders and grantees identified during the development of Ecstra's framework see: [Building a sector-wide approach to measuring impact](#)

⁴ Infoxchange (2022) *Digital Technology in the Not-for-Profit Sector*

'business as usual'. However, roles in areas such as marketing and legal build the internal capacity of organisations to deliver on their mission.

A practical illustration of this is Ecstra's multi year support of Two Good Co. This was initially a project grant to support 20 women experiencing homelessness, domestic violence and complex trauma through a structured employment program in Two Good's catering business, with wraparound financial capability support. This has expanded to a multi year partnership, supporting the program manager role, as well as marketing and social media outreach to help increase Two Good's community engagement, brand and product recognition and ultimately to sell more products to fund the employment program and achieve better job outcomes for women.

For CSOs to run efficiently and effectively, investment in indirect costs is essential. CSOs that spend less on indirect costs are not necessarily more efficient or effective⁵. In fact, research suggests that spending insufficient resources on indirect costs can potentially reduce effectiveness⁶.

To reflect the actual cost of delivering quality services, funding arrangements should include appropriate provision for costs such as impact evaluation, IT and cybersecurity, marketing, legal and human resources. If the grant requires grantees to expend resources and costs to meet specified grant requirements, these should also be explicitly provided for.

Flexibility is essential in a complex operating environment

Ecstra supports greater flexibility in funding terms to reduce inefficient use of resources and excessive reporting on deliverables. This enables CSOs to redirect resources to respond to community needs and adjust timing, priorities and program/ delivery approaches accordingly.

Many of Ecstra's grant partners and the communities they serve continue to deal with the impacts of the cost of living crisis, natural disasters, the pandemic, workforce shortages and turnover. Ecstra remains flexible and responsive as needed by our grant partners at different stages of the grant cycle and open communication is key. This includes adapting project timelines, amending deliverables under the grant agreement and restructuring the allocation of funding within a grant in discussion with partners.

3. Providing longer grant agreement terms

Longer grant agreement terms for Government grants would be welcomed by CSOs and philanthropic organisations. A grant strategy that includes both longer multi-year and short-term grants can be effective in driving positive outcomes and measuring impact over time, as well as ensuring new players have access to grant opportunities to grow and encourage innovation.

Ecstra's many multi-year commitments provide partners with the funding security to plan longer project cycles, with time and space to develop and scale sustainable and effective approaches. Multi-year funding provides the certainty needed to enable capacity building, staff recruitment, development and project planning. It enables CSOs to respond to emerging issues and opportunities and direct resources to where they are most needed. It can also reduce administrative burdens for both funder and grantee by reducing the application and renewal process.

⁵ Social Ventures Australia and the Centre for Social Impact (2022) *Paying what it takes: funding indirect costs to create long-term impact*. Social Ventures Australia

⁶ *ibid*

Multi-year funding arrangements can support the development of a trusted partnership, with more open and robust communication channels and sharing of outcomes. This may go some way to addressing perceived or actual power imbalances often inherent in grant making. Importantly, this enables greater exploration of 'what works' and 'what doesn't', facilitating a better understanding of how to drive change.

Further, longer term grant agreements can encourage innovation by providing for new or alternative approaches to be tested alongside existing programs, where appropriate.

Transparency and clear selection criteria are essential for any grant program, regardless of duration. For longer term grant agreements, an evaluation framework should be developed early in the planning stages with agreement reached on review requirements and adjustment mechanisms across the life of the grant. Sufficient lead times for adjustments to funding and renewals is critical to enable adequate time for CSOs to plan for variations. This also enables both funder and the CSO to assess the impact on the organisation, initiative and the community of any possible change.

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

We welcome the commitment to ensuring that funding for community services support a variety of organisations, including organisations that support specific cohorts and intersectional community groups. Transparency and ensuring a diverse range of CSOs have equitable access to participate in grant programs is essential.

Ecstra is supportive of a review and mapping of funding flows from government to CSOs to help identify barriers, gaps, opportunities for collaboration between providers and encourage greater transparency. Achieving positive outcomes for people and communities is the primary goal and focus when assessing CSOs' suitability for funding. Matching the need to the solution recognises that place based approaches may be best implemented by local organisations already embedded in the local community, or for large social change programs well established, national CSO expertise and delivery may be preferable.

Streamlining the application process, setting clear funding principles and criteria, setting and communicating sufficient lead times and providing feedback where possible are all essential practical steps to ensuring a diverse range of organisations access grant opportunities. Given the barriers many smaller CSOs face to impact measurement (outlined above), a lack of evaluation experience or evidence should not be a bar to grant progression. An investment by Government in guidance resources and tools can help remove some of these barriers.

5. Partnering with trusted community organisations with strong local links

Ecstra supports an increased and continuing focus on testing innovative community-led approaches and supporting place-based models for community sector grants funding.

Community led initiatives bring together people and resources to identify common challenges and address them collectively. Ecstra's grants fund a range of place based approaches that understand local community needs and provide critical support when and where needed. These grants are evidence-based, with grantees often already providing holistic services in their community. The projects incorporate the voices and insights of people with lived experience, putting community and user needs at the centre of the approach.

Ecstra's women's economic security grants include partnerships with CSOs leveraging their knowledge and links to local communities to tackle workplace participation for women facing barriers to mainstream employment. These organisations are creating training and employment opportunities and providing financial capability support. This includes

Multicultural Youth SA (MYSA), who works with young migrant and refugee women in South Australia. Through their events business, MYSA provides participants with their crucial first job, helping them develop a range of transferable skills and provides access to wrap-around financial capability support.

Women's Health in the North's (WHIN) award-winning Let's Talk Money program uses a bilingual, peer educator/trainer approach. WHIN recruits, employs, and improves the skills of women from diverse cultural backgrounds to deliver practical, tailored money management workshops to women in their own language and community in the Northern suburbs of Melbourne.

Our partnership with Community Foundations Australia saw 10 communities across Australia design place based approaches to address economic inequality and exclusion. A deep understanding of local priorities and people lies at the heart of the community foundation model. This included Bass Coast Community Foundation who developed a profile of financial vulnerability across the Bass Coast community to better direct services. Fleurieu Community Foundation developed a financial wellbeing and goal setting program using accredited counsellors. The project was convened by Community Foundations Australia, and their [Impact Report](#) illustrates the many opportunities to work with diverse partners at a local level.

There is opportunity for Government to leverage the knowledge and insights of philanthropic organisations, many of whom are working with a broad range of CSOs and stakeholders including CSOs catalysing change through place based initiatives. Philanthropic organisations also have deep experience in structuring grant programs and funding models and impact evaluation.

Summary

The community sector makes a significant contribution to Australian society and its economy. It provides critical services and support that people, communities, businesses, and governments rely on and generates value for our economy.

Improved approaches to community sector grant funding will provide greater certainty for CSOs, improve long term sustainability, and lead to a more impactful sector. A sustainable and thriving community sector is vital to Australia's social and economic health.

Ecstra's key points and recommendations are as follows:

- Government could more effectively leverage peak sector bodies and philanthropic organisations' knowledge and connections with the community, CSOs and private sector to balance the time and resource constraints often experienced by CSOs. This will assist in identifying gaps, opportunities to scale existing, effective initiatives and to learn from the outcomes of work to date.
- Ecstra supports bolstering the role and responsibilities of the Community Services Advisory Group and the commitment to undertake a membership review. As part of this process, there should be greater opportunity to hear directly from people with lived experience to ensure that addressing the needs of people and communities is at the centre of program design and delivery.
- The Government's commitment to ensuring grants reflect the real cost of delivering quality services is welcomed. Flexible and sufficient grant funding that covers the true cost of program development and delivery is fundamental to helping initiatives succeed and be sustainable. This includes ensuring appropriate provision is made for essential costs such as impact evaluation, IT and cybersecurity, marketing, legal and human resources. Ensuring there is appropriate flexibility in funding terms enables CSOs

to respond to changing community needs and adjust timelines, resources, priorities and delivery/program approach accordingly.

- Multi-year funding commitments can help achieve more sustainable, significant impact and facilitate scaling of effective approaches. Ecstra is supportive of longer grant agreement terms for Government grants.
- Ensuring a diverse range of CSOs have equitable access to participate in grant programs is a best practice approach. Practical measures that can increase access and transparency include streamlining the application process, setting clear funding principles and criteria, setting and communicating sufficient lead times and investing in guidance resources and tools, including for impact measurement.
- Tailored support that leverages strong local links and knowledge can be an effective model for addressing complex issues and improving outcomes for communities. Ecstra supports an increased and continuing focus on testing innovative community-led approaches and supporting place based models for community sector grants funding.

Ecstra welcomes the opportunity to engage with Government and stakeholders as the review is progressed and to discuss the observations and recommendations in our submission.

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