

To: Blueprint Expert Reference Group

Not-for-Profit Sector Development Blueprint consultation

Prepared by: Ecstra Foundation

20 December 2023

submitted via: engage.dss.gov.au

Introduction

Ecstra Foundation (Ecstra) welcomes the opportunity to contribute feedback on the principles and priorities of a national blueprint for Australia's not-for-profit (NFP) sector.

Ecstra's submission focuses on themes raised within Sections 3 – 5 and Section 8 of the *Not-for-Profit Sector Development Blueprint Issues Paper* (the Issues Paper).

Our submission draws on our experience of funding and partnering with over 130 NFP organisations working to address economic exclusion and build the financial wellbeing of people and communities.

We also refer the Blueprint Expert Reference Group (BERG) to our submission to the recent Department of Social Services consultation *A stronger, more diverse and independent community sector*.

Note that Ecstra is a member of Philanthropy Australia (PA). We have read the submission published by PA in December 2023 and reference PA's submission where applicable.

About Ecstra Foundation

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

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

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

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

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

Section 3. Measurement, outcomes and quality of services

Service design and delivery

Ecstra works with many NFP organisations delivering frontline services to people and communities, including domestic and family violence support, financial counselling, community legal centres and other community organisations.

Through this work, we identify a number of core principles of service design and delivery that should be reflected in a National NFP Blueprint. This includes principles relating to co-design

and lived experience, co-location of services, evaluation/evidence based (see also further below) and community led responses.

a. Co-design and lived experience

Ecstra strongly supports the use of co-design principles in structuring and delivery of programs and initiatives. This is particularly important when considering how programs can maximise impact, including working with culturally and linguistically diverse communities, First Nations partnerships and initiatives that seek to address complex and intersecting issues.

Successful examples include Women's Information and Referral Exchange's (WIRE) project which applied an intersectional lens in the development of a suite of financial capability resources for women, non-binary and gender diverse people. The tailored resources were co-designed with groups with lived experience, including participants facing significant financial disadvantage, to ensure they effectively responded to participants' challenges, priorities and needs.

Government grant and services agreements should include specific funding provision to ensure NFP organisations are sufficiently resourced to embed lived experience in the design, delivery and review of services and support.

b. Co-locate

In certain settings, bringing services together can deliver great benefit and holistic support to people and communities. This approach involves co-locating multidisciplinary services and expertise to support people experiencing complex disadvantage, such as victim survivors of family and domestic violence.

Ecstra provides multi year grant funding to support WestJustice's [Restoring Financial Safety project](#), an integrated multi-disciplinary services partnership between WestJustice and McAuley Community Services. This service provides legal advice, financial counselling, support and advocacy for women who have experienced economic abuse and other forms of family violence. The impact evaluation data from the project demonstrates the benefits of such a service model.

Health Justice Australia's strategy is to embed legal help in community and healthcare settings through Health Justice Partnerships (HJPs). Financial stress and money issues are significant contributors to physical health and outcomes. Ecstra provided funding to support Health Justice Australia's recent research report [Health justice partnership and financial wellbeing](#). The report examined whether and how HJPs achieve financial wellbeing outcomes for their clients through working with financial counsellors, community workers in health and other multidisciplinary settings and the opportunities and constraints to addressing financial wellbeing through HJPs.

c. Place based

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

Ecstra's Women's Economic Security Project includes grant partnerships with NFP organisations leveraging their knowledge and links to local communities to tackle workplace participation for women facing barriers to mainstream employment. These organisations are

creating training and employment opportunities and providing financial capability support. This includes Multicultural Youth SA (MYSA), who work with young migrant and refugee women in South Australia. Through their events based social enterprise, MYSA provides participants with their crucial first job, helping them develop a range of transferable skills and provides access to wrap-around financial capability support.

Outcomes measurement

A National NFP Blueprint should include a commitment and actions to help NFPs more effectively measure and understand the impact of their work.

Increased awareness and demand for outcomes measurement by many funders, including Government and philanthropy, has led to increased reporting requirements for many NFP organisations. As acknowledged in the Issues Paper, measuring and reporting outcomes creates new operation and service costs for NFP organisations. These costs are rarely fully met by funders.

Through our financial capability work and grant making, we observe that NFP organisations often face a range of evaluation and impact measurement barriers¹. This includes cost, time, resourcing and capacity constraints, as well as lack of access to outcomes planning tools and methodology, especially with regards to selecting appropriate measures for financial wellbeing.

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

More substantial grants may involve specific provision for an external evaluation, whilst integrating our financial capability/wellbeing indicators as part of their reporting to help maintain consistency in measurement approach.

An investment by Government in shared measurement frameworks, guidance resources and tools can help remove barriers to outcomes measurement. Developing shared measurement frameworks that identify clear outcomes and measurement methodology enables a common approach to measuring impact, ensuring greater consistency, and improving data quality and capture to better understand the impact of initiatives. An example of Federal Government investment in outcomes measurement is the National Financial Capability Evaluation and Monitoring Framework, released by Treasury in 2022 to support the National Financial Capability Strategy. The National Financial Capability Monitoring and Evaluation Framework was provided as a resource for NFPs and other organisations working in financial capability to effectively measure and share their outcomes and impact. However, we understand this Framework is not currently active.

Government grants funding should include specific costing provision for data collection, evaluation of programs and outcomes sharing. Providing access to quality evaluation tools and funding internal resourcing will ensure NFPs have the necessary capability to undertake effective evaluation, build evidence bases and share the outcomes of their work. Funding should be flexible enough to support organisations to partner with third party experts or intermediaries for support where appropriate.

¹ For an overview of impact measurement challenges faced by both funders and grantees identified during the development of Ecstra's framework see: [Building a sector-wide approach to measuring impact](#)

Capturing data and sharing insights can help inform what is (and isn't) working and why. A more rigorous evidence base of 'what works' should inform service design, delivery and improvements - leading to better outcomes for people and communities.

More robust, consistent and comparable data is also critical to informing future policy responses and settings. We note and welcome the Government's recent investments in the Australian Centre for Evaluation and the 'Measuring what matters' wellbeing framework to better assess and track Australia's progress across a range of areas, both economic and social.

Section 4. Policy, advocacy, communications and engagement

Charities make a significant contribution to Australian society and its economy. They provide critical services and support that people, communities, businesses and governments rely on and their economic contribution is equivalent to 8.5% of Australia's GDP².

NFP organisations are uniquely placed to share insights on how policies are impacting people and communities, and to advocate for improved policy, systems and programs to deliver better outcomes.

There are many instances where NFP organisations have been instrumental in shaping policy and systems responses, often with philanthropic support.

Ecstra's Women's Economic Security Project partners with organisations working to address economic abuse, including Women's Centre for Economic Safety, WestJustice, Redfern Legal Centre and the Economic Abuse Reference Group. These organisations engage in sector leading policy and community education work on financial inequality and economic abuse, informed by their integrated frontline support services for victim survivors.

This includes advocating for systems change and law reform to improve outcomes for victim survivors and influencing government and industry responses to economic abuse. Their advocacy has contributed to financial institution and utility providers implementing product and service design changes to better respond to customers experiencing family and domestic violence, informed recent coercive control legislative provisions and consolidated knowledge about the benefits of multidisciplinary service models in supporting victim survivors of family and domestic violence.

Advocacy, change agendas and systems reform are often driven by community and civic focused organisations seeking effective and more equitable outcomes for communities. Relatively modest philanthropic investments can help inform changes to significant government policies and funding. For example, Grattan Institute's range of reports and policy recommendations across areas including women's economic participation, education outcomes and lifting learning outcomes for students in remote areas have received philanthropic support from Origin Foundation, Ecstra and other philanthropic supporters.

Given that NFP organisations have valuable insights about local needs, challenges, opportunities and potential solutions, Government contracts and grant funding should not include 'gag' clauses preventing NFP advocacy on systemic issues.

It is critical that the expertise and insight of the NFP sector is embedded into the policy response process. Government could more effectively leverage peak sector bodies and philanthropic organisational knowledge and connections with the community, community

² Social Ventures Australia and the Centre for Social Impact (2022) *Paying what it takes: funding indirect cost to create long-term impact*. Social Ventures Australia.

organisations and private sector to inform policy response. This would also assist in identifying gaps, opportunities to scale existing effective initiatives, to co fund where appropriate and to learn from the outcomes of work to date.

A broader range of NFP organisations should have access and opportunity to contribute to formal Government reference and advisory groups, such as the Community Services Advisory Group and BERG. This could be through more varied membership, shorter membership terms and/or through mechanisms to ensure non-member organisations can contribute to discussions and consultation on relevant issues.

Section 5. Philanthropy and volunteering

Philanthropy plays an important role in the NFP sector.

Ensuring policy settings incentivise and support charitable giving is essential for the long term sustainability of the sector and should be reflected in the National NFP Blueprint. We note and welcome the Government's commitment to doubling charitable giving by 2030 and the subsequent Productivity Commission inquiry into philanthropy.

Growing the national network of Community Foundations to increase charitable giving

A deep understanding of local priorities and people lies at the heart of the community foundation model. Community led initiatives bring together people and resources to identify common challenges and address them collectively.

Given their strong ties to local communities and focus on achieving positive impact for the communities they serve, community foundations are well placed to incentivise and motivate people to contribute through volunteering or donations.

Ecstra's partnership with Community Foundations Australia provided funding for 10 communities across Australia to design place based approaches to address economic inequality and exclusion. This included Bass Coast Community Foundation who developed a profile of financial vulnerability across the Bass Coast community to better direct services. Fleurieu Community Foundation developed a financial wellbeing and goal setting program using accredited counsellors. The project was convened by Community Foundations Australia, and the [Impact Report](#) illustrates the many opportunities to work with diverse partners at a local level.

A National NFP Blueprint should support growing the national network of community foundations. We refer to PA's recommendations to establish a strategy and specific reforms to grow Australia's community foundation network, as detailed in its submission.

Expanding DGR for more registered charities

Reforming the deductible gift recipient (DGR) system so that more registered charities are given DGR status should lead to an increase in total giving. The Australian Charities and Not-for-profits Commission states in its recent report that DGR status charities are more likely to receive donations³.

Measures to expand DGR eligibility should also consider circumstances where it may not be suitable for certain type of donations to be eligible for the donor to claim a tax deduction. For example, where a contribution is made by an organisation or individual as part of enforceable undertakings issued by a regulator. As noted above, Ecstra's initial funding was provided through Community Benefit Payments paid by organisations under ASIC's

³ Australian Charities and Not-for-profits Commission (2023), *Australian Charities Report, 9th Edition*

enforceable undertaking regime. It would not be appropriate for an individual or organisation to benefit from a tax deduction in such circumstances.

Ecstra has not sought DGR status to date, and as a result has retained flexibility to support purpose driven, for profit projects, including a wide range of social enterprises. Some of these may access DGR rights through a parent charity, however for early stage organisations, or those working in complex areas not suitable for public fundraising, accessing grant funding without DGR status is very challenging.

Other measures to grow philanthropic giving

Ecstra also broadly supports the recommendations made in PA's submission regarding policy and regulatory reforms to increase giving to NFPs, outlined below:

- Giving Australians the choice to make a bequest through superannuation
- Providing people with a voluntary choice to donate some of their tax return to charity
- That the Government fund a National Giving Campaign to encourage a stronger culture and practice of giving in Australia.

We refer to PA's submission for greater detail on these recommendations.

Section 8. Government funding, contracting and tendering

Ecstra welcomes the commitment to improving the way Government funds and contracts with NFPs.

Through our work of funding over 130 grants partners focused on financial capability and wellbeing, we identify the following areas for enhancement.

Operating and indirect costs

The Issues Paper acknowledges direct and indirect costs of NFP service delivery is often not fully funded by government and philanthropy in grant arrangements, or in government contracts. Many organisations report underfunding of indirect costs in funding agreements⁴.

Ecstra's grantees commonly identify underfunding of essential areas such as impact evaluation, IT and cybersecurity, marketing, legal and human resources.

Maintaining, upgrading, and staff resourcing for effective and essential IT infrastructure is an ongoing and increasing challenge for many our grant partners. Ecstra's Response and Recovery grant round supported community organisations to pivot to remote and digital delivery to ensure financial support services and outreach could continue during the pandemic and successive lock downs. Investment is crucial not only to optimise service delivery and operational efficiency, but also to minimise cybersecurity risks. Infoxchange's 2023 report on digital technology in the NFP sector revealed that urgent action is needed across the sector to improve cyber security and digital technology planning⁵.

Many of Ecstra's grants also explicitly fund headcount cost – budgeted positions to deliver on a specific project, as well as percentage estimates of management time. Specialist positions are often not funded via grants as they are seen as 'business as usual'. However, roles in areas such as marketing and legal build the internal capacity of organisations to deliver on their mission.

⁴ Social Ventures Australia and the Centre for Social Impact (2022) *Paying what it takes: funding indirect costs to create long-term impact*. Social Ventures Australia

⁵ Infoxchange (2023) *Digital Technology in the Not-for-Profit Sector*

For NFPs to run efficiently and effectively, investment in indirect costs is essential. NFP organisations that spend less on indirect costs are not necessarily more efficient or effective⁶. In fact, research suggests that spending insufficient resources on indirect costs can potentially reduce effectiveness⁷.

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

Flexibility is essential in a complex operating environment

Greater flexibility in funding terms can help reduce inefficient use of resources and excessive reporting on deliverables. This enables NFP organisations to redirect resources to respond to community needs and adjust timing, priorities and program/ delivery approaches accordingly.

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

Longer grant agreement terms

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

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

Multi-year funding arrangements can support the development of a trusted partnership, with more open and robust communication channels and sharing of outcomes. Importantly, this enables greater exploration of 'what works' and 'what doesn't', facilitating a better understanding of how to drive change.

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

Transparency and clear selection criteria are essential for any grant program, regardless of duration. For longer term grant agreements, an evaluation framework should be developed early in the planning stages with agreement reached on review requirements and

⁶ Social Ventures Australia and the Centre for Social Impact (2022) *Paying what it takes: funding indirect costs to create long-term impact*. Social Ventures Australia

⁷ *ibid*

adjustment mechanisms across the life of the grant. Sufficient lead times for adjustments to funding and renewals is critical to enable adequate time for NFP organisations to plan for variations and to assess the impact on the organisation, initiative and the community of any possible change.

Diversity of grant partners

Transparency and ensuring a diverse range of NFP organisations have equitable access to participate in grant funding programs (as well as Government services contracts) is essential.

Achieving positive outcomes for people and communities is the primary goal and focus when assessing NFPs' suitability for funding. Matching the need to the solution recognises that place based approaches may be best implemented by local organisations already embedded in the local community, or for large social change programs well established, national NFP organisation expertise and delivery may be preferable.

Streamlining the application process, setting clear funding principles and criteria, setting and communicating sufficient lead times and providing feedback where possible are all essential practical steps to ensuring a diverse range of organisations access grant opportunities.

Summary

Ecstra's key points and recommendations are as follows:

Recommendation 1: To ensure community and user needs are at the centre of service and program approaches, a National NFP Blueprint should include core principles of service design and delivery relating to: co-design and lived experience, co-location of services, evaluation/evidence based and community led responses.

Recommendation 2: A National NFP Blueprint should include a commitment and actions to help NFPs more effectively measure and understand the impact of their work. An investment by Government in shared outcomes measurement frameworks, guidance resources and tools will help remove barriers to impact measurement. Government grant funding arrangements should include specific costing provision for data collection and evaluation.

Recommendation 3: NFP organisations play a crucial role in advocacy and policy development. It is critical that the expertise and insight of the NFP sector be embedded in the policy response process:

- Government contracts and grant funding should not include 'gag' clauses preventing NFP advocacy on issues
- Government should more effectively leverage peak bodies and philanthropic foundations organisational knowledge and connections with the community, the NFP sector and private sector
- A broader range of NFP organisations should have access and opportunity to contribute to formal Government reference and advisory groups. This could be through more varied membership, shorter membership terms and/or through mechanisms to ensure non-member organisations can contribute to discussion and consultation on relevant issues.

Recommendation 4: Ensuring policy settings incentivise and support charitable giving is essential for the long term sustainability of the sector and should be reflected in the National NFP Blueprint. Measures to grow charitable giving include:

- Growing the national network of community foundations
- Exploring options to extend DGR status eligibility
- Giving Australians the choice to make a bequest through superannuation
- Providing people with a voluntary choice to donate some of their tax return to charity
- A government funded National Giving Campaign to encourage a stronger culture and practice of giving in Australia.

Recommendation 5: Government can improve the way it funds and contracts with charities through the following measures:

- Government grant funding should reflect the real cost of delivering quality services. Flexible and sufficient grant funding that covers the true cost of program development and delivery is fundamental to helping initiatives succeed and be sustainable. This includes ensuring appropriate provision is made for essential costs such as impact evaluation, IT and cybersecurity, marketing, legal and human resources. Ensuring there is appropriate flexibility in funding terms enables NFP organisations to respond to changing community needs and adjust timelines, resources, priorities and delivery/program approach accordingly.
- Multi-year funding commitments can help achieve more sustainable, significant impact and facilitate scaling of effective approaches. Ecstra is supportive of longer grant agreement terms for Government grants.
- Ensuring a diverse range of NFP organisations have equitable access to participate in grant programs is a best practice approach. Practical measures that can increase access and transparency include streamlining the application process, setting clear funding principles and criteria, setting and communicating sufficient lead times and investing in guidance resources and tools, including for impact measurement.

Ecstra welcomes the opportunity to engage with the BERG, Government and stakeholders as the National NFP Blueprint is progressed and to discuss the observations and recommendations in our submission.

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