

THE SOUTH AUSTRALIAN GOVERNMENT'S RESPONSE TO A COMMON GOAL

Review of the South Australian Not
for Profit Funding Policy



SOUTH
AUSTRALIA



Government of
South Australia

Message from the Treasurer



Hon Stephen Mullighan MP
Treasurer

The State Government is committed to making it easier for the South Australian not-for-profit sector to partner with Government to deliver vital public and community services. We recognise the key role of not-for-profit organisations in designing and delivering effective services that improve the lives and livelihoods of South Australian people and communities.

In 2023, Procurement SA, a branch of the Department of Treasury and Finance, partnered with the Not-for-Profit Advisory Group to design and deliver a comprehensive review of PC-044 – the South Australian Funding Policy for the Not for Profit Sector. This represents a clear opportunity to build on past work to strengthen partnerships between Government and the sector.

To evaluate the effectiveness of the Policy, **18 workshops** were held across South Australia, involving **99 not-for-profit organisations** - the largest cohort of NFP organisations ever consulted by Treasury - and **14 Government agencies**.

I would like to thank the Not-for-Profit Advisory Group for its work conducting this review, and the not-for-profit organisations and Government agencies for their contributions throughout the review.

The review has equipped Government with valuable insights to address identified challenges and pursue opportunities in partnership with the sector. This includes:

- skill and capability development
- reducing red tape and systemic barriers
- focusing on long-term outcomes and data to embed continuous improvement
- supporting responsiveness and resilience of communities and the sector
- and ensuring the richness and diversity of South Australian people, communities, and organisations, are represented and served through our work together.

The State Government looks forward to a renewed and strong continued partnership with the NFP sector, as we work together to achieve our common goal of making a positive difference for the people of South Australia.

Acknowledgement of Country

The South Australian Government 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.

Introduction

The South Australian Government has released its response to *A Common Goal: Review of the South Australian Not for Profit Funding Policy*.

This review fulfils the South Australian Government's commitments within Section 5 of *PC-044 - the South Australian Funding Policy for the Not for Profit Sector* regarding its review.

Of the 29 recommendations made by the NFP Advisory Group, 18 have been fully supported and 11 supported in principle by the Government. Implementation of these recommendations will take place over the next four years.

Background

[PC-044 – the South Australian Funding Policy for the Not for Profit Sector](#) (the Policy) was developed through consultation with the not-for-profit (NFP) sector through the former Human Services Partnership Forum, and came into effect in July 2017.

The Policy is based on best practice principles for Government and NFP relationships and aims to support and strengthen these partnerships.

It sets out the need for:

- Robust planning and design
- Collaboration and partnership
- Proportionality
- An outcomes orientation
- Achieving value with relevant money
- Governance and accountability
- Probity and transparency
- Community development focus.

The 2021 South Australian Government's [Response to the 2019 Review of the Effectiveness of the Not-for-Profit Funding Policy](#) set out key recommendations for improvement, including direction for Procurement SA to convene a joint NFP Advisory Group involving representatives from the NFP sector (the sector) and relevant Government agencies.

The NFP Advisory Group is co-chaired by Procurement SA and the SA Council of Social Service. In the years since its establishment, it has worked collaboratively to benefit the South Australian NFP sector and Government agencies through driving implementation of the principles set out in the Policy.

Commitment to the Common Goal

The Government is committed to working in partnership with the NFP sector to realise benefits and improved outcomes for South Australia.

The review has highlighted opportunities to enhance the partnership between Government and the NFP sector through various mechanisms, informed by the insights and experience of both the South Australian Government and sector.

In order to achieve the best outcomes for South Australians through Government funding and procurement, we will continue to build on work to date to strengthen collaborative partnerships between Government and the NFP sector.

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.

GOVERNMENT RESPONSE

Supported

The Government acknowledges the important work of the NFP sector and supports the development of a joint statement of commitment between the NFP sector and South Australian Government.

IMPLEMENTATION PLAN

The Government, in partnership with the NFPAG, will develop an overarching statement affirming the commitment to a strong partnership between the government and the NFP sector.

The Government will consider how this commitment can best be reflected in the SA Government Procurement Policy Framework.

Any proposed statement and resulting government policy updates will be reflective of the NFP sector's understanding of the funding relationship, and the value placed on service users and peak bodies as key partners in the design and delivery of effective services.

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.

GOVERNMENT RESPONSE

Supported in principle

The Government recognises the challenges and barriers experienced by NFP organisations resulting from a de-centralised grants framework. The Government agrees to investigate the feasibility of centralising and resourcing the governance and oversight of NFP grants with an appropriate Government agency. The aim will be to reduce barriers to awareness, understanding, and participation in competitive grant opportunities.

IMPLEMENTATION PLAN

The Government will review best practice for government grant management across other jurisdictions (including communications, systems, forward planning and training), and consider its application in the SA Government.

Consideration will be given to the role NFP sector peak bodies play in further disseminating information and promoting guidance throughout the sector.

Support and guidance for Government agencies, will consider administrative efficiencies while retaining a level of autonomy and ability to respond to emerging community needs.

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).

GOVERNMENT RESPONSE

Supported in principle

The Government supports the establishment of a Forward Grants Plan for competitive funding opportunities to create a centralised and consistent point of information for applicants and reduce barriers to participation.

IMPLEMENTATION PLAN

As part of the Government's grant management review (to be conducted in response to Recommendation 2), the Government will develop a strategy to establish a centralised Forward Grants Plan, similar to the existing Forward Procurement Plan.

4. Consider resourcing a whole of Government grants management system.

GOVERNMENT RESPONSE

Supported in principle

The Government will investigate a whole of Government grants management system as part of the work underway on the digital transformation program which seeks to modernise procurement systems over the next two years to reduce the cost and effort for Government agencies and suppliers. A similar program to develop one grant system may also reduce effort.

IMPLEMENTATION PLAN

The Government will investigate the benefits of implementing a whole of Government grants management system to create a single point of application which uses consistent and accessible templates and allows NFP organisations to register their details to make applying for funding easier.

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

GOVERNMENT RESPONSE

Supported

The Government supports the development of robust guidance for Government agencies in the planning and administration of accreditation standards, compliance requirements, and reporting, including acquittals. The intent is to reduce red tape and other barriers for NFP organisations seeking or receiving Government funding.

IMPLEMENTATION PLAN

The Government will develop and implement further guidance, training, and/or support for Government agencies around accreditation, compliance, and reporting requirements in the NFP sector.

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

GOVERNMENT RESPONSE

Supported

The Government recognises the need for NFP organisations to be confident in their understanding of their rights and responsibilities as suppliers to Government and/or within their receipt of Government funding. The Government also acknowledges the key role played by peak bodies in supporting this understanding across the NFP sector and contracted NFP organisations.

IMPLEMENTATION PLAN

The Government will work with the NFPAG to identify opportunities to develop and implement targeted guidance for contracted NFP organisations in understanding their rights and responsibilities as suppliers to Government and/or within their receipt of Government funding.

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

GOVERNMENT RESPONSE

Supported

The Government recognises the funding challenges experienced by NFP organisations resulting from rising external pressures (including inflation, cost of living increases, and other business costs), and the need to support NFP organisations in managing these pressures.

The current model of indexation provides certainty to the NFP sector that it will be applied to multi-year funding agreements (including procurement and grants) by a forecast figure each year, with some exceptions¹. However, it is acknowledged that the rates and application of indexation can vary across Government agencies and individual contracts.

IMPLEMENTATION PLAN

A review of the indexation model will be undertaken, drawing on lessons learned in other jurisdictions.

An audit will be undertaken to understand how NFP indexation is being applied across Government.

The Government will consider resulting recommendations relating to the SA NFP indexation model.

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

GOVERNMENT RESPONSE

Supported

The Government supports consideration of a phased transition to the use of base multi-year contracts of 5 years in length to support NFP organisations to make long-term plans in support of strong outcomes, monitoring and evaluation, and innovation in service delivery.

The Government also supports the introduction of a policy requirement to provide a 6-month minimum notice period to accommodate transition time and support financial and wellbeing outcomes for NFP providers and service users.

IMPLEMENTATION PLAN

The Government will review its current policies with the aim to require longer base multi-year contract terms as appropriate, and to strengthen its approach to notice periods for contract renewal or termination.

¹ Exceptions from mandatory indexation include:

- services transitioning to the National Disability Insurance Scheme (NDIS)
- services transitioning to the Commonwealth Government under aged care reform arrangements
- indexation arrangements negotiated as part of a competitive tender arrangement.

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

GOVERNMENT RESPONSE

Supported

The Government supports the review of its current service planning and design processes with a view to enabling Government in allocating funding and tender writing, and NFPs in responding to tenders, for contracted services based on the true costs to deliver those services and achieve agreed deliverables.

IMPLEMENTATION PLAN

A review of current funded service planning and design processes and practice, including support for Government agencies and NFP suppliers to align funding amounts with expected deliverables, will be undertaken across government.

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.

GOVERNMENT RESPONSE

Supported in principle

The Government acknowledges the challenge experienced by NFP organisations in participating in funding opportunities with multiple levels of government, including Federal and local councils.

IMPLEMENTATION PLAN

Funding policies and practices cannot always be matched, but where appropriate the Government will seek to support red tape reduction and improve process efficiencies, freeing funding recipients to manage their obligations to all levels of government.

Through implementation of Recommendation 2, a review of other jurisdictions will be undertaken, and opportunities for alignment of policies/practices will be identified.

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.

GOVERNMENT RESPONSE

Supported

The Government recognises the significance of effective contract management for Government agencies, service providers, service users, and communities. To support this, it has recently established a Contract Management Network to enhance capability across the public sector.

IMPLEMENTATION PLAN

The Government will continue to support, promote, and develop the Contract Management Network to facilitate improvement in the practice of contract management across Government. This will be expanded to ensure participants and topics discussed cover managing contracts and funding agreements with NFP organisations.

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

GOVERNMENT RESPONSE

Supported

The Government supports work to develop its understanding of the impacts on NFP organisations, the workforce, and service users caused by re-tendering services and how these impacts may be met with stronger support.

IMPLEMENTATION PLAN

The Government will work with NFP sector representatives to develop its understanding of the impacts on NFP organisations and service users caused by re-tendering services.

Following this work, a review of current policies and guidance will be undertaken to identify opportunities for improvement, including to support improved service continuity, retention of skilled staff, and outcomes for service users.

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

GOVERNMENT RESPONSE

Supported

The Government recognises the value of strong partnerships and consortia to the realisation of improved outcomes for service users and the community. The Government will also seek to develop its understanding of ways to encourage and realise improved efficiencies between service providers.

IMPLEMENTATION PLAN

The Government will work with the NFPAG to create guidance on forming high-quality, effective contractual consortia and partnerships to deliver services that add value for NFP organisations and service users.

This may include further work to understand how Government policies and guidance can enable the establishment of consortia and partnerships within the NFP sector, and to encourage more efficient use of partnered organisations' shared capacity to streamline access to multiple services for clients.

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.

GOVERNMENT RESPONSE

Supported in principle

The Government supports Government agencies working to embed continuous improvement in NFP funding and supplier relationships to improve their consistency and effectiveness.

IMPLEMENTATION PLAN

A review of existing frameworks across Government will be undertaken to identify good practice and opportunities to support improvement regarding evaluation and monitoring of NFP funding and supplier/Government relationships.

Updated training and guidance will be developed for Government agencies, as required.

The Government will consider if performance measures and additional monitoring is required centrally.

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

GOVERNMENT RESPONSE

Supported

The Government supports the establishment of a recognition program to celebrate and promote best practice in the funding relationships and partnerships between Government and the NFP sector, to highlight strong and positive outcomes for communities.

IMPLEMENTATION PLAN

The Government will explore whether a stand-alone recognition program could be established or if there are other programs that could offer similar opportunities.

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

GOVERNMENT RESPONSE

Supported in principle

The Government's next capability strategy for Government agency procurement and contracting staff will have a focus on capability uplift of staff working with NFP organisations. Its applicability will also be considered for those managing grant arrangements.

IMPLEMENTATION PLAN

The Government will continue to support the development of a capability strategy and associated programs for procurement and contracting staff across Government. This will include staff working in funding and contracting with NFP organisations, to improve subject matter expertise and practice.

The Government will work with NFP representatives to consider how best to support the NFP sector to increase their skills and knowledge. All programs will be planned and delivered in partnership with the sector.

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

GOVERNMENT RESPONSE

Supported

The Government supports improved efficiencies relating to funding outcome determination and notification. A key objective will be to reduce cascading delays in services and impacts on staff and service users.

IMPLEMENTATION PLAN

The Government, in partnership with the NFPAG representatives, will seek to improve internal guidance and training to support Government staff in ensuring application and evaluation processes are proportionate in complexity to the size, scope, and/or risk of funding or funded activities.

A review of Government policies will also be undertaken to identify opportunities for efficiency gains in the procurement and grant evaluation processes.

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.

GOVERNMENT RESPONSE

Supported in principle

The Government supports work to understand the current and potential impacts of place-based funding methods, and to consider opportunities to address multiple interconnected needs within SA communities.

IMPLEMENTATION PLAN

The Government will bring together research, policy, economics, and delivery units within Government to develop its understanding of current and potential future strategies for place-based funding models.

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

GOVERNMENT RESPONSE

Supported in principle

The Industry Advocate, supported by the Office of the Industry Advocate (OIA), currently holds responsibility for advocacy of all sectors, including the NFP sector.

IMPLEMENTATION PLAN

Procurement SA, the Government's central procurement branch, will continue to work alongside NFP sector peak bodies and the OIA to determine how to support, advance, and champion NFP organisations in receipt of Government funding to ensure policies, processes, and to provide resources that are reflective of their specific needs.

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.

GOVERNMENT RESPONSE

Supported in principle

The Government will consider opportunities to involve the lived experience of service users in service planning, design, and evaluation processes, to embed existing good practice, and improve consistency and effectiveness of service design.

IMPLEMENTATION PLAN

The Government will work with the NFPAG to consider how the lived experience of service users can be captured within policy.

This may include consideration of developing guidance and training to support the involvement of people with relevant lived experience on evaluation panels, and/or opportunities to involve people with relevant lived experience in the design and development of service models.

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

GOVERNMENT RESPONSE

Supported

The Government recognises that new and small NFP organisations have reported challenges when competing against larger and more established NFP organisations that already have existing capital and funding in place as well as experience applying for Government work/funding. The Government supports work to support new and small NFP organisations in competitive funding processes.

IMPLEMENTATION PLAN

The Government will work with representatives from new and small NFP organisations, to develop its understanding of the additional complexities faced by these organisations.

Consideration will be given to identifying mechanisms to help ease market entry for new and small NFP organisations and support requisite capacity building across the sector, including the key role of NFP sector peak bodies in supporting the sector.

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

GOVERNMENT RESPONSE

Supported

The Government recognises that regional, rural, and remote NFP organisations face unique challenges to deliver services and recruit skilled staff.

The Government supports work to understand the diversity of NFP organisations operating in regional, rural, and/or remote South Australia, along with how those organisations can be supported to overcome additional barriers.

IMPLEMENTATION PLAN

The Government will work with NFP representatives from regional, rural and/or remote SA to develop its understanding of the unique challenges and additional complexities faced by those organisations in funding arrangements and service delivery.

Consideration will be given to identifying mechanisms to accommodate for the additional challenges and complexities when seeking and evaluating funding applications from regional NFP organisations.

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.

GOVERNMENT RESPONSE

Supported

The Government supports the review of NFP Advisory Group membership.

IMPLEMENTATION PLAN

The NFPAG Co-Chairs will review the membership to ensure the group reflects the sector and its work, and that the sector has a strong voice directly to Government to advocate for its needs.

24. Promote and expand the use of social impact funding.

GOVERNMENT RESPONSE

Supported in principle

The Government supports work to understand the current use and benefits of social impact funding by Government across South Australia, and how it might be expanded to embed approaches within service design and delivery.

IMPLEMENTATION PLAN

Research, policy, economics and service delivery units within Government will be brought together to develop its understanding of the use and benefits of social impact funding and how this might be expanded across Government as appropriate, along with support from NFP peak bodies to create a shared definition and understanding of “social impact”.

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.

GOVERNMENT RESPONSE

Supported

The Government recognises the valuable contribution of volunteers in the delivery of services, and supports the review of volunteers' contribution to the success of funded services delivered by NFP organisations.

IMPLEMENTATION PLAN

The Government will consider how volunteer contributions can be best accounted for, enabled, and supported within funding, evaluation, contracting, and contract management processes.

This work is to be done in partnership with the peak body for volunteering in SA.

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

GOVERNMENT RESPONSE

Supported in principle

The Government recognises the strong capabilities of NFP organisations to support the realisation of Environmental, Social, and Governance (ESG) benefits in partnered work with Government and is supportive of having a better understanding of how it and the NFP sector can work together to achieve these outcomes.

IMPLEMENTATION PLAN

The Government will consider how these additional benefits are being realised by the NFP sector and identify suitable mechanisms to incentivise or encourage the integration of these benefits into funding applications.

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

GOVERNMENT RESPONSE

Supported

The Government values the important work of Aboriginal Community-Controlled Organisations (ACCOs) in delivering key services to Aboriginal and Torres Strait Islander people and communities and recognises there are systemic reported challenges in doing so.

The Government supports work to develop its mechanisms for supporting ACCOs in competitive funding processes. The expertise of well-established non-ACCO NFP organisations should also be leveraged to support and strengthen the ACCO sector through capability share and partnered capacity building initiatives.

IMPLEMENTATION PLAN

The Government will work with the NFPAG and SA Aboriginal Community-Controlled Organisation Network (SAACCON) to incorporate the needs of the ACCO sector into development of the SA Government's Aboriginal Enterprise Procurement Strategy. This work aims to ensure ACCOs are well-supported in competitive funding processes, in addressing the additional complexities faced by these organisations, in entering markets, and in accessing capacity building programs across the sector.

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.

GOVERNMENT RESPONSE

Supported

The Government supports continuing to build on partnered work with the ACCO sector to improve ACCOs' strong and sustainable participation in Government funding opportunities.

IMPLEMENTATION PLAN

Through the implementation of Recommendation 27, the Government will consider a strategy, suitable frameworks, and mechanisms to support ACCOs' strong and sustainable participation in Government funding opportunities through capability, efficiency, cultural maturity of services, appropriateness and effectiveness of services for Aboriginal communities, and diversity and quality of funding applications.

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

GOVERNMENT RESPONSE

Supported

The Government recognises that ACCOs have expressed concern about the ability of Aboriginal people and communities to participate in the development or determination of services and support designed for them.

The Government is supportive of a strategy being developed to improve funding partnerships and practice between ACCOs and Government.

IMPLEMENTATION PLAN

Through the implementation of Recommendation 27, the Government will consider a strategy and mechanisms to support Aboriginal people and communities to lead the co-design, development, and evaluation measure of services and supports. This will likely bring together existing and new policy mechanisms.

Key stakeholders will need to work in collaboration to ensure the strategy and outcomes developed are fit for purpose and culturally mature, with clear pathways to meeting short- and long-term objectives.





**Government of
South Australia**