



# VALUING AUSTRALIA'S COMMUNITY SECTOR: BETTER CONTRACTING FOR CAPACITY, SUSTAINABILITY AND IMPACT

JUNE 2021



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# Foreword

This research report outlines a number of funding and contracting challenges and roadblocks that make it harder to achieve outcomes for the people and communities that ACOSS and our members work with. Many of these challenges are not new – they have been a feature of the landscape that the community sector has worked in for years. They have however accumulated over many years, and now present a series of unnecessary roadblocks to achieving the change we want to see for people experiencing poverty and disadvantage. Removing them would make a real difference to our sector’s capacity to do our important work.

This foreword distils the discussion, dialogue and engagement with ACOSS’ members that has occurred over several years – including, importantly, this research – into a summary of the key sector funding and contracting issues that need to be addressed. Feedback from our members via a number of different forums is reflected – the research conducted by SPRC, policy network meetings, CEO network meetings and a range of other ways that ACOSS has engaged over the last few years. It also reflects some of the research, analysis and submissions that ACOSS, and our members have developed.

Our engagement and research have identified seven key issues to be addressed to varying degrees by different jurisdictions and agencies:

- Contract lengths that are too short, and that create sustainability issues and stifle innovation
- Funding transition processes that cause unnecessary uncertainty and disruption.
- A lack of commitment to funding a range of organisations, small, medium and large, working to address poverty, disadvantage and marginalisation.
- A lack of commitment to funding the full cost of service delivery, including adequate indexation and a cessation of the efficiency dividend for non-government organisations.
- Only limited flexibility in how grants are used and acquitted, hampering the capacity of organisations to innovate.
- Funding and policy development processes where people who use the services are not at the centre of the design and delivery.
- A lack of commitment to fund and support advocacy by the representatives of people and communities experiencing poverty and disadvantage as a legitimate part of our public debate.

From these issues, ACOSS makes seven recommendations to improve the funding and contracting environment for non-government, not for profit community services in Australia.

## Recommendations:

1. Increase standard contract lengths for community sector grants to at least five and preferably seven years for most contracts; and 10 years for service delivery in remote Aboriginal and Torres Strait Islander communities.
2. Improve transitional funding arrangements for community sector organisations through:
  - (a) 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;
  - (b) 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;
  - (c) 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;
  - (d) An 'Industry Fund' to resource retraining, redeployment and other supports for workers displaced by major reform programs.
3. Commit to funding a range of organisations, small, medium and large, working to address poverty, disadvantage and marginalisation.
4. Fund the full cost of service delivery, including:
  - (a) Infrastructure, management and administration costs
  - (b) Appropriate indexation, that is uniform across funded organisations, published annually, and reflects the actual increase in costs incurred by funded organisations.
  - (c) Committing to non-application of efficiency dividends to community sector funding.
5. Apply further flexibility to funding arrangements, including:
  - (a) By specifying outputs, outcomes and activities in contracts rather than inputs;
  - (b) By permitting organisations that deliver services more efficiently to "keep" surpluses and redirect them to service delivery rather than return them to consolidated revenue; and
  - (c) By including contract provisions that organisations faced with serious impacts from natural disasters (including pandemics) can redirect funding to meet agreed alternative services.
6. Place the people and communities who use services at the centre of planning, design, procurement, management and governance of all services purchased using a commissioning approach.
7. Remove restrictions on using government funds for advocacy or law reform in funding contracts.

# Executive summary

The COVID-19 pandemic has helped illuminate both the vital role played by Australia's community service organisations and some of the ongoing challenges of undervaluation they face. While many temporary changes were made in the last year, government contracting and funding arrangements continue to place community service organisations under undue strain due to inadequate funding, insufficient flexibility, short funding cycles and performance targets that poorly reflect service priorities.

As part of the Australian Community Sector Study,<sup>1</sup> the UNSW Social Policy Research Centre (SPRC) was contracted by the Australian Council of Social Service (ACOSS) to conduct research into the experiences of the community services sector during early 2021.<sup>2</sup> Drawing on interviews and focus groups with 35 community services sector leaders working in diverse contexts across Australia,<sup>3</sup> this report shows that funding insecurity is persisting, with too many organisations reliant on short-term contracts that constrain their capacity to make a difference for communities. Leaders observe that although the community sector has performed essential work in addressing poverty and inequality through the crisis, funding continues to be inadequate to meet community needs. Many expressed frustration that contracting arrangements and funding levels meant they could not do more to serve their communities.

## Key findings

### Leaders call for 5 year contracts

Sector leaders reported that short contracts and uncertain renewal processes continue to undermine the sustainability of their organisations. Uncertainty about funding prevents planning for the long term, making it difficult to attract and retain qualified and experienced staff.

Some organisations had secured longer contracts and praised the significant benefits these offered: for service delivery, organisational efficiency and forward planning, and for staff. The advantages were such that they called for five year contracts to become standard.

**“Well, the thing for us is continuity of funding. Not once off, one year or two year funding, but, for heaven’s sakes, make it five years.”**

*Medium-sized migrant support service*

<sup>1</sup> For previous outputs of the [Australian Community Sector Study](#), see: Cortis, N & Blaxland, M (2020) [Australia's community sector and COVID-19: Supporting communities through the crisis](#). Sydney: ACOSS; Cortis, N. & Blaxland, M (2020) [The profile and pulse of the sector: Findings from the 2019 Australian Community Sector Survey](#). Sydney: ACOSS.

<sup>2</sup> Also see the companion report, Cortis, N and Blaxland, M (2021). [Meeting community needs in difficult times: experiences of Australia's community sector](#). Sydney: UNSW Social Policy Research Centre.

<sup>3</sup> See Appendix for a description of the research methodology.

### **Funding should meet full cost of service delivery**

Sector leaders said Australia's community sector is often stretching to do more with the same funding, or even less funding. They explained that an over reliance on short-term contracts and funding small projects and programs has left organisations without adequate resources for essential functions. They noted that the administration, management and infrastructure necessary for efficient, reliable and sustainable service delivery are frequently not allowed as costs in funding contracts. In addition, peak bodies noted that lack of funds for advocacy means that significant community concerns and issues which cross multiple governments or departments cannot easily be identified or addressed.

### **Support and resource a skilled workforce**

Sector leaders were concerned that current contracting and funding arrangements undermine the quality of the sector's workforce, and its capacity to support communities. They note that short term funding contracts typically result in short term employment contracts for staff, which undermines workers' security and their capacity to develop and sustain long-term relationships with the communities they support. When announcements about the renewal of funding contracts are late, staff are left uncertain if their employment contracts might be renewed. In addition, leaders observed that funding arrangements inhibit appropriate or competitive wages for workers, in some instances because funding agencies have not committed to fully funding the Equal Remuneration Order (ERO). Plus, community sector workers need ongoing professional development, yet some funding contracts restrict or prohibit the use of funding for this purpose.

### **Unsustainable funding arrangements lead to inefficient multiple small contracts**

To meet their resource needs and provide service continuity for the community and employment security for its workforce, sector leaders said they expended significant organisational resources seeking multiple small grants. They described managing multiple small contracts as inefficient, as the need to make frequent funding applications and to juggle different timeframes, rules and reporting requirements detracts from their core work of supporting communities.

### **Aiming for performance targets that reflect sector goals**

In the interviews and focus groups, sector leaders argued that there is a need to rethink the nature of the performance targets specified in their funding contracts. They said that the outcomes specified in contracts could better reflect the work of the community sector, and, importantly, to reflect their work addressing the large, long-term and structural issues they describe as the source of poverty, disadvantage and community needs.



## Small organisations face particular contracting challenges

Leaders from large and small organisations and from peak bodies were concerned that small organisations particularly struggle to maintain their funding in the current funding and contracting environment. The sector recognises and values the contribution of small organisations in supporting particular populations and local communities, and are concerned about the challenges these organisations face applying for funds, succeeding in competitive processes, and engaging in complex contractual and reporting environments.

## Opportunities for the future: Contributing to Australia's economic recovery

Importantly, the research identifies significant opportunities to improve contracting arrangements to enable Australia's community sector to meet immediate and long term community needs. Community leaders highlighted strong relationships with governments in which they collaborated to care for, support and develop communities. They also pointed to new contracting arrangements that represent significant gains for the sector, including longer-term contracts, flexibility in funding use and new approaches to performance targets. At this stage, these promising developments have not been translated into the longer term, widespread changes needed. However, they offer the potential to provide the security, stability and partnership model needed to ensure services are better placed to improve the lives of people experiencing adversity.

Moreover, sector leaders point to the potential benefits to the Australian economy of ensuring community sector sustainability through the creation of much needed jobs and economic stimulus.

**“Length of contracts and tenure of contract, and therefore tenure of employment...tend to destabilise the workforce, which is a shame. This is a great area for potential economic stimulus in terms of a greying workforce and creating opportunities for people”**

*National peak body*



# 1. Introduction

Australia's community service organisations work independently and in partnership with government, each other and business to generate a range of social, cultural and economic benefits across diverse populations and communities. As such, relationships between community sector organisations and government, especially their funding and contracting relationships, are critical to Australia's capacity to address poverty, disadvantage and inequality.<sup>4</sup> Strong partnerships have been particularly important in the context of the COVID-19 pandemic and the ongoing recovery period. Rising levels of community need and increasing complexity of need have highlighted the systemic inadequacies that have arisen through supporting community service provision with limited, inflexible and precarious funding arrangements.<sup>5</sup> To optimise resource use and strengthen sector contributions, funding relationships are needed that provide stability and an ability to plan for the future.

Yet for decades, Australia's community sector has operated in the context of undervaluation and underfunding and increasingly competitive funding arrangements, which community sector organisations find impede stability, collaboration and impact. The sector has found that levels of government funding are inadequate to meet need, and provide poor provision for the necessary overheads enabling service delivery, along with inadequate indexation. Staff experience the impacts of underfunding and undervaluation through under-classification relative to skill; limited provision of professional development, and truncated career paths. Inadequate support impedes the capacity to meet demand and maximise contribution to communities, and to innovate, respond to unexpected circumstances, develop, attract and retain staff, and plan for the future.

In addition, organisations have to support people and communities with complex needs by juggling multiple contracts across fragmented funding programs. Some organisations have had only insecure, short-term commitments of funding by government, which have flow-on effects on their capacity to provide staff with job security, and to plan for the future. Prior to the pandemic, research showed short contracts with government and uncertainty about the future of government funding programs were a major factor seen to hold the sector back. In late 2019 for example, only one in four organisational leaders felt that funding time frames were long enough to plan for the future. Organisational leaders reported that funders' administrative needs shaped funding programs and contracting arrangements, rather than the needs of the people and communities funding is intended to benefit.<sup>6</sup> The sector has also struggled to have its voices heard, as experts and co-design partners who can help develop more effective and sustainable tendering and procurement processes.

This research builds on previous research, conducted in mid-2020, which showed that around three in five organisational leaders reported government adjusted contracted deliverables, although many contract extensions were

<sup>4</sup> Mason, J. (2018). Commissioning for outcomes in NSW: an NGO perspective, <https://www.acwa.asn.au/wp-content/uploads/2018/11/ACWA-discussion-paper-final-version-29-October.pdf>

<sup>5</sup> Cortis, N and Blaxland, M (2021). *Meeting community needs in difficult times: experiences of Australia's community sector*. Sydney: UNSW Social Policy Research Centre.

<sup>6</sup> Cortis, N. & Blaxland, M (2020) *The profile and pulse of the sector: Findings from the 2019 Australian Community Sector Survey*. Sydney: ACROSS.

short term, and the sector remained concerned about their status in the medium to longer term.<sup>7</sup> Drawing on interviews and focus groups with 35 sector leaders,<sup>8</sup> this report is part of a series.<sup>9</sup> It shows that while the crisis period has highlighted constraints relating to funding and contracting practices, opportunities have also opened for governments to act decisively to directly address poverty and inequality, and to support Australia's community sector to progress an agenda of economic and social justice.

As this report shows, representatives from the community sector identified recent gains for the sector, such as five year contracts, funding flexibility and new ways of operationalising performance in contracted targets. However, these gains are not widespread, and not all are lasting. Underfunding and insecure, fragmented funding relationships remains the norm. Governments have not yet translated measures into longer-term investments needed for the recovery and beyond. By contributing insight into community sector experiences of contracting with government, the report highlights priorities for sustaining sector capacity and sustainability beyond the crisis period, and opportunities to improve relationships with governments and enable Australia's community sector to progress agendas of economic and social justice.



<sup>7</sup> Cortis, N & Blaxland, M (2020) *Australia's community sector and COVID-19: Supporting communities through the crisis*. Sydney: ACOSS.

<sup>8</sup> See Appendix for a description of the research methodology.

<sup>9</sup> See also Cortis, N and Blaxland, M (2021). *Meeting needs in difficult times: experiences of Australia's community sector*. Sydney: UNSW Social Policy Research Centre.

## 2. Ideal contracts: Longer, more flexible and with sufficient notice of renewal

Well the thing for us is continuity of funding. Not once off, one year or two year funding but, for heaven's sakes, make it five years.

*Medium sized migrant support service*

In all discussions with organisational leaders around contracts, community sector leaders echoed the CEO of a migrant support service quoted here. All called for longer contracts, ideally contracts that ran for five years. Short contracts of one or two years were common, and some noted that fee-for-service approaches, like the payment arrangements under the NDIS, were particularly insecure.

One of the other, you know, issues is the insecurity of funding generally in that the contracts are always quite short...of course, NDIS is just fee for service so it's only as good the next visit.

*National peak body*

A few sector leaders described a trend towards funding brokerage agencies, which then sub-contract with other organisations to provide community services. There was concern that the brokerage agency may have a long-term contract, but the sub-contracts they make with service providers were potentially quite short term.

A broker organisation might go for even less than 12 month [contracts]. So even though you might be saying well, the [funding agency's broker or] facilitating partner has a five year contract, their partners might only have very short [sub-] contracts.

*Large child and family service provider*

### Current contracting impedes planning

Managing contracts is particularly challenging when funders offer very little notice that a contract is going to be renewed or granted. This representative from a carer support service explained that only a few months before the end of the financial year, she is struggling to plan for the next year because she

**“My biggest bugbear is...the early notification of either ceasing or continuation of the contract. It's a massive thing to manage...I'm going to have to do three different budgets for us because there are [different] scenarios... It just doesn't work for good continuation and opportunity of service.”**

*Medium carer support service provider*

does not yet know what funding the organisation will have:

One leader praised the rapid turnaround for grants which occurred in response to COVID, and suggested that this should set the standard for contract management.

You know if they could turn grants around as quickly as they've been turning them around at the moment that would be great...At the moment like one or two months, it's been really good, it's great. Whereas normally, if it's in a proper tender process, you could be waiting for five, six months sometimes to hear if you've won funding or not, so you sit in limbo.

*Medium-sized neighbourhood centre*

Sector leaders said that short contracts and insufficient notice of being awarded funding or contract renewals impeded the functioning of their organisations for the long term.

We are funded often on an annual basis. Sometimes it might be two years, it might be three years...A large number of the services that we deliver are based around a 12-month or 24-month cycle, so you get to the kind of eleventh month of the year and...you're not quite sure whether you're winding down services, whether you're going to have to build sustainability into the program, etcetera... You're always constantly looking at the ground in front of you, you can't look further ahead.

*Large health service*

I'm often, and I'm doing it right now, worried about having to make staff redundant because I haven't had confirmation on funding for the next year...I say this every year, it will probably resolve itself. But it's a lot of unnecessary worry and planning and a distraction for the board when they should be looking at strategy.

*National peak body*

Organisations could not plan ahead, and managers were frustrated that they used limited resources planning for the possible eventuality of funding stopping, programs ceasing and staff losing their employment. They argued that longer contracts and greater notice would enable a more efficient use of the funds they receive.

## **Five year contracts**

In some jurisdictions and some government departments, five-year long contracts have been introduced. In the focus groups and interviews, community sector leaders spoke with relief about these opportunities for funding security. Five year contracts are rare and prized, and sometimes in the focus groups one sector leader would congratulate another on attaining such long term security.

Invariably, however, conversations about five-year contracts quickly moved to caveats. These included concerns that the contracts:

- Are implemented without opportunities for negotiation or only reflect some elements of a negotiation process;
- Are facing significantly delays in being fully rolled out;
- Contain considerable funding shortfalls, including in some states, a failure to accommodate wage increases required by the Equal Remuneration Order;

- Include budget reporting requirements that remain set at shorter timeframes, such as one year;
- Have been adopted in too few funding streams;
- Benefit too few organisations, and it is often unclear why five-year contracts are offered to some and not others; and
- Are too inflexible in terms of financial requirements and performance targets.

Overall, five-year contracts were described as having enormous potential benefits, but that these are yet to be realised. For example:

Even if you get a five year contract, you have an annual amount of funds allocated every year, so you aren't able to do a five year budget. So if you could do a five year budget, you might go well, we're going to spend this in year one because we're going to spend more in year five. However, if you don't spend all your annual funding, you're not guaranteed that you can get that back. You may have to pay that funding back.

*Medium child and family service*

In theory, [new] contracting [arrangements] should provide greater certainty and less bureaucratic processes. But services have been reporting feeling greater uncertainty and that the government is far more controlling in contract management services...they're still micromanaging despite that agreement.

*State peak body*

A few years ago, they [the department] moved to five year contracts which is amazing, you know...I think one of the problems with the contracts is that for some organisations and for some workers they feel that the contracts, there's no flexibility.

*Small housing and homelessness service*

The following case study shows the potential benefits of five-year contracts, but also some of the above challenges that organisational leaders continue to face.

## **CASE STUDY: Small child and family support service that secured a five-year contract**

The majority of our funding for our services is all delivered through the [one department]. The funding is delivered across two contracts.

One of these contracts has been renegotiated and that part of our funding now has been locked in for five years, which is amazing. However, it was unfortunate there was not more of an open dialogue. They come to us and said: 'This is how much money we're going to give you, there's really no negotiating on the amount or the type of services we deliver. You just kind of fill in the numbers of people that you think you can see, within this bracket'... We didn't get an opportunity to really look at changing our service or things that would be new or innovative. But that said, they did say we do have flexibility, in that, as time goes on, to look at changes if we wanted to. This contract represents about 60% of our funding.

The same department also gives us funding through [another funding stream]. This recontracting has been problematic. It was supposed to be renewed at the same time but, we're onto the third round now, of six-month renewals. Including a 12 month renewal changed to six months with no notice and three days before payment of funds.

**...if we lost one bucket of funding, it impacts our whole service delivery. And that keeps me awake at night, thinking about staff losing their jobs.**

As a manager, this process has become time consuming and problematic, especially in terms of budgeting. We're now onto the third round of renewals, it's become more problematic for my Board. Due to the uncertainty this process has created our board is now asking 'Well, when is this going to get renewed? Can we really trust that this going to continue funding?'

The result of a recent Board meeting is that the Board is pushing me to employ someone to write grants and look for alternative funding...Instead of doing what we're been focussing on and doing that well, now we're diverting energy and time to look at alternative options and investments.

...And if we lost one bucket of funding, it impacts our whole service delivery. And that keeps me awake at night, thinking about staff losing their jobs.



## Contractual restrictions that limit operational flexibility and planning

Community sector leaders pointed to specific contractual restrictions on the use of funding, or a lack of clarity about how funding can be spent. They aspired for contracts with more flexibility and autonomy to allocate resources to meet community needs.

A few respondents pointed to challenges with small amounts of unspent funds they may have at the end of a contract or financial year, and differing rules across funding streams. One reported that

...there's no clarity about what happens if you have a surplus. So in this state, the government can actually retrieve a surplus, even if it's \$10. Whereas in the Commonwealth contracts, I was used to agreements that said, "If you have a surplus of 10 per cent of the funding, you can keep it. If it's 15 per cent, you can keep it and do this", so with just much more clarity ... it built in a little bit of flexibility around what you could do and how you could manage the budget.

*State peak body*

Another described having to tightly allocate staff positions to clients in her contract, with no flexibility around the roles of staff and no capacity to innovate.

There's much less flexibility in the funding these days. So, down to an example of this for homelessness, we've got to list every single staff member, every single FTE position...That's something new which means that you're less able to be innovative and flexible. You're having to tie up Point A, FTE to a case management position that's then attached to 'x' amount of clients showing on the system...You can't be flexible and say, 'Okay, so half your role during the week, we want you to go out on the streets and actually talk to everybody around our homelessness community. What are some creative solutions?'

*Regional community service*

Importantly, while respondents were specifically asked to describe examples of contract funding that allowed community organisations to address their priorities and community needs, few offered an example. But this sector leader described one highly flexible funding program, and another which encouraged innovation and investment is outlined in the case study below.

It's a health-funded program. It was set up when we moved over to the NDIS to fill a gap. It's a very successful program and it's being negotiated in a way that gives a lot of flexibility to the organisation to use the money for good outcomes, which is to prevent people from returning to hospital or helping them get onto the NDIS so they're not reliant upon government funding. I think that the government have trusted the good providers to be quite flexible about how they use that funding and how we design reporting in that program.

*State-based peak body*

### **CASE STUDY: A funding contract which facilitates innovation and investment (state peak body)**

There were two things in the grant application that I hadn't seen before in either state or federal funding - they allowed us to build in working capital or, in a better term, the surplus. They've actually allowed us to build that in as a budget line. So, the long-term view that non-government organisations (NGOs) shouldn't be making a surplus or have to squirrel away money into corporate services to make a savings and it can't be too big and you need to be careful about that, [the funder] actually built that into the structure of the grant application. So, at 'x' percentage of the total grant package you could have as working capital, as they called it. So, that was actually really fantastic. The other bit that was also quite innovative...there's an innovation budget line within the grant as well. And you had a percentage of the total budget that you could squirrel away for that. And that was a choice of the organisation about how much you use that.

**...they allowed us to build in working capital or, in a better term, the surplus....there's an innovation budget line within the grant as well... that allows us to spend money that we would normally have to spend retained earnings on, to try and innovate, develop, trial and pilot and things that might be better...It just allows us to build the capacity of the organisation and build the stability of it, to plan for long-term.**

But that allows us to spend money that we would normally have to spend retained earnings on, to try and innovate, develop, trial and pilot and things that might be better...It just allows us to build the capacity of the organisation and build the stability of it, to plan for long-term. We've never been able to have an investment strategy, just because of our size and the length of our contracts. This contract also is five years, which is also a really important thing...So, those big things are, for me, game-changers in what I can do as a CEO and what we can do as an organisation...That hasn't existed in anything else, so, before that. I would love to see that go across the breadth of all government grants. I think it's quite authentic and I think it's a really good thing.

### 3. Meeting the full costs of service delivery

In the focus groups and interviews, community sector leaders were asked if their funding arrangements allowed them to meet priorities for their communities or the populations they support. Invariably they responded that funding was always tight, and were critical of government allocating funding according to what was described by one leader as the “limited funding the Government wants to scrap out,” rather than according to community needs. Difficulties in covering the full costs of service delivery was a common theme, noted by sector leaders directly involved in service delivery and by leaders of peak bodies, who observed trends across their networks. Across the focus groups and interviews, leaders raised the difficulty of covering essential administration, management, and infrastructure costs.

Several sector leaders pointed to the short-term nature of program or project funding, payments for specific activities only, and the exclusion of some overhead costs from their funding agreements. They noted that ensuring viability has become particularly difficult in the context of challenging funding mechanisms relating to the NDIS, aged care and primary health networks, and noted particular difficulties for small organisations operating in an environment where scale matters for survival. Small organisations especially rely on multiple small project grants, which were seen to have restrictive funding rules and poor coverage of overheads. Peak bodies observed how this played out across their networks, and explained the difficulties organisations faced in covering their essential costs, for example:

Smaller organisations who are funded based on very small funding contracts from a variety of different funders, they had challenges of actually having [covering] the operating costs of the whole organisation, because technically they're not allowed to be pulling those overhead costs from their budgets.

*State peak body*

A big challenge for us particularly in an environment where we've just had a global pandemic and there's been all sorts of reallocation and repurposing of the resources is actually around funding basic administration and operational costs. This is an ongoing issue...it is a real issue that we and our members face... That is actually ... increasingly capped by the limitations of heavily driven activity funding.

*National peak body*

Some leaders pointed to the challenges of funding models in particular service subsectors. A sector leader involved in the delivery of settlement services for migrants explained the limitations of fee for service funding models following the pandemic, given lower numbers of migrants to support, but increased complexity of need:

A significant portion of the sector operates on a funding model that is a fee for service model based on the numbers of refugees that arrive into the country. So that part of the sector has really been devastated by the pandemic, and there's also been a significant cut in the number of refugees entering Australia moving forward. So then other parts of the sector are also a bit nervous around what fluctuations in migration numbers will mean for their services going forward and

whether Government might seek to cut funding on the basis of a period of less numbers. Which on the face of it sounds justifiable, however, there's been a really heightened level of vulnerability and need within existing migrant communities. So there's actually been this situation of having less funding and greater funding risk, but the heightened level of service delivery demand in the sector. So it's been a really, really difficult year for us

*Medium migrant support service*

Another peak body leader spoke of the challenge of meeting regulatory requirements within the constraints of funding models. While they felt the requirements were important, and the costs were not necessarily large, their program-based funding did not allow spending on these essential aspects of running an organisation.

It is increasingly becoming really challenging ... to actually meet the basic costs of running organisations because of the regulatory financial and otherwise burdens and requirements. It's not to complain about those requirements they're actually necessary and we support them. But we need substantial and essential funding to enable us to meet these obligations. Otherwise it just becomes very difficult for us and our members to remain viable when all we get is simple program funding

*National Peak Body*

Uneven access to funds for data collection, outcome measurement and evaluation was also identified as a limitation of prevailing funding models, as this case study indicates.

### **CASE STUDY: Constraints of activity-based funding (large community health service)**

We're a large, registered community health organisation in regional Victoria and NSW. We've had a very interesting COVID year. We receive funding from the state, from the Commonwealth, and various other organisations, some philanthropic, to deliver community health type services... In the next year, we want to learn what we can from COVID around ways of delivering services differently so that we offer more to communities, particularly our more remote communities.

Most of our funding requires us to deliver on 'widgets'. Whether they be hours or so many times you did this thing or, you know, how many hours of that thing that you provided to how many people. Whereas we as an organisation, and certainly, as a sector, really want to move towards outcomes. We want to actually know that what did we do and how much of it did we do and was it effective? And did we make a difference? So, that's not funded.

Those conversations are starting to happen, which is really positive. But it's not happening the same way in Victoria. It's happening in one program, not happening in all funded programs. It's not happening in the same way in New South Wales. And the Commonwealth are doing it completely differently, again. So, compliance, data collection, measuring, it's all over the shop and none of that is funded either.

It's really hard to know if what we're doing in the community and the community health sector, it's really hard to know, based on robust evidence, if we're actually making any difference. We think we are. We get told we are. The people are very appreciative. Communities are very appreciative. But are we making a long-term difference to people's lives? Who would know? And that's a massive gap.

As a result of funding inadequacy, many community sector leaders expressed frustration that they could not do more to serve their communities. Often they felt there was an expectation they could always stretch their resources to meet community needs. This was particularly the case during 2020-21 when organisations rapidly and substantially changed their operating model to enable them to meet changing community need while also fulfilling public health requirements for service provisions and work conditions during a pandemic. While some were able to secure additional funds to facilitate this work, many did not. And, as we show in Section 6, small organisations reported being too busy adapting to apply for additional funding.

### Challenges securing funding for advocacy

A particular issue raised by sector leaders was government willingness to fund advocacy. Several sector leaders had a new sense that their advocacy was valued during 2020 and 2021 as governments sought and took advice about community need during the pandemic.<sup>10</sup> For example,

I think the experience of advocacy during COVID has been positive in the sense that I think we, in the sector, feel that the Government listened to recommendations about what would be useful to do. So, for example,...some of the private rental market subsidies about extending the rent assistance program [and] putting in place temporary measures to make sure that people could get housing. Because, of course, it seemed like it could become a real problem at the beginning of COVID.

*Large multi-agency service provider*

On the whole, however, leaders felt that advocacy was not sufficiently valued or funded by government. One disability peak CEO explained:

This current generation of politicians and public servants and the community, they don't value advocacy...So the continuum of views run from quite extreme, hard line, "Advocates are a pain and we're not going to listen to them...all they do is tell us about all the problems. They never bring any solutions...are they just pushing their own political agenda?" That stuff through to quite naive views that say [about] the NDIS, "...This wonderful service is going to be so fabulous and so fantastic that there's no need for advocacy because people will have choice and control and get what they want." So our funding is under threat...The work that we do is ... the value of the work that we do is under threat, and the credibility of the advocates is under threat.

Another representative from a peak body with national reach agreed, 'Government doesn't like us using this word, advocacy. Unfortunately, that word seems to have been contaminated', positing that government unwillingness to fund advocacy comes both from a dislike of advocacy and a preference to fund programs and services, as 'governments want to be able to purchase widgets'. However, they went on to explain that advocacy benefits governments by reducing duplication and creating efficiencies by facilitating communication between governments and between departments:

A critical part of the work we do is coordinating and advocating [across] multiple arms of Government. Governments are saying to us that's not something we can

<sup>10</sup> Cortis, N and Blaxland, M (2021). *Meeting needs in difficult times: experiences of Australia's community sector*. Sydney: UNSW Social Policy Research Centre.

purchase and that's not something that's going to get you funded. But that work is actually being critical to achievements in our space and to actually reducing budget burden over many years...If you just have activity funding with people doing widgets...what we will get is a lot of duplication of work...So I think there is a real need to actually, for consideration of the benefits of coordinating and advocacy work, or if you want to use a word that seems to be more popular now, 'thought leadership'.

*National peak body*

One leader explained that the timeframes for advocacy are long, and so organisations need funding certainty to begin a campaign on a given issue.

[Advocacy] takes a long time, and you may not see the effects of the actions you take immediately. You might not even see them in the short term...So you need some level of certainty because if you're going to take on large intractable, difficult, complex issues with a view to changing the way that that occurs or that is experienced, then you need some certainty...You're not going to get to the 12-month mark and go, "Oh, sorry. There's no more. You have to stop that activity." Sometimes it's better not to start things if you're unable to see them through because it raises people's expectations and then they're unfulfilled.

*National peak body*

By contrast, a state-based peak body reported that amidst these challenges, they had been able to successfully negotiate funds for their advocacy work, despite attempts to constrain it:

The government generally don't pay for advocacy. However, we renegotiated our contracts two years ago. There's a whole bunch of peaks that the department funds and we've had advocacy built in, that we're allowed to. It was really interesting. They tried to put parameters around what that actually looked like, "You can do this or can't do that" and we argued back and said, "You can't actually put in those parameters." So it's done in a manner that we're advocating for more the broader community, the needs of what the community, vulnerable people, actually need.

## 4. Supporting and resourcing a skilled workforce

### Adequate funding for staffing

Community sector leaders underlined the importance of ensuring resource models supported a skilled workforce. One, for example, argued that although “highly vulnerable people need really well-skilled people,” funding levels often precluded the employment of staff with appropriate training or experience. Others noted that funding often could not be used to pay for training or professional development, which could make it difficult for some professional staff to maintain their qualifications at required levels. Some also noted the difficulties of meeting the dual requirements of industrial obligations and service delivery needs when not all funding agencies had committed to ongoing support for ERO funding.

Even though they've increased the SACS Award, they're not increasing funding overall and the expectations of what they want you to deliver with the amount of money that they're providing.

*Medium homelessness service provider*

[Our funding agency is] actually reducing the amount down to a base level rate which was years ago...So planning for the future - we're already in March. This will be the end of June...I mean, one program I'll lose \$36,000 instantaneously overnight through no fault of any of the workers.

*Small family and children services provider*

Lack of funds also made it difficult to engage and invest in the diverse workforce needed, with funds on offer often below market rates. A director of a small organisation which offers financial advice expressed frustration at being unable to source government funding to adequately support and invest in the skills of an Aboriginal trainee.

We do work with a lot of Aboriginal people and so I thought that Aboriginal traineeships in financial counselling is something that no one does. We've got one of the very few accredited Aboriginal financial counsellors in the state. And we train her and pay for training...we're trying to supplement what the government is willing to offer for traineeships. I mean, what did they come up with? \$110,000 for two years. That was the traineeships, your own costs, everything during that time. \$55,000 [per annum] including the course is not feasible.

*Small financial counselling service*

### Staffing implications of short insecure funding contracts

Sector leaders explained that it is especially difficult to maintain an experienced staff in a context of short contracts and insufficient notice of contract renewals. Organisations explained that they found it difficult to attract and retain the highly skilled workforce that communities need when they can only offer short-term insecure employment.

So for the last probably five years in about four of our programs, they've been one-year rollovers. So, we went into COVID, and everybody's programs were on the line. We were all on one-year rollovers and then we had COVID on top of that. ...That was really challenging because it's hard to keep staff when you only have one-year contracts.

*Small regional service provider*

We have very good staff at [our organisation], but it's hard, it's really hard to recruit. Because we're often recruiting for one year, two years and people won't job hop for those contracts...There are people out there who would want to come and work for the organisation but aren't going to leave their current permanent contract for a one year contract that may or may not get renewed.

*National peak body*

We can't live from one cycle to the next. It's really difficult and we just lose staff. And we're constantly having to have that conversation with staff to prop them up so that they have the courage to stay with us, you know, at the eleventh hour, 'We're going to get the funding and roll it over and you've got your job again for another year.' It's no way to build consistent and intelligent services.

*Large health service*

One leader had previously worked as a financial counsellor and explained that she worked on very short contracts for five years. She had to wait until her children left school before she could afford to do this job that she loved, because the risks associated with such enormous financial insecurity were too great.

The continuity of work and the security of work is just not there...I did stay with the same agency for 5 years, but it was always a 3 month contract, rolled into a 6 month contract, then I applied for another one and applied for another one and, you just don't get the security. You just don't get a job for 3 years or 5 years...I did it because I loved it, but when my children were at school, I couldn't afford to do it. I had to wait for them to finish school.

*Practitioner association*

Some sector leaders said that supporting their staff under such insecure contracting arrangements led to concerns about potentially breaching legal and regulatory requirements. As this CEO explained, their organisations' management start to worry that they would not be able to give staff appropriate termination notice as their contract expiration date looms closer.

Now, that [a major funding program] that I mentioned to you...finishes on the 30th of June. Now, there's some rumours that it might continue on and certainly there's a lot of pressure. But they're waiting for the minister to approve the extension of funding. But again when ... you think a program might come to an end, what your board tends to do is, "We've got to give our staff three months' notice so that we're doing the right thing from an HR point of view"...So we're getting awfully close to [that time].

*National peak body*

Another was unsure if they legally could offer to provide long term traineeships on short term contracts:

So I think they're some of the things in planning our strategic plan moving forward is really difficult when you know - do you sign up for training for two years when



your contract is actually going to run out on the 30th of June? Is it even legal to do that? You know, like can we guarantee that we'll have financial counsellors to supervise them after that?

*Small financial counselling service*

There's great opportunities for a couple of hundred thousand jobs to be quickly created. And it's great work as well, too, because you really are investing back into the capacity building of people in our society.

### **The contributions of the community services sector to our national economy**

In contrast, some community sector leaders highlighted the potential of the community sector and its workforce in the current economic climate. They observed that the sector could potentially offer employment to many who have lost work during the COVID economic downturn, while also providing much needed economic stimulus. But, they stress, the sector needs financial security and investment if it is to contribute to jobs growth and reducing unemployment.

Length of contracts and tenure of contract and therefore tenure of employment... tend to destabilise the workforce, which is a shame. Because there's - this is a great area for potential economic stimulus in terms of greying workforce and creating opportunities for people.

*National peak body*

We're the seventh-largest industry in [this state] and I think that will be similar right across the country. I think that if there was the fishing industry or the whatever that was to have the kind of challenges that we have, they would think nothing about going to government saying, "We need more money so we can create more jobs."... You need to support [the sector] and you to strategically plan for the future so that we do have rewarding, well-paid jobs in the right location to cater to future demand.

*State peak body*

The NGO sector could be a great and rapid workforce development stimulator. Certainly, in the care industries; aged care and in disability care and...sub-sections of mental health care. There's great opportunities for a couple of hundred thousand jobs to be quickly created. And it's great work as well, too, because you really are investing back into the capacity building of people in our society.

*National peak body*

### **The challenges of managing multiple funding contracts**

Sector representatives explained that funding insecurity, inadequacy and limitations lead to a need to seek contracts with multiple funders. Some sought funds from multiple sources to ensure adequacy and security in the context of poor clarity about the future of government funding programs, and lengthy renewal processes. Some sought additional or alternative funding sources out of urgency, to protect against the threat of funding loss, and provide protection in times of uncertainty. For many having multiple funding sources provided security, stability and sustainability, and several mentioned the importance of diversified funding basis for ensuring viability through the pandemic. One

organisation explained their experience of security, or ‘being able to breathe’, as a result of receiving multiple sources of funding simultaneously:

There was money that came unexpectedly to us from different places. The Royal Commission...a bequest, so lots of different things, so the tight budget that we had been holding onto grew less tight, and so then, that pressure ... the pressure of managing a tight budget is extraordinary and so, it was like being able to breathe. Some of the work that we had been undertaking began to ... we began to see expressions of outcomes from that work and we worked very hard, and so that hard work began paying off in terms of the spaces that we were operating in, the issues that we were talking about, and the listening that had occurred as a result... this year, I think, we feel easier and like there’s more room to breathe.

*National peak body*

For most organisations however, the need to pursue and juggle multiple sources of funding was less than ideal. A medium size service, for example, said “would you believe [our service] has got, I think, about 21 grants from about ten different departments.” Sourcing funds from multiple funding streams was seen to distract managers and staff from their core role, and presented costs for organisation. A national peak body, which obtained funds from multiple government agencies, explained how their circumstances reflected poor co-ordination inside government. They expressed frustration that their government contacts failed to recognise the organisation was engaged with multiple agencies, which was necessary in order to “to cobble together the right amount of funding through all these different small programs”. Fragmentation of funding arrangements were seen both as less efficient for government, and also an unfair cost for the sector who bore additional administrative costs, with one describing this as the sector bearing the costs of the poor co-ordination and communication of government agencies.

Sector representatives also had mixed experiences of accessing funds from private sources. Some small organisations explained how small amounts of money from business or philanthropy could make a real difference for them. Many described the importance of philanthropic grants and donations during COVID, including by enabling them to perform critical and unexpected cleaning and hygiene tasks, and to provide and upgrade technology for staff and service users. Others, however, found that philanthropy was difficult to access, or some felt too busy or under-resourced to focus on pursuing it, for example:

We’ve never been successful. We’ve not tried terribly hard because we’re too busy doing the work, so we haven’t actually tried particularly hard. And we haven’t had people on the management committee who might have put energy into it. We’re a small organisation... the small organisations in our town that get more of the donations would be women services and DV services. We are working with exactly the same group of people but [philanthropists are] not particularly interested.

*Regional homelessness service*



Photo by Mimi Thian on Unsplash

## 5. Reflecting sector goals through improved performance targets, outputs and outcomes

Flexibility was a recurring theme in the focus groups and interviews. As discussed in Section 2, community sector leaders spoke of the challenges of operating in a manner that responds to community needs within the constraints of funding contracts. In Section 1, they also explained that flexibility was impeded by small, short-term, activity-based grants. These issues led to discussions in the focus groups and interviews about the nature of performance targets, outputs and outcomes in their contracts with government funders. These conversations were generally informed by their commitment to addressing the large, long-term, structural issues that they see as underpinning the community needs they are funded to address. Many sector leaders explained that while they wanted to attend to the immediate needs of community members, addressing underlying issues was also important so that, ultimately, fewer people presented in the future with the same immediate needs.

A health service leader explained these issues in terms of the wide-reaching health prevention measures that are required in order to reduce demands on hospitals.

We're trying to not only just deliver services, but improve population health outcomes. [But] nothing happens within a couple of years. So, getting dedicated long-term funding for illness prevention and promoting health and wellbeing, across the spectrum from family violence to mental health to chronic illness, is just such a gap. So, we end up with people banking up in the hospitals. That work is either not funded or very poorly funded...That has a big impact because without investment in prevention, things aren't prevented basically. Short-term funding means that you can't make ongoing difference, you just front up every day and deliver what you're delivering and go home.

*Large health service*

The challenge for community sector organisations is that often funding contracts do not reflect, and even inhibit, these longer term and broader priorities for change.

Looking at the KPIs, people were questioning, "How does this actually link to those longer-term goals that we're actually trying to achieve?" And often people believed that they didn't. But because they're contractually obliged to deliver "this many" of "these activities", then it prevented them from actually being able to look outside the scope of that, and responding to issues that become long term problems for the government. They're fixed in their contracts, and aren't allowed to respond to those underlying causes for this emerging issue.

*State peak body*

Organisational leaders explained that contracts needed to focus on ‘outcomes’ not ‘outputs’. Generally, the sector leaders felt that there had been a trend towards outputs in contracts for activities or programs, but that there is now a move away from such a narrow understanding of community sector work. The peak body CEO below described an approach in one funding contract where a focus on outcomes was better suited to the organisation’s priorities and activities.

The other issue I would say that was much better for this particular contract is that it was outcome-based funding, it wasn’t output-based funding. Because I think that those output based contracts don’t show the actual quality and richness of the work or what we’re actually achieving. Just to say that 20 people came to a focus group or something is meaningless.

*National peak body*

Some explained that there was a new flexibility in reporting and the deliverables expected during the pandemic, as service models changed and some governments recognised that organisations could not operate as was outlined in their contracts. A leader of a peak body explained that many of their members had been told:

“You don’t have to report on those deliverables.” So there was a lot of like, “We understand...you may not be able to deliver on exactly what was outlined. So you can talk to your contract managers and work it out.” And it worked out. I mean, people did that. People switched and did other things and that’s what they reported on... That really worked well.

*State peak body*

The different approach during COVID was seen as an example of the kinds of greater flexibility and focus on broader or underlying issues of concern that could be contained in funding contracts. As one peak body leader explained, such flexibility is possible when governments and the community sector see themselves in a partnership towards a common cause.

But it’s [outcomes] being raised again. And I think it’s because of what did happen during COVID... for me, what happens is around partnership. So it was a way that the community services industry partnered with government, like the walls came down and we just saw that we were all here for the same reason. We just wanted to keep people safe.

*State peak body*

This CEO went on to say that the sector and the state government were trying to determine how to build this new flexible, outcomes-focused, partnerships approach into future funding contracts.

## 6. Small organisations face particular funding and contracting challenges

Several sector leaders worried that small service providers are being squeezed out of the community sector. This was due to a combination of factors including: challenges resourcing their applications for funding; difficulties winning funding in competitive tendering processes in which they are competing against professional grant writers; an understanding that governments prefer to fund large providers over small organisations; and, if they do win a funding contract, difficulties with complex contracting and reporting requirements.

### Challenges securing funding

In many focus groups and interviews, respondents pointed to particular challenges that small organisations face when seeking funding compared to large organisations. Small providers, they felt, often do not have the experience, resources or capacity to seek or attract funding when it is available. A representative from a peak body explained:

So, the smaller organisations, there's two reasons why they struggle. One is that they're just so busy that they don't have time to respond. The second is that they don't have the confidence, both in terms of whether or not they'll keep getting funding or confidence to know how to negotiate.

*State peak body*

These challenges were particularly exacerbated in 2020. As this small service describes, while the state government offered additional funding, managing a rapid change in their service model, and finding time to apply for these funds was just too difficult.

The government were very generous in the various grants that were available to the homelessness sector. Some were specific around DV, some were more generalised funding and there was a lot of it. We didn't get any of it. You know they didn't divvy it out sort of pro rata to services. We had to apply for it. So there were layers of more administrative work that we needed to do. And we were so busy, and because we're such a small service, we just didn't have the time. We missed out on all of the funding that was available...A lot of the bigger services were able to employ someone to write grant applications for them. We just simply did not have that capacity.

*Small domestic and family violence service*

**My time is consumed all the time in chasing small grants. I don't have any time [for] building the team internally and doing some of that other wonderful work that I would love to do with my staff**

*Small child and family service*

Ultimately, through many meetings with government representatives and members of parliament, this service did secure funding to meet their extraordinary COVID costs. The small organisations who did secure additional funding seemed to do so through massive overtime and powerful determination on the part of the manager or CEO. Not only during COVID, but at all times, as this CEO explained, the work of a manager of a small organisation is stressful and relentless, because they don't want to lose funding, staff and programs.

My time is consumed all the time in chasing small grants. I don't have any time [for] building the team internally and doing some of that other wonderful work that I would love to do with my staff... It's a luxury because we are so consumed in keeping everyone in jobs... Now that we don't have JobKeeper, it's finished, I am very worried about the next financial year. And how I'm going to keep everyone employed. So, it's a constant concern and it's also a struggle and it's exhausting

*Small child and family service*

Their COVID experiences distilled many of the ongoing challenges faced by small services securing sustainable funding. In very small services, managers or CEOs are also the grant application writers. And they can spend very large amounts of time seeking very small grants. One small youth service explained that they often apply for grants from local government. These grants, she reported, average \$3000 to \$4000. She thinks because their value is so small, larger organisations do not invest time in applying for them. In a smaller field of applicants, her organisation is more often successful. This is the funding she uses to pay for the small group of casuals who staff the organisation's services.

Another representative from a peak body explained that

[Large organisations] have the capacity and the backing, you know, grant writers, so to speak, whereas the smaller organisations find it a lot more difficult. We did try and streamline [the process] somewhat but it's still a process. No matter what, it takes energy and effort.

*State peak body*

## **Competitive tendering and small organisations**

Another argued that competitive tendering was not always the most appropriate approach for distributing government funding, particularly for small organisations. Instead, this peak organisation would like a wider range of approaches, in particular, select tendering. This director of a peak body said that during disasters, especially, governments had recently favoured large providers.

So I think that they really need to relook at competitive tendering going towards select tendering ... I mean this is the trouble with COVID, and the bushfires, COVID particularly, where we see huge investments of money going into organisations that are dripping in money, in comparison to smaller organisations.

*National peak body*

One small service was unsuccessful in an application for funding which was instead granted to the local government. She was frustrated because she knew her local council did not have the capacity to undertake the project, and would seek her organisation's assistance to implement the grant.

Why would you give it to council who are going to come back to us asking for our help?...They are going to come to the grass-roots organisations like ours.

*Small child and family service provider*

She was further frustrated when she called the funding agency to seek feedback.

As a small organisation, we find that we are competing with...many, many large organisations that are hugely funded, you know. Millions, I'm talking about. So, you know, like, we might be under a million or just a million dollars a year and they would be like, \$90 million, right. What happens is, like, we apply for something and we put in an excellent application. We were a consortium of three agencies and we didn't get it.

...So I asked for feedback and when they called me to give me feedback, the person who was giving us the feedback couldn't fault anything in the application. She was saying, 'now, look, this is one of the very difficult feedbacks and I'm asked to give. You know I can't fault your application at all. It's all excellent, blah, blah, blah'. So, I said to her, 'how is this decision made, then, about...between our application and someone else's, if it's really good and it ticked all the boxes'. And she couldn't answer me.

*Small child and family service provider*

This CEO of a small child and family service felt that large organisations are preferenced in the tendering process, not because of better applications or greater capacity to implement a service, but because of their size.

All the time, all the time, all the time. When it comes to the big money...we're always getting the crumbs, you know. The small bits here and there. When it comes to the big money, where we feel at least we can have some breathing space...if we could secure some large funding for two or three years, then I can have some breathing space.

*Small child and family service*

Another CEO of a small service reported that she had been specifically informed by her state government that her funding application had been rejected in favour of a much larger organisation.

We were told by a funding provider we had a little bit of history with, like we'd known them, they basically said: "Look, we can't fault the application you wrote, it was actually excellent, there is not one area you could have improved on, but because there was another big charity that was pitching a similar type of project or concept..." - they weren't really but basically the same, marginalised youth, they just said: "Both work in marginalised youth but because we had invested in them previously we decided to re-invest in them." It was like, well, why on earth did you put that out to tender and why did you put it out to open tender because the amount of time we've wasted on that, and that's only because I knew these people that I could get that level of input but that seems to be how a lot of decisions are made, and it just is disheartening, it's disgusting, and on a big level, like outside of us, the issue is they're only building up that very small number of very inaccessible organisations who don't connect with local grassroots communities and where local grassroots communities don't have control over those organisations. So yeah, it really is changing the whole nature of the sector.

*Small youth service*



They argued that this approach is unfair, that an open tendering process should be realistically open to all applicants.

Sector leaders also worried that small services will lose funding and their unique services will be lost to their communities, replaced instead by services less well tailored to the specific needs of their communities. This concern was especially acute for a small community service provider in a regional area. As the CEO describes in the case study below, large community organisations had started 'fly in fly out' services to their communities, but her organisation and its board members, 'live and breathe' the communities they serve. She explained: 'I have really serious concerns about what that means on the ground in country communities.'

### **The resources of small organisations to negotiate and manage contracts**

If a small service does secure funding, they are also often under-resourced to negotiate the contracting arrangements. In one discussion group, sector leaders reported that small services often find government funding contracts overly legal and difficult to understand. One leader explained that their state government had introduced a summary page for their grants, for this reason.

When the five-year agreement was being negotiated, we tried to address some of those things during that process and the government did actually respond with having a much simpler process and while they still had this ridiculously, it seems to me unnecessarily legalistic document as the contract, they did agree to have a summary page and to make it much clearer, "What's the information? What's the contract? What are the attachments?" and with information about how any of those had changed.

*State peak body*

Another felt that reporting requirements are overly onerous for small organisations with many small grants. She argued that reporting every six months was more feasible for a small service like hers.

Well, being a small organisation - we get pots of money from a whole variety of sources - you're just constantly in this cycle of reporting...so making it six-monthly is just eminently sensible...When you're tiny, you've still got the same sort of reporting requirements as if you were five times the size.

*State peak body*

## **CASE STUDY: Small service provider in a regional community**

So, my organisation is a small not for profit based in [a regional area]. We have an array of services. We've been around for 40 years. We deliver a range of services and we grow and adapt when and as the needs of the community have changed. We deliver services across 175,000 square kilometres.

We're being asked to do more for less all the time, by government with our funding. And also, being held to an accountability standard that I've never seen in my time, I've been here for 15 years nearly, not as a CEO but as a manager before that. And I've never seen the level of accountability that's required now. And I know transparency is important and tax-payer dollars, you know, they're my dollars too! It's important that the government do the right things and they're not being wasted. But we used to be able to be flexible with our funding. If there was a need, we'd respond.

### **We live and breathe, and our board members live and breathe, this community.**

During COVID, we didn't have any support whatsoever. About part-way through the year, the state government put out some COVID Grants. But I can tell you right now, I was too busy doing the work to apply for grants. Actually, it irritated me to no end, you know what I mean? When I had project officers say, 'you can apply for this grant'. And I'd say, 'I haven't got time'. Every night during the week, I was going over what the next press release is about COVID from the government and what I may need to change or not need to change so I'd be on top of it before getting to work. So, to have the time, I haven't got a tender writer. I haven't got a policy writer. I haven't got a grant writer. It's me.

My concern, moving forward, for my organisation but also for the bigger picture of services, particularly in country communities, but even in metro areas, is the small organisations seem to be being edged out. Because they find it more difficult to meet with clients with those really prescriptive reporting requirements now. And we don't have assistance and structures in place. Like myself, most other CEOs of smaller organisations are the grant writer and the tender writer and the report writer and all of those needs, I'm really concerned for the future.

And what that will mean for services for people? I understand why it's easier to fund state wide services and national services, but I have really serious concerns about what that means on the ground, in country communities. We live and breathe, and our board members live and breathe, this community. That's the difference of having a national big NGO come in and deliver 'fly in and fly out' services, compared to a small local service like us.

## 7. Conclusion

Community sector leaders in this project explained that they perpetually operate with insufficient funds, and that they continue to find that contracting arrangements impede their ability to address community need. Community sector leaders called for government to allocate funds at levels needed to meet community needs, including in critical areas such as homelessness services and aged care. They feel their organisations are expected to stretch to meet needs, but typically have insufficient funding to do so. Organisations cobble together multiple funding sources to sustain themselves. Leaders described short term contracts and insufficient notice of contract renewals as making planning difficult and maintaining staffing challenging.

By contrast, newly implemented five year long contracts with some funding agencies in some jurisdictions offer considerable promise by providing the necessary security for community sector organisations and their staff.

Leaders described particular funding challenges, often derived from government preference for fee-for-service or activity based funding programs, or ‘purchasing widgets’ as one sector leader described it. This leaves many organisations depending on multiple small program grants without funding for the essential administration, infrastructure, management or other overheads that underpin effective and efficient organisations; or the advocacy work to improve people’s lives; and which offer efficiencies and new policy and program insights for governments.

Sector leaders described frustration with the performance targets contained in their funding contracts as typically unsuited to measuring the nature and impact of their work. Instead, they pointed to that more meaningful measures which have been implemented in some contracts that are better tailored to a specific organisation and also reflect their efforts to address more systemic and structural issues which affect levels of need in the community.

The research found that there is considerable concern about the place of small organisations in the community sector, that are facing heightened challenges in developing successful funding applications and participating in complex contractual and reporting environments. Small organisations were considered undervalued by government, leaving small services struggling to survive competing for multiple very small grants. Sector leaders explained that small organisations are deeply connected with the communities they serve, often with staff, management and boards being tightly entwined with local communities, and can provide services which are locally appropriate and well-tailored to community needs.

Governments have opportunities to work with the community sector to act constructively and decisively to directly address poverty and inequality, and to progress an agenda of economic and social justice. Despite the challenges the sector faces, leaders were able to point to several innovative funding streams offering flexibility, security, and opportunities for longer term planning, and, which improved capacity to meet community needs. If implemented more widely and thoroughly, promising developments in contracting could potentially underpin more secure, reliable funding relationships with governments. With such arrangements, the community sector could better meet the diversity of needs in communities throughout Australia, and, leaders suggest, offer much needed new jobs and economic stimulus at a critical time in Australia’s economic recovery.

# Appendix: Methodology

The findings in this report are drawn from a qualitative study seeking to explore issues arising in two online surveys of the Australian community sector (Cortis and Blaxland, 2019 and 2020). The research was approved by UNSW Sydney Human Research Ethics Committee (HC200931).

With the assistance of the Australian Council of Social Service and the state and territory Councils of Social Service, the research team contacted organisational leaders from a range of community service providers and peak bodies with an invitation to participate in the research.

Data was collected in a series of small online video conferencing focus groups during February and March 2021. Each focus group included 2 to 4 participants. In addition, one-on-one interviews were conducted with some interviewees who were unable to join a focus group or preferred a one-on-one interview. Where needed, for clarification of details or further information in the case studies, participants who had given permission were contacted for follow-up interviews and an opportunity to review the case studies.

The focus groups lasted for around an hour, and the interviews ranged from 30 minutes to one hour. The discussions were audio-recorded and transcribed for analysis. The transcripts were imported into NVIVO and coded thematically.

A total of 35 sector leaders contributed to the research. These included:

- 14 from peak bodies
- 5 from large service providers
- 11 from small service providers<sup>11</sup>
- 1 from a union
- 4 from medium service
- 1 from practitioner association

One peak body is also a service provider. The peak bodies are a range of types and represented people with lived experience, other peaks and service providers.

Eight of the representatives came from organisations with a national reach. The others were based in every Australian state, the Northern Territory and the Australian Capital Territory.

The parts of the community services sector represented by sector leaders included:

- Aboriginal and Torres Strait Islander services
- Family, children and youth services
- Community education
- Housing and homelessness
- Community health
- Migrant and refugee support
- Disability support
- Neighbourhood centres
- Domestic violence and refuges

<sup>11</sup> Size was defined according to annual budget information. Small services up to \$2 million, medium services greater than \$2 million up to \$10 million, large services greater than \$10 million



