

A COMMON GOAL

Review of the South
Australian Not for Profit
Funding Policy



ACKNOWLEDGEMENTS

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FOREWORD

The not-for-profit ('NFP') sector is a key Government partner and contributes significant social and economic value to the state including through providing vital frontline services and connections with communities, reinvesting the resourcing and money they use back into the local economy, and in some cases contributing their own resources to support the delivery of Government-funded services.

In 2023-24, Procurement SA partnered with the Not-for-Profit Advisory Group ('NFPAG') to jointly undertake a review of PC-044 – The South Australian Funding Policy for the Not-for-Profit Sector.

The purpose of the review was to identify the challenges and barriers experienced by NFP organisations ('NFPs') working with Government; and explore opportunities to reduce 'red tape', create greater time and cost efficiencies, and improve value for money.

Procurement SA, in conjunction with the NFPAG, consulted with the largest and most diverse NFP cohort ever engaged by the Department of Treasury and Finance, alongside representative SA Government participants.

The sector engaged strongly and genuinely with this process, sharing their perspective on challenges, barriers, and red tape, and what will help to address those issues. Engagement activities included face-to-face and online workshops, one-on-one meetings, and written submissions.

Based on the insights and contributions of participants throughout consultation, the NFPAG has made **29 recommendations**.

The Recommendations and intended outcomes of this review are diverse. However, the key objective is to improve the partnership between the Government and NFP sector, to work together for the **'common goal': to deliver improved outcomes for the people and communities of South Australia**.



Ross Womersley, CEO
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Not-for-Profit Advisory Group Co-Chair



Jody King, Director Procurement Solutions
Procurement SA
Not-for-Profit Advisory Group Co-Chair

ACKNOWLEDGEMENT OF COUNTRY

The Not-for-Profit Advisory Group acknowledges Aboriginal People as the state's first peoples, nations and Traditional Owners of South Australian land and waters. We recognise that their unique cultural heritage, customs, spiritual beliefs, and relationship with the land are of ongoing importance today, and we pay our respects to Elders past, present and emerging leaders of the future.

CONTEXT

THE SECTOR

South Australian not-for-profit organisations (NFPs) employ around 37,000 people, with 54,000 volunteers operating in the community sector. The interests of the sector are represented by overarching and specialist peak body organisations.

In a recent study, it was found that NFPs accounted for around \$9.8 billion, or 3.8% of South Australia's annual economic output. This is a similar amount to the retail sector.

NFPs deliver vital frontline services that support South Australia's most vulnerable people, bring together communities, and work to help South Australians overcome systemic barriers to participate equitably in society and the economy.

These services are wide and varied. They include community health services, homelessness services, disability services, the environment, arts, child protection, and education.

THE SA GOVERNMENT

The SA Government provides funding and contracts to many NFPs each year through procured goods and services delivered on behalf of government as well as through various grants initiatives.

PC-044 – The South Australian Funding Policy for the Not for Profit Sector is based on best practice principles for Government and NFP relationships, and aims to support and strengthen these partnerships. It sets out:

- guidance for a consistent and transparent approach to funding processes
- the expectation that government agencies will engage and collaborate with NFPs
- direction to reduce the administrative burden of contracting and reporting on NFPs and better maintain their independence
- direction to use learnings and evidence from funding processes in continuously improving outcomes for South Australian communities.

THE SA POLICY FRAMEWORK FOR NFP FUNDING AND PARTNERSHIP CONSISTS OF:

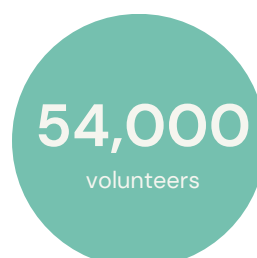
- PC-044 – The South Australian Funding Policy for the Not-for-Profit Sector (PC-044)
- Treasurer's Instructions 15 – Grants
- SA Government Procurement Framework, governed by Treasurer's Instructions 18 – Procurement
- Standard NFP Funding Agreements
- Mandated standard indexation on multiyear contracts (with some exceptions).

THE ADVISORY GROUP

The Not-for-Profit Advisory Group (NFPAG) is a **joint Government-NFP group**, co-chaired by Procurement SA and the South Australian Council of Social Service.

The NFPAG is tasked with encouraging collaboration between the NFP sector and Government to jointly achieve co-benefits for the South Australian NFP sector, service users, and government agencies. It does this through driving implementation of the principles of PC- 044.

A SNAPSHOT OF THE NFP SECTOR IN SA



THE STORY SO FAR



2013

The **Human Services Partnership Forum** committed to work towards improving partnership between government and the not-for-profit sector and provide a consistent approach to government funding including both procurement and grants.

2017

Government built partnerships and its understanding of the sector's needs and interests over a 4 year period.

PC-044, the South Australian **Funding Policy** for the Not-for-Profit Sector came into effect. This introduced:

- Standardised funding and grant agreements
- mandatory application of indexation

2019

The **SA Productivity Commission** released a report on its inquiry into government procurement including recommendations relating to not-for-profit procurement calling for a review of the Funding Policy.

2020

The **Not-for-Profit Funding Agreement Co-Design Team** reviewed the Funding Policy. The Department of Treasury and Finance, SACOSS, and Volunteering SA and NT, surveyed government and the not-for-profit sector. As a result the NFP-FACDT developed 20 recommendations.

2021

The government released its response to the review and support of the NFP-FACDT recommendations.

The **Not-for-Profit Advisory Group** was established to develop and support the principles contained in the Funding Policy.

2022-
24

The government and Not-for-Profit Advisory Group continue to work together to improve processes and policies, and support Government in addressing issues and barriers faced by the NFP sector.

CONSULTATION



Engagement period - 17 November 2023 to 19 January 2024



115

representatives from

99

Not-for-Profit organisations



32

representatives from

14

Government entities

Procurement SA, in partnership with the NFPAG, facilitated a range of consultative workshops, meetings and surveys to hear from a wide range of representatives from key cohorts.



13 Workshops in-person & online

6 Written submissions

5 1:1 Meetings

Workshops were **solution-focused**; and centred around barriers, issues, and opportunities for improvement in the funding relationship more generally. They were not limited to the principles of PC-044.

Preliminary work with representative NFP peak bodies ensured Procurement SA were prepared to facilitate strong discussion of issues and barriers, while faithfully capturing articulated solutions from participants, whose experience in the funding relationship yielded well-informed and relevant ideas to address them.

Activities were **participant-led**, and in-person workshops featured four key activities:

Review of known issues and barriers to:

- identify context, key nuances, **additional barriers and issues** in the funding relationship
- **create a shared understanding** of our starting point.

A visioning exercise to articulate the NFP sector and SA Government's **aspirations for the funding relationship**.

A brainstorming exercise, using the expanded issues and barriers to **generate a suite of proposed solutions**.

An impact/effort review of proposed solutions to **create an understanding** of which solutions would be most readily achievable and which would have the greatest impact, **laying the groundwork for their prioritisation**.

RECOMMENDATIONS

The Not-for-Profit Advisory Group has made **29 recommendations**, based on the contributions of participants throughout consultation. These recommendations are intended to address issues and barriers identified by participants, achieving key outcomes for Government, the NFP sector, and South Australian communities:



Trust and partnership through all stages of funding and procurement with the NFP sector are **improved**, including market research, contract management, service delivery, and tendering, recommissioning, and decommissioning of funded services.



Funding and procurement policy, practice, and systems are **informed** by data, community needs, and the experience of stakeholders. These **contribute toward continuous improvement** of understanding of the relationship and funding landscape.



Skills and capability of both Government and the NFP sector are **cultivated, developed, and sustained**, in service of the needs of communities.



Responsiveness, impact, and resilience of the NFP sector, funded services, Government agencies, and service users are **improved**, with better long-term outcomes for all parties.



Barriers imposed by policy, practice, and systems are **proactively reduced**, freeing up funded time and resources to focus more on delivering good-quality services to communities.



More **diverse people, communities, and organisations** are meaningfully **represented** through funding processes including in competitive tendering.

Insights shared by participants during consultation have been included alongside the recommendations.

1

Refresh PC-044 as a joint statement of commitment between the NFP sector and the SA Government, and to reflect the current state of the NFP sector.

PARTICIPANT INSIGHTS

- Participants supported an update to PC-044 (also referred to as 'the policy') to reflect the current state and participants of the funding relationship (including service users and peak bodies), and to use language that is familiar to the NFP sector.
- It was suggested the policy may serve as a partnership agreement and joint commitment to the 'common goal' of the sector and Government: delivering improved outcomes for South Australia. Participants proposed that ideally, the policy would sit above the pair of legal frameworks for grants and procurement.



The policy talks about partnership between NFPs and Government, but it's not just two-way – it's three-way.

It needs to include service users, who are just as important to creating great outcomes.



KEY OUTCOMES



2 Consider centralising and resourcing NFP grant governance and oversight. This should include an inclusive communications framework to improve clarity of policies, funding opportunities and outcomes, and a commitment to timelines.

PARTICIPANT INSIGHTS

- *Grant* processes are currently de-centralised (and thus inconsistent) across government and can impose barriers to NFPs' participation in funding opportunities. *Procurement* governance and oversight is currently centralised under the Procurement Framework.
- Participants advise that communications from government agencies can be inaccessible, timed inconsistently, and do not adequately manage expectations about timelines.
- Participants suggested that a consistent governance framework is established for competitive grant funding, alongside a centralised and consistent communications framework for grants and procurement, with appropriate guidance to support agencies to meet the minimum standards it sets out.

“
[NFPs] might have to answer the same question three times, which asks the same thing in different ways. [It is] too confusing.
”

KEY OUTCOMES



3 Establish a centralised Forward Grants Plan to publicise grant funding opportunities in advance; to improve NFP sector awareness of upcoming grant availability and their ability to plan ahead (similar to the Forward Procurement Plan).

PARTICIPANT INSIGHTS

- Information on grant availability is inconsistent and fragmented across Government agencies.
- This barrier to accessing information means that funding application windows are shortened and administrative pressures on NFPs increase.
- To mitigate these impacts, participants proposed the establishment of a “Forward Grants Plan” similar to the Government’s Forward Procurement Plan, to act as a central location for information on current and upcoming grant funding opportunities.

“
It’s very hard to know what grants are available and when, and that means there’s limited time to apply.

Re-launch Grants Assist – it could be linked to TI-15 (Treasurer’s Instruction 15 – Grant Funding) requirements, like the Forward Procurement Plan to TI-18 (Treasurer’s Instruction 18 – Procurement).
”

KEY OUTCOMES



4 Consider resourcing a whole of Government grants management system.

PARTICIPANT INSIGHTS

- The systems and processes for grants information and application are inconsistent across Government.
- Participants advise system inconsistency creates barriers to understanding and participation for NFP funding applicants. It also reduces the capacity for Government to monitor grant awards and information on applicants, impacting the ability to make data-driven decisions.
- Establishment of a centralised system for grants management can improve efficiency for NFPs and Government.

“
We are needing to fund a full-time data/reporting officer due to the arduousness of process that occupies Government funding arrangements. This is funding that could otherwise have gone to a case worker.”

KEY OUTCOMES



5 Develop guidance for Government agencies on accreditation standards, compliance requirements, and reporting for NFPs seeking, or in receipt of, Government funding.

PARTICIPANT INSIGHTS

- Participants reported that accreditation and compliance requirements across funding streams, including acquittals, are diverse and complex.
- Accreditation and compliance occupy disproportionate amounts of NFPs' focus and resourcing, reducing capacity to prioritise service delivery.
- Participants reported that acquittals processes are inconsistent, arduous, and often result in the unfair recouping of NFP funding, compromising service delivery.
- Participants requested Government develop guidance to support agencies to make these processes more accessible, proportionate, and consistent across Government agencies.

“
Our NFP organisation has 1,200 staff, but not all were trained in cultural awareness.

This was not a clear requirement of the funding, so we needed to train around 700 staff out of pocket.”

KEY OUTCOMES



6

Develop guidance to support NFPs' understanding of their rights within government funding agreements and contracts.

PARTICIPANT INSIGHTS

- Many NFPs reportedly have an incomplete understanding of contract terms and conditions that set out their rights and responsibilities in Government funding and contracts.
- Creating more visible and/or accessible guidance on this will better support partnership between the Government and NFP sector, and better enable NFPs to understand how to achieve the outcomes they want to achieve.

“

There needs to be an opportunity [for NFPs] to request contract variations when outside factors like staff shortages, cost of living, and so on, impact [service] deliverability.

”

KEY OUTCOMES



7

Review mandatory NFP Indexation, including determination and how it is applied.

PARTICIPANT INSIGHTS

- The participants support the continuance of the Department of Treasury and Finance mandate that indexation be applied to all multi-year funding agreements between Government agencies and NFP organisations, (noting there are some exceptions where this applies) and the forecast of indexation rates.
- Participants reported that indexation is applied inconsistently by Government agencies and across the NFP sector. They further noted that as South Australian indexation is not based on real costs, it does not meet the rising pressures felt across the sector, and requested that Government review indexation to explore opportunities to address this.

“

Indexation is a 'dud'. CPI has been much higher than the published indexation rate.

[An NFP] chose not to expect to receive indexation, and only found out a month before the end of the financial year that they were getting it.

”

KEY OUTCOMES



8

Consider the introduction of longer base contract terms of 5 years, and to require 6 months' notice of either contract renewal or termination.

PARTICIPANT INSIGHTS

- Presently there are no mandated minimum terms for multi-year contracts or mandated notice period for notification of contract renewal or termination. The current Procurement Framework requires that Government is guided by the principles of PC-044, which includes that where appropriate longer-term contracts of 3+3+3 years are offered.
- Some NFPs are being notified of funding outcomes (i.e. whether the funding will be continued or discontinued) late in the term of the funding arrangement – in some cases the day before funding is due to end.
- With insufficient time to transition between service providers, this introduces significant financial risks for service providers and their staff.
- Lack of certainty about the future contributes to loss of skilled and experienced staff, increasing risks for service users' wellbeing and access to services they rely on.

“
Some staff are too scared to buy a house [or] get a mortgage. Sometimes the bank won't grant one, as employment contracts are temporary.”

KEY OUTCOMES



9

Review the process of service planning and design to ensure contracted deliverables and funding amounts reflect the true cost of service delivery.

PARTICIPANT INSIGHTS

- Participants report that funding amounts at times do not match the expected deliverables set out in contracts.
- It is suggested that funding levels should be sufficient to cover the true cost of service delivery in each contract.
- This may involve: building the capacity of the NFP sector and Government to accurately cost services; improved use of service planning exercises, including early stakeholder engagement and market research, and consideration of whole of life costs; and greater consideration for the timing, provision, and/or recouping of unexpended funds.

“
Funding and indexation can arrive too late for [NFPs] to spend it in the timeframe provided – and it's then immediately recouped through acquittals, risking service delivery and outcomes.”

KEY OUTCOMES



10 Review opportunities to align NFP funding policy and practice with those of other levels of government to ensure expectations and contract and reporting requirements are consistent and proportional.

PARTICIPANT INSIGHTS

- Participants reported NFP funding policy and practice in the SA Government is not well-coordinated or aligned with other levels of government (i.e. Local and/or Federal Government). They advised that inconsistent processes and overlap in reporting and compliance deadlines create challenges for NFPs in receipt of funding from both State and Federal sources.
- Participants requested a review of best practice to consider alignment, where appropriate, of State with Federal Government funding policy and practice.

“

State and Commonwealth Government agencies often ask for end-of-year reporting to be done in December to a high degree of complexity, or release tenders in December, because it's convenient for Government employees to start reviewing submissions when they come back to work after Christmas.

It's not convenient for the sector – all of the reporting and opportunities often coming at once, from State agencies plus Commonwealth, is making things harder.

”

KEY OUTCOMES



11 Establish a Community of Practice for SA Government staff who manage contracts and/or funding agreements with NFPs, in order to share knowledge and best practice across the SA Government.

PARTICIPANT INSIGHTS

- Participants reported that contract management is inconsistent across SA Government agencies.
- Participants proposed the establishment of a NFP Community of Practice for managing contracts and funding agreements.

“

We have trust with one [Government] department, where we can go to them with an idea, and they worked with us to develop the proposal. They can provide feedback early if the proposal will be of interest to them or not, saving time and money.

”

KEY OUTCOMES



12 Consider the impacts of recommissioning services and explore methods to strengthen support for NFPs transitioning into and out of service delivery.

PARTICIPANT INSIGHTS

- Participants report support for providers transitioning in and out of service delivery can be insufficient. This includes the establishment of new services, as well as those that are ending or being recommissioned (i.e. transitioning from one model, or provider, to another).
- These pressures create risk and impacts to staff and service users, including their mental and economic wellbeing.

“When programs transition to another provider, it's the clients who lose out. [They have to form] new relationships with new staff and providers, [and access] different programs. It can be disruptive and traumatic.”

“It's the same staff delivering services no matter which organisation wins the tender - there is a limited pool of skilled and qualified staff to draw from. But when they shift to work for the organisation that won the tender, they lose their benefits and entitlements like long service leave.”

KEY OUTCOMES



13 Work with NFP representatives to develop principles to guide the formation of contractual consortia or partnerships and explore methods to support their establishment.

PARTICIPANT INSIGHTS

- Participants agreed that the formation of contractual consortia and partnerships could be better supported by Government.
- This includes better consideration of shared accountability, as well as the time, funding, and expertise required to create high-quality alliances.
- Participants suggested that Government collaborate with NFP sector peak bodies to create guidance on forming consortia or partnerships, including how their establishment can be supported by Government.

“Government timelines don't account for how long collaboration actually takes, and that can delay service delivery to clients who rely on them.”

With rising complexity and costs of establishing consortia, we need more support from the Government to do this well and generate good outcomes. We need more time and funding to develop relationships than is available right now.”

KEY OUTCOMES



14

Establish performance measures and monitoring and evaluation for NFP funding and supplier relationships with relevant Government agencies to embed continued improvement, alongside relevant training, guidance, and support.

PARTICIPANT INSIGHTS

- Participants agreed relationships between NFP suppliers and Government agencies are inconsistently prioritised, measured, and supported.
- These relationships are integral to achieving value for money and good outcomes for service users.
- Participants proposed the establishment of performance indicators for relevant Government agencies' relationship quality with the NFP sector. This should include centralised monitoring and evaluation and reporting, supported by training and guidance.

“Some [Government] departments are so big and difficult to work with for that reason (inconsistent leadership/buy-in), without even return e-mails from some branches; leadership buy-in and understanding of the sector within agencies makes a difference.”

KEY OUTCOMES



15

Establish joint recognition to celebrate and promote the good practice of NFPs and Government in the NFP grants and funding relationship.

PARTICIPANT INSIGHTS

- The good work and impact of NFP funding is not widely recognised or understood.
- Participants suggested that good news stories of the impacts shared by NFPs in receipt of Government funding be monitored, recognised, and celebrated, to show the positive outcomes for SA communities.

“People across South Australia are reliant on these vital services [delivered by NFPs on Government's behalf].

Government and NFPs struggle together, they fail together, and they succeed together. There needs to be recognition of all of this, and celebration when we're succeeding.”

KEY OUTCOMES



16 Establish a capability strategy and programs to improve the knowledge and skills of Government and NFP staff in NFP funding and contracting.

PARTICIPANT INSIGHTS

- Participants have reported there are managers of contracts and NFP funding agreements, from within Government, who do not adequately understand the business and operating environment of the NFP sector. The same can be true for NFP employees' understanding of the work of Government.
- Participants called for the formation of a capability strategy with associated programs to improve the subject matter expertise of staff across the SA Government and NFP sector.

“
[We have experienced] contract managers from the South Australian Government overreaching into operational issues because they don't understand who, and when, is the most appropriate contact. This includes directly calling caseworkers whose job doesn't relate to [the NFP's] contract with the Government.
 ”

KEY OUTCOMES



17 Create guidance to establish evaluation processes that improve efficiency and communication involved in determination of funding outcomes.

PARTICIPANT INSIGHTS

- Participants have reported that, generally, funding processes can be inefficient within Government, and are not consistently proportionate or scalable to the size, scope, and/or risk of funding.
- These inefficiencies can create 'knock-on' effects on the sector, including delays and uncertainty. This further impacts NFPs' staff and affects outcomes for, and the wellbeing of, service users.
- Participants suggested the creation of internal Government guidance to make these processes more consistent, effective, and efficient.

“
[An organisation's] funding was due to expire on 30 September, and did not receive notice of funding outcome until midnight on 28 September. This was because the Government employee with the delegated authority to progress the process was absent.
This has happened to organisations in my sector at least once per year for the last five years.
 ”

KEY OUTCOMES



18

Explore the impacts of place-based funding and how and in what circumstances it might be beneficial to embed as an approach more widely.

PARTICIPANT INSIGHTS

- Government funding models can, at times, largely focus on communities of greatest need/disadvantage, and not necessarily target the needs of wider 'place-based' ones.
- Place-based initiatives are tailored to a place to respond to its complex needs that cannot be resolved through traditional policy and service approaches. They are outcomes-focused and engage and involve communities to understand the place and needs, empower people on the ground, and create long-term impact.
- Participants called for Government to examine how place-based funding may be beneficial to embed as a wider funding approach.

“
In homelessness services, no single person comes in to the service with homelessness as their only unmet need – there are mental health, skills/training, education, and/or domestic abuse concerns, which could be addressed through a coordinated place-based approach.
”

KEY OUTCOMES



19

Consider establishing an advocate to support, advance, and champion the not-for-profit sector and its needs.

PARTICIPANT INSIGHTS

- Participants report there is insufficient and inconsistent understanding of, and support for, the NFP sector across Government. NFPs are required to repeatedly explain the business of the sector to contract managers, and do not trust the expertise of Government to make determinations about the sector.
- It was considered that processes, policies, and resources such as the Office of the Industry Advocate, are targeted for the benefit and eyes of commercial businesses. Meanwhile, NFPs do not want to be 'left behind' – and would like their needs to be better-reflected and their economic and social benefit to South Australia to be valued.

“
The Industry Participation Plans and processes requested by Government don't reflect the NFP sector. We can't report the outcomes or social impacts we are achieving, and instead they ask inappropriate questions about plant and equipment use.

Things weren't built for [NFPs], but we're still required to – and do – meet these requirements.
”

KEY OUTCOMES



20

Establish minimum requirements for, and guidance on, government agencies involving the lived experience of service users in planning and outcome development/service design, and in evaluation of applications and funded programs.

PARTICIPANT INSIGHTS

- Participants reported the lived experience of service users and those people who will be impacted by services are inconsistently involved in the design, development, and evaluation of those services.
- Government participants acknowledged the challenge of doing this well.
- Participants requested improved guidance on effectively and equitably involving the lived experience of service users in service design and evaluation.

“

NFPs are required to explain the sector to Government staff. Why are NFPs educating Government?

Is the expertise of Government alone trusted to make decisions about funding allocations?

”

KEY OUTCOMES



21

Consider how to better support the participation of new and small NFPs in competitive funding opportunities.

PARTICIPANT INSIGHTS

- Participants reported that additional barriers are experienced by many NFPs competing with more established organisations for funding. This includes the additional barriers experienced by new or small NFPs.
- Addressing the complexities faced by these organisations could ease market entry and support capacity building across the sector.

“

Government told us we needed to partner with other organisations to win funding.

It is always challenging to create these partnerships – but as a small, 100% volunteer organisation, we find we are not taken seriously by larger NFPs, and are not viewed as competitive.

”

KEY OUTCOMES



22

Review the diversity of NFPs operating in regional, rural, and/or remote South Australia, and explore how to better support their unique needs.

PARTICIPANT INSIGHTS

- Participants reported that Government funding practice is better suited to NFPs operating in Adelaide Metro areas than those operating outside of them.
- This disproportionately impacts NFPs operating in regional, rural, and/or remote areas, whose operating environment can differ strongly from those operating in the Adelaide Metro area.
- Funding processes should acknowledge that NFPs operating in regional areas experience different constraints on recruitment and administrative costs, such as relocation, travel, and accommodation when servicing clients in distant areas.

“
Due to travel requirements in regional areas, staff have to stay overnight but cannot report this work, so large volumes of service to clients is functionally volunteer time.
”

KEY OUTCOMES



23

Review the membership of the NFP Advisory Group to ensure the group is representative of NFPs, including those providing services to regional, rural, and/or remote South Australian communities.

PARTICIPANT INSIGHTS

- It was acknowledged that the NFP Advisory Group is not well-known by the NFP sector, and there is a need to improve the diversity and representativeness of its membership.
- Participants called for regular review of the Advisory Group's membership to ensure it reflects their sector or work area, and strongly advocated for the inclusion of NFP representation for organisations operating outside of the Adelaide Metro area to ensure that a broad cross-section of the sector has a strong voice directly to Government procurement.

“
There is a lack of opportunity for, and investment in, hearing the contributions of organisations operating outside of the Adelaide Metro area. The work needs to be done differently to the 'Metro mindset' and there needs to be an opportunity to champion those different needs.
”

KEY OUTCOMES



24

Promote and expand the use of social impact funding.

PARTICIPANT INSIGHTS

- Participants felt that Government funding models focus more on output than outcomes and called for Government to promote and expand use of approaches that focus on improved outcomes for service users and prioritise prevention and health-promotion, including social impact funding.
- Social impact investments are investments made with the aim of generating measurable social and/or environmental outcomes in addition to financial return. Social impact investing is an emerging, outcomes-based approach that brings together governments, service providers, investors, and communities to tackle a range of social issues.

“
Learn from the [Department of Human Services'] Social Impact Framework [to help move toward prioritising outcome over output].
”

KEY OUTCOMES



25

Better understand the role and value of volunteers within NFPs, and explore means to account for and support their contribution to delivery of funded services.

PARTICIPANT INSIGHTS

- Participants shared that the cost of recruiting, training, and managing volunteers is often not accounted for within funding, and the investment of time required for these processes is not accounted for within reporting structure.
- Participants reported the vital contributions of volunteers to the success of NFP-delivered services, along with the socioeconomic dividends they support in improved social outcomes, are not well understood, and asked that Government explore how it can better support and recognise the value of volunteer involvement across the NFP sector.

“
Organisations delivering vital services on behalf of the SA Government often depend on volunteers for the success of their programs, and service provision can suffer without sufficient volunteer involvement. As rates of volunteer participation have decreased significantly in recent years, some NFPs are at risk of having to reduce or cease service provision.
[NFPs] are under significant financial strain, which impacts their ability to deliver services and engage their volunteers safely and appropriately.
”

KEY OUTCOMES



26

Consider targeted opportunities to support NFPs to create positive outcomes and added economic value through incentivising and enabling best practice within funded programs.

PARTICIPANT INSIGHTS

- It was acknowledged by participants that NFPs' ability to achieve environmental, social, and improved governance outcomes could be better understood.
- An aligned and funded approach between Government and the NFP sector to harness supplier expertise may help achieve these outcomes.
- Participants suggested that structured processes for engaging with social enterprises should also be explored.

“

When [NFPs] use \$1 funding from the Government, we see a return on that of \$2.30 because of added value and service users' ability to participate in the economy.

This is undervalued and we could be doing more to realise additional benefits.

”

KEY OUTCOMES



CONTRIBUTIONS FROM ABORIGINAL COMMUNITY CONTROLLED-ORGANISATIONS

Throughout the consultation, Procurement SA, the NFP Advisory Group, and the SA Aboriginal Community-Controlled Organisation Network ('SAACCON') made additional efforts to engage with and capture the insights of Aboriginal Community-Controlled Organisations ('ACCOs').

Provided below is a high-level summary of ACCOs' unique contributions, followed by recommendations targeted at addressing these challenges and barriers in the Government-ACCO funding relationship.

ACCO contributors reported that as they typically do not have the same dedicated resourcing as other NFPs, the challenges imposed by the complexity of Government funding and procurement processes and systems require them to bring staff offline to contribute to them, or pay for outside professional support. This avoidable suspension of service strains the relationships between ACCOs and communities, which services rely on, creating risk to ACCOs' sustainability and service user wellbeing.

Complexity and accessibility issues are compounded by short application windows and late notification of funding outcomes.

Delayed processes and notification of funding outcomes create financial insecurity. Uncertainty, and short funding terms, mean providers are not able to fully invest in building staff capability, with funding practice contributing to long-term skill shortages.

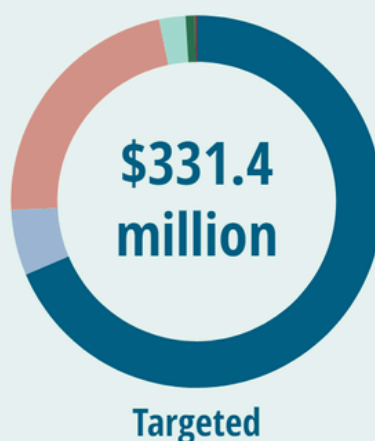
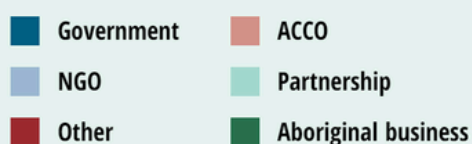
Contract periods are often too short to develop necessary trust with communities to effectively deliver services and evidence impact, and historic lack of support for monitoring and evaluation and reporting mean that work, research, and funding are being repeated to determine outcomes that could already have been evaluated. To address this, participants suggested that support for out-of-sector partnerships be considered, such as between ACCOs, non-ACCO NFPs, and/or universities and other academic institutions.

ACCOs' long-term sustainability is impacted as they struggle to overcome historic disparity between their capital assets and those of large, longer-established non-ACCO NFPs. Further funding and incentive gaps exist between ACCOs and Government, often competing to recruit and retain the same people, meaning ACCOs will work to upskill staff, then lose them to Government. This is exacerbated by additional challenges imposed by the geography and distance of rural, regional, and remote communities where ACCOs struggle to attract and train skilled staff.

Total Aboriginal expenditure by statewide service provider type

22.4% of expenditure for TARGETED programs and services is delivered by ACCOs.

92.5% of NON-TARGETED expenditure is delivered by the government, for example hospital services and government schools.



ACCOs rely on relationships with one-another and with communities to deliver effective services. ACCO respondents asked for additional guidance around forming consortia and partnership supply contracts, and consideration for how requiring ACCOs to compete with one-another for ACCO-only ring-fenced funding can impact these relationships.

Participants shared concern that Government agencies are inconsistent in their work with the sector, with more successful relationships held with those agencies with Aboriginal leadership or a team focused on developing relationships with ACCOs. However, these relationships are typically held by individual members of staff, creating risk to continuity of service and demanding additional effort from ACCOs to redevelop lost relationships.

ACCOs called for funding and procurement to involve the expertise of Aboriginal people and communities early in service and outcome design, to improve innovation and support Aboriginal self-determination under *Closing the Gap Priority Reform 2 – Building the Community-Controlled Sector*. Mismatch between Government service models and lived experience of communities puts additional work on ACCOs, who must find a way to “massage” funding parameters into alignment with service users' real needs.

Further, ACCOs asked for better consideration of the cultural needs of Aboriginal employees funded by Government to mitigate risk of cultural burnout through improved cultural supervision and governance supported by training from the ACCO sector.

27 Consider how to better support the participation of Aboriginal Community-Controlled Organisations in competitive funding opportunities.

PARTICIPANT INSIGHTS

- Participants reported that additional barriers are experienced by many ACCOs competing with more established organisations for funding.
- Addressing the complexities faced by these organisations could support capacity and help address historic disparities between ACCOs and non-ACCO NFPs.
- This may involve building on work to date to support ACCOs through targeted funding.
- To support and strengthen the ACCO sector, capability share and capacity building between ACCO's and non-ACCO NFPs should be explored and leveraged.

“
We don't want to only compete with other ACCOs for ACCO funding.
We want to be able to compete with larger organisations.
”

KEY OUTCOMES



28 Improve support for Aboriginal Community-Controlled Organisations' strong and sustainable participation in Government funding through capability and support effort, as well as red tape and barrier reduction.

PARTICIPANT INSIGHTS

- The diverse barriers faced by, and unique needs of, ACCOs are not met or addressed by funding processes, and could be better understood by Government.
- Work to support ACCOs resulting from this review should be in support of Closing the Gap Priority Reform 2. This may include increasing the amount of Government funding for Aboriginal and Torres Strait Islander programs and services going through ACCOs.
- ACCOs should be strong, sustainable, and able to deliver high quality and culturally safe services to meet the needs of Aboriginal and Torres Strait Islander people across South Australia.

“
 ACCOs don't have the [resourcing] for a tender writer, and need to bring other staff offline.
 With the last two tenders we submitted, there was a very short (3 week) timeframe and we had to take all staff offline for this period to input. When the level of complexity demands we do this, ACCOs cannot compete.
 ”

KEY OUTCOMES

29 Establish a Strategy to improve funding partnerships between Aboriginal Community-Controlled Organisations, other NFPs, and Government.

PARTICIPANT INSIGHTS

- Participants proposed the establishment of a targeted strategy that brings together existing and new policy mechanisms to improve funding partnerships between ACCOs, other NFPs, and Government.
- Services for Aboriginal people and communities must involve Aboriginal people and expertise meaningfully in their co-design, development, and evaluation. Wherever possible, these services should be delivered by ACCOs.
- To achieve partnership with, and long-term sustainability of, the ACCO sector, Government should establish requirements to engage consistently, genuinely, and in a culturally responsive and accountable manner, with ACCOs.
- This includes ensuring other NFPs that partner with ACCOs honour their commitments, and those commitments are monitored and assessed.

“
 There is an expectation that [ACCOs] will deliver a very high quality of service, but funding, infrastructure, and processes don't support us to do that.
 Everyone involved wants to provide good quality services to the people who need them, but the current way of working with Government creates practical barriers to achieving it.
 Something needs to change.
 ”

KEY OUTCOMES

A CALL TO ACTION

The unprecedented investment of the not-for-profit sector in this process has equipped Government and the Not-for-Profit Advisory Group with a strong and nuanced understanding of the current funding landscape, the barriers that exist in not-for-profit funding, and the real impacts on those affected.

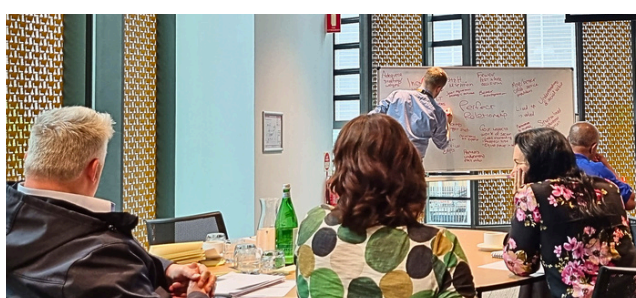
The sector has been forthright and honest about what it believes is needed to address these issues, and each of the recommendations presented in this report is purposeful: to improve the lives of South Australians.

The existing Funding Policy was established with the best of intentions, and there is a great deal of interest in both the not-for-profit sector and Government to continue building on this work. But we need to be doing more.

By making processes easier, reducing burdens, enhancing capacity, and identifying new efficiencies, Government and the not-for-profit sector can achieve our common goal of better services for the people who need them.

These recommendations are informed by the input of the largest and most diverse cohort of not-for-profits ever engaged by the Department of Treasury and Finance, and are endorsed by the Not-for-Profit Advisory Group. This is our collective opportunity to take action and realise better outcomes for South Australia.

To address the barriers and red tape identified through this process, the Not-for-Profit Advisory Group seeks the Government's response to these recommendations.



Contributing Organisations

The Not-for-Profit Sector

Aboriginal Family Support Services
 Aboriginal Drug and Alcohol Council
 Aboriginal Health Council of SA
 ac.care
 ACH Group
 Adelaide North-West Homelessness Alliance
 Angaston Football Club Inc
 Anglicare SA
 Arts Industry Council South Australia
 Australia Day Council of South Australia
 Australian Dental Foundation
 Baptist Care SA
 Barkuma
 Carclew
 Carers SA
 Centacare Catholic Country SA
 Centacare Catholic Family Services
 Child and Family Focus SA
 Circle of Arts Foundation Inc
 Community Care and Transport Incorporated
 Community Centres SA
 Community Housing Industry Association of SA
 Conservation Council of SA
 Diabetes SA
 Festival City ADL
 Friends of Parks SA
 Friends of Younghusband River Care Inc
 GOGO events
 Greek Welfare Centre SA
 Greening Australia
 Healthy Cities Onkaparinga
 HenderCare
 Hutt St Centre
 Infinity Community Solutions
 Inventorium Pty Ltd
 Junction Australia
 KESAB
 KWE Aboriginal Corporation
 KYD-X Disability Support Services
 Landcare Association of SA
 Leaders Institute SA
 Life Without Barriers
 Lutheran Care
 Marra Dreaming
 Mental Health Coalition of SA
 Minda Inc
 Mission Australia
 Morgan Community Men's Shed Inc.
 Morgan Small Bore Rifle Club
 Multicultural Communities Council of SA
 Multicultural Youth SA
 National Trust of SA
 Nature Conservation Society of SA
 Nature Foundation
 Nature Glenelg Trust
 Neighbourhood Node Pty Ltd
 One Culture Group
 Palmer Collier Park Community Association
 Philanthropy Australia
 Port Augusta Youth Centre
 Purple Orange
 Recitals Australia
 Relationships Australia SA

SA Aboriginal Community Controlled Organisation Network
 SA Council of Social Service
 SA Financial Counsellors Association
 SA Network of Drug and Alcohol Services
 SA Social Enterprise Council
 Save Our Wildlife Foundation
 SHINE SA
 Skylight Mental Health
 Social Enterprise Strategy Expert Advisory Group
 Social Traders
 South Australian Makers Inc
 St John's Youth Services
 St Vincent de Paul Society SA
 Substance Misuse Limestone Coast
 Swan Reach Craft Shop
 TABOO
 Tailem Bend Community Centre
 Tauondi Aboriginal Community College
 The Australian Centre for Social Innovation
 The Equality Project
 The Pear
 The Salvation Army
 Trees For Life
 Truro and District Community Association
 Uniting Communities
 Uniting Country SA
 Uniting SA
 Volunteering SA&NT
 Wilderness Society
 Writers SA
 Wyatt Trust
 Younghusband Hall Inc
 Youth Affairs Council of South Australia
 Youth Opportunities
 Youth Options
 Zoos SA

Government Entities

Arts SA
 Country Arts SA
 Department for Child Protection
 Department for Education
 Department for Health and Wellbeing
 Department of Human Services
 Department of Treasury and Finance
 DPC Multicultural Affairs
 Grants SA
 Green Adelaide
 Office for Ageing Well
 Office for Recreation, Sport and Racing
 SA Housing Trust
 Mid Murray Council (local government)

**For further information, please contact the
Not-for-Profit Advisory Group.**

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