



Final Report Sector Sustainability Program Start-Up Project July 2023-December 2024

Overview

The Sector Sustainability Program (SSP) was announced in February 2023 with the ACT Government announcing their response to recommendations in the [Counting the Costs Report](#). This included a plan to address sustainability challenges in the relationships between ACT Government and Non-Government Organisations (NGOs) funded to deliver ACT Government funded human services¹ Programs. The objectives of the SSP were:

“To address multiple recommendations in the review, the ACT Government will support the first stage of a Sector Sustainability Program with an investment of \$395,000 in the Budget Mid-year Review.

The Program will aim to identify how we can work with the sector to ensure funding adequately reflects the real cost of services, as well as better understanding the impact of increased demand.

Commissioning a Sector Sustainability Program is the next step in moving to a sustainable resourcing and relationship model with the community sector in the ACT.”²

These expectations have guided the Sector Sustainability Program Start-Up Project activities:

- Progress Recommendation in the [Report: Counting the Costs: Sustainable funding for the ACT community services sector - ACTCOSS](#) in line with in-principle agreements to recommendations that were articulated in the [ACT Government Response to the Counting the Costs report](#) and within current resources
- Influence ACT Government Policies and Procedures relevant to improving the sustainability of human services funded by ACT Government and delivered by NGOs
- Influence Human Services Policy outcomes
- Develop an Evaluation Framework for 2023-2028
- Co-design project activities and co-produce future priorities for investment to improve the sustainability of the resourcing and relationship model between ACT Government and NGOs delivering human services. In addition to the development of budget business cases for the 2024-2025, 2025-2026 and 2026-2027 ACT Budgets
- Effective hand over at end of Start-Up Phase

¹ “The Government defines human services broadly. Human services investment encompasses support for a safe, healthy, inclusive community and in maintaining and promoting its quality of life. That support spans NGOs funded to deliver services across many sectors including safety, emergency and material aid, physical and mental health, housing, child and family, legal, employment, transit, education, recreation and culture. Human services contribute to daily living, to enable individuals, families and other groups in the community to develop, cope, function and contribute.” (p 10 [Counting-the-Costs-Sustainable-Funding-for-the-ACT-community-services-sector-report](#))

² [Working in partnership for a strong and sustainable community sector - Chief Minister, Treasury and Economic Development Directorate](#)



Funding for the Community-based Co-Lead for the Start-Up phase was [designed](#) to deliver on the objectives outlined above and was provided to Capital Region Community Services who hosted Susan Helyar as the Community-based Co-Lead. The Government-based Co-Lead was Fiona May, Senior Director, Commissioning and Industry Development in the Community Services Directorate.

Key Achievements

The project:

- Clarified priorities for action to implement the Counting the Costs recommendations
- Built visibility and understanding of the Non-Profit Starvation Cycle³ impacting on the sustainability of NGO delivered human services, Explored the opportunities and levers for both funders and NGOs to counteract this cycle
- Developed policy advice, tools and resources to counteract the Starvation Cycle
- Designed an evaluation framework that monitors progress on all levels of procedural, operational and systemic change
- Shared governance by NGOs and ACT Government which included multiple Directorates and leaders from different parts of the community sector enabled scrutiny and collaboration
- Contributed to development of a future agenda for sector sustainability in 2025-2028
- SSP work influenced future direction for sector sustainability agenda and investment strategy
- ACT work has been noticed and well regarded by other jurisdictions and others undertaking policy work in this space – eg Paying What It Takes campaign
- Knowledge Hub sustains access beyond the project start-up phase to materials generated through the project

The recommended future agenda is outlined at [Appendix A](#).

Key Lessons learned

The Start-Up Project was designed as a co-production of the community sector and ACT Government. During the project it became clear that there was not sufficient authorisation or resourcing for ACT Government Officials to implement advice developed or use existing decision-making forums (such as the Commissioning Senior Officials Group) to address barriers to authorisation and/or capacity for implementation.

The key lessons learned are outlined in [Appendix B](#). Issues impacting on progress of the Start-Up Project are outlined in detail at [Appendix C](#). In summary, future design, delivery and evaluation of sector sustainability measures requires:

- A strong authorising environment within government, that ensures timely and substantial implementation of commitments to improve sector sustainability
- Active involvement of Senior Officials in CMTEDD, including Treasury, and Directorates that are responsible for administration of Human Services Programs

³ The ACT Government Response to the Counting the Costs Report stated the Non-Profit Starvation Cycle: “is a recognised worldwide phenomenon of deeply ingrained behaviours based on three intertwined factors: A. Funders have an inaccurate understanding of true cost. B. NFPs feel pressure to conform – especially given a power imbalance between grantor and grantee. C. NFPs sacrificing funding for organisational infrastructure (e.g., staffing, information technology, finance, governance).” (p 11)



- Adequate resourcing in policy development, data analysis and system change (strategic and operational) so that the change process does not rely on implementation within existing resources. Resourcing should be commensurate with the size of investment in NGOs (approximately \$230m/year), and the costs of engaging with all stakeholders to agree changes in resourcing, policies and procedures and to increase momentum across 2025-2028
- Realistic pricing of the cost of procuring expertise beyond that available inside ACT Government
- Timely and transparent evaluation of activities including reporting to stakeholders that enables effective monitoring of activities, assessment of progress, and adaption of implementation methodologies in response to what is being learned.
- Substantial investment in the data framework, capability and capacity (including ICT infrastructure) that will inform future investment decisions

Activities to progress Recommendations from the Counting the Costs Report are summarised at [Appendix D](#).

Key outputs of the Start-Up project will be published in the online ACT Sector Sustainability Program Knowledge Hub hosted by ACT Council of Social Service.



Recommendations for SSP investment and activities in 2025-2028

The new government has made a number of commitments which together, will contribute to the next tranche of work to improve sector sustainability. The key commitments⁴ are:

1. Review community sector funding prior to the 2025-26 budget. The review must:
 - a. Involve consultation with community organisations
 - b. Account for growth in
 - i. Population
 - ii. Sector salaries
 - iii. Complexity of need
 - c. Move towards parity between public and community sectors for pay and conditions including paid parental leave, superannuation and family and domestic violence leave
 - d. Make recommendations that can be progressed through the 2025-26 budget and future budgets.
2. Establish a unit in the ACT Public Service to be the point of contact for the community services sector and continue work to improve sector sustainability
 - a. The election commitment envisages that along with being a point of contact, such a unit will
 - i. support community needs analysis,
 - ii. provide greater project coordination on sector policy co design projects,
3. Evaluate and improve the commissioning approach to deliver better outcomes in partnership with the community sector
4. Update and refresh the Social Compact within 18 months
5. Review its community facilities to deliver maximum value for community tenants including through maintenance, upgrades, and opportunities for co-location.

In light of these commitments the recommendations for SSP investment and activities in 2025-2028 are:

- a. Establish an oversight and engagement strategy for the community sector funding review, that builds on the achievements, and learns from the experience of the collaborative/co-lead approach piloted through the Sector Sustainability Project.
- b. Complete the development of costing tools (UWA) and obtain Cabinet commitment to full cost pricing of all NGO delivered services

⁴ Language combines commitments in the supply and confidence agreements and the labor election commitments.



- c. Revise the approach to indexation so that over time it will ensure sector funding keeps pace with real increases in costs associated with price increases, wage increases, population growth and changes in complexity of need.
- d. Through the community sector multi-enterprise agreement negotiations, quantify the increase to funding required to improve parity with public sector superannuation and leave conditions, and make this adjustment to all NGO contracts and grants.
- e. Invest in capability within the new Community Sector Unit and in the NGO sector to:
 - a. undertake needs analysis,
 - b. strengthen contracting, data collection and analysis
 - c. Develop a Human Services outcomes monitoring, evaluation and learning framework that aligns with the ACT Wellbeing Framework, the Closing the Gap Priority Reforms and Human Services Outcomes, and is incorporated into the Whole of Government human services data governance and reporting framework
 - d. Publish an annual report, starting in 2025-2026, that consolidates all current qualitative and quantitative data collected by ACT government human services Program reporting relevant to:
 - a. Evidence of unmet need
 - b. Opportunities to invest in prevention and early intervention
 - e. Establish capability to quantify savings to tertiary systems achieved through investment in early support and prevention
- f. Provide project resources within CSD to enable improvements to contract management, policy, procedure, and guidelines to improve efficiency of relationship management practices, including a whole of government policy environment for a consistent approach to relationship and contract management.
- g. Develop strategy to build sector sustainability into the 'business as usual' practices of government, including during budget consideration.



Key Lesson Learned

A **co-production** model needs a stronger authorising environment that survives staff changes and incentivises NGO and ACT Government investment of time and resources in SSP activities.

Funding for **expert consultancies** to develop costing tools and provide advice on data development was did not cover the quoted costs for securing expert advice. For example, the consultancy to develop costing tools and resources was double what was budgeted for, even following negotiation of project methodology and outputs.

The stalled momentum and limited authorising environment of the Start-Up Project impacted on collection of data to inform **evaluation of the project**. A lack of engagement of stakeholders in evaluation activities impacted on the credibility of the project and constrained the capacity of Co-Leads to co-design with stakeholders the future priorities for investment in sector sustainability in 2025-2028.

Resourcing needs were considered, however **no further funding for resourcing existing NGO funding arrangements** or implementing the SSP was included in the 2024-2025 Budget. It remains uncertain as to whether funding will become available through the 2025-26 Budget process. The lack of ongoing funding to support the Sector Sustainability Program beyond the Start-Up phase reduced confidence in the commitment of the ACT Government to progressing Counting the Costs recommendations and reduced engagement by NGOs in project activities.

The range of **policy advice activities** described in Attachment A demonstrate the SSP contribution to policy development. The extent to which SSP input was influential in policy adoption by ACT is difficult to distinguish from other factors that also influence policy and system change. The development of a **Knowledge Hub** to enable continued access to materials created during the SSP leaves a body of work that can continue to inform future change.

There was no opportunity during the project to engage in **dialogue with Treasury regarding the inadequacy of Indexation formula** to address increases in non-discretionary costs, including costs set by government (eg increases in superannuation entitlements, increase in Long Service Leave Scheme levy).

The in-principle agreement to the Counting the Costs recommendation that **services are fully costed** was difficult to implement without reducing service scope/outputs. This was at least partly the result of most commissioning processes occurring without an ACT Budget decision to increase resources, which limited capacity to respond to additional needs identified by stakeholders. Limited co-ordination inside ACT Government on policy and budget case development impacted on implementation of the in-principle commitment to fully cost human services Programs and Services.

A short list of **funding efficiencies** were agreed by CSOG in March 2024 but there was no capacity or authorisation in funding management teams/roles to lead implementation.



The Governance Committee agreed on key focus for activities in July-November 2024 should be development of a **Funding Managers Policy and Procedures Manual** incorporating advice generated in the first 12 months of the project. There was no capacity during the Caretaker period for consultation with NGOs on development of this manual, and lack of capacity within existing programs/funding administration teams to invest time or expertise to contribute to this work.

There is a lack of investment in **capacity, capability and continuity of effort over time in data development work**. This has been an ongoing challenge in human services development in the ACT, with collaborative data development activities commenced but not progressed through to implementation. This includes the significant investment by ACT Government officials and NGO leaders during the Human Services Blueprint development process in 2014-2018, which was subsequently shelved.

The data mapping foundation work completed during the Start-Up phase confirmed a lack of clarity and consistency of **data collection** and no infrastructure to enable consolidated analysis of data collected.

It is **not possible to build a shared understanding of the data** already collected, nor what it tells stakeholders about unmet demand and opportunities to increase early intervention and prevention and what further data is needed to inform future investment in individual Programs or the human services system.

There is a lack of **capability and capacity to systematically analyse and gain insights from data** provided through funding reports to determine if there is evidence of unmet needs. Lack of funding to conduct evaluations and limited appetite to divert resources from service delivery to evaluation activities, contribute to this. NGOs have limited capacity within current funding envelopes to invest in monitoring/evaluation/learning infrastructure and capability.

Both ACT Government and NGOs have data and insights relevant to service development and policy reform but **data is not shared** with each other unless they are part of the specific program reporting requirements.



Project Implementation Issues

During July 2023-July 2024 the Community and Government Co-Leads focused on building a social license for the Sector Sustainability Program 2023-2028. This included reviewing relevant literature, considering current funding and relationship management arrangements and consulting with government and community stakeholders. The causes of sustainability challenges, changes in investment, policies and procedures that would create a more sustainable resourcing and relationship model between the ACT Government and NGOs that deliver human services were identified.

A number of factors have slowed progress of the Start-Up phase during July 2023-July 2024:

- Momentum on development of tools and resources to implement Counting the Costs recommendations has been constrained by the capacity within Directorates to engage, contribute expertise to co-design/co-delivery, and to authorise allocation of resources to progress this work.
- The whole of government Senior Executive authorising body for the SSP inside ACT Government was the Commissioning Senior Officials Group. This group has not met since March 2024 reducing opportunity for whole of government commitment and resolution of resourcing challenges.
- The ACT Budget was announced in June 2024, and it provided no funding for SSP beyond Dec 2024. This reduced confidence and engagement by NGO stakeholders in SSP activities.

The SSP Governance Committee was advised of constraints on implementation of the SSP in July 2024 and a revised workplan was presented by the Co-Leads and approved at this time.

During August-October 2024 the Community and Government Co-Leads focused on building the authorising environment for implementation in 2024-2028 of recommendations from the Start-Up phase of the SSP (see further detail in [Appendix D](#)), this included:

- Identifying priorities for funding increases that will address the Starvation Cycle³
- Providing feedback on a draft framework developed with funding from the SSP by the UWA Centres for Public Value and Social Impact to guide government and community costing of human services
- Drafting a Compendium of legislation, regulation, policy, guidelines and practices to build mutual understanding of the rules of engagement for the funding relationship between the ACT government and NGOs delivering human services. This was used to inform development of an updated Funding Managers Policies and Procedures Manual that could be used by both ACT Government NGO funding managers
- Development of guidance materials to support resolution of challenges and inefficiencies in funding relationships identified during earlier consultations with community and government stakeholders



- The Co-Leads co-designed a project to map data collection through Programs administered by the Community Services Directorate and delivered by NGOs, to inform further work on data that will evidence unmet needs and opportunities to invest more in prevention and early intervention. This project was implemented in 2024 and provides a foundation for future work on progressing Counting the Costs recommendations 5 and 6.

The ACT Election Caretaker Conventions impacted on the ability of Co-Leads to implement the revised workplan approved in July, and stalled progress of the SSP from 13 September to 8 November:

- Pausing UWA consultation with stakeholders on the draft framework to support fully costing services
- Pausing community co-lead consultation with NGOs on the Compendium materials to support compliance with legislation, policies and guidelines for administration of funding relationships
- Limited engagement by ACT Government officials on the Compendium of legislation, policies and procedures and the relevant guidance materials for procurement, grant-making and relationship management Evaluation activity paused, so second round evaluation survey not distributed to stakeholders in September 2024

The formation of a new Government following the ACT Election on 19 October, allocation of Ministerial roles, establishment of administrative arrangements and determination of the priority of the SSP in the 2024-2028 agenda have all further delayed progress of the workplan approved in July.



Activity report and links to project outputs

IMPLEMENT COUNTING THE COSTS RECOMMENDATIONS	REPORT ON ACTIVITIES
In response to Recommendation 1 in the CTC Report the SSP will review impact of first three years of ACT Government Indexation formula for NGOs delivering ACT funded human services	
SSP has worked with NGOs to assess impact of 80% WPI/National Wage Case and 20% CPI formula on aligning funding levels with increasing costs of service delivery.	<p>Previous work by NGOs on the gap between indexation and costs was sourced: ACTCOSS Attachment A - 2019_04 ERO Briefing.docx Research sourced from other jurisdictions on indexation (UWA work in Tasmania and Queensland) and published literature (https://www.uwa.edu.au/schools/-/media/Centre-for-Public-Value/Resources/FINAL-EP-2-CPI--WPI.pdf) to inform budget advice.</p> <p>Consultation with NGOs during the project generated further advice on the gaps between indexation and cost increases. Insights from these consultations informed advice provided by the SSP in presentations and in policy and budget advice provided inside ACT Government.</p> <p>Engagement on this issue through the project led to sector advocacy. A review of human services funding (including impact of population growth and increased complexity of need) was announced as a commitment of the new government.</p>
Progress on commitments made by ACT Government in response to CTC Recommendation 2 and 4 – fully cost services and build capability to cost services	
Project commissioned to create Costing Tool to support NGOs to accurately cost funding proposals and to support ACT Government to accurately assess reasonable full costs of service delivery.	<p>Findings and next steps from initial consultations published October 2023. This report stated some tools would be developed via an expert consultancy and others would be developed by the SSP Co-Leads: Summary Report and Next Steps - Tools and Resources to support fully costing Partnership between NGOs and ACT Gov.pdf</p>
	<p>Procurement of expert consultancy to develop costing tools for use by ACT Government and NGOs facilitated December 2023-April 2024, contract signed with UWA May 2024. Contract extension to March 2025 negotiated in October 2024, Co-Leads provided feedback on draft tools November 2024, Delphi Process commenced December 2024. Tools due for completion and handover March 2025.</p>
	<p>Background papers collating relevant evidence distributed April 2024: Background Briefing - Paper Shared Risk.pdf, Background Briefing Paper - Categorising Direct and Indirect Costs.pdf, Background Briefing Paper - Value for Money.pdf</p> <p>Guidance materials to include in Funding Manager Policies and Procedures developed by Co-Leads: Defining and Assessing Value for Money in human services procurements.docx, Fully costing sustainable human service delivery.docx, Identifying Shared Risks and agreeing joint management of these risks.docx</p>



IMPLEMENT COUNTING THE COSTS RECOMMENDATIONS	REPORT ON ACTIVITIES
Deliver Commitments made by ACT Government in response to Recommendation 3 - improved efficiencies in funding arrangements	
Provision of longer-term contracts with appropriate review points built-in.	Information on number of Programs that have 7 or 10 year funding agreements following Commissioning has not been published
Changes to contract management arrangements.	SSP identified efficiency measures and secured agreement to an initial short list of changes: Listening-Report 3 - Funding Efficiencies.docx
Efficiencies for organisations that are regulated by the Office of the Human Services Regulator.	Paused until short list of efficiencies agreed to be implemented are completed
Sector and government identify and explore opportunities for efficiencies.	SSP developed resources to update the relationship and resourcing model for ACT Government funded/NGO delivered human services: Oct 2024 Compendium ACT Gov and NGO relationship model.docx
Consideration of a change in approach to return of underspends which may support sector sustainability.	Transition Policy adopted in March 2024 Human Service System Transition Policy included recognition of need for NGOs to retain funds to meet current and future legislative and regulatory obligations.
Impact of payment schedules.	Changes to payment schedules to increase funding available at beginning of project included in short list of funding efficiencies approved by CSOG in February 2024
Opportunities to shift to focusing less on costs and more on value.	SSP produced guidance material in July 2024 on fit for purpose approach to defining and assessing value for money in human services procurement/grant-making: Listening-Report 2 - tools and resources to support fully costed services.docx
Opportunities to streamline procurement processes.	SSP provided advice on streamlining procurement in August-November 2023: Internal Briefing Paper Streamlining Procurement - final.pdf and Standardised investment questions and structure - October 2023.docx SSP produced a Compendium of ACT Government procurement legislation, regulations, policy and guidelines in November 2024: Nov 2024 Compendium Resourcing Relationship legislation, regulation policies and guidelines.docx



IMPLEMENT COUNTING THE COSTS RECOMMENDATIONS	REPORT ON ACTIVITIES
<p>In response to Recommendations 5 and 6 in the CTC Report the SSP will commission a project to support data collection that will strengthen evidence base to:</p> <ul style="list-style-type: none"> - Boost funding for areas of unmet need - Prioritise early intervention and prevention 	
<p>The SSP undertook preliminary work on a data project that will support NGOs and Government to optimise sharing of data between funded sector partners and Government to increase understanding of the contribution of NGOs to health and wellbeing outcomes</p>	<p>In collaboration with CSD corporate team, SSP designed a project to better understand use of current data collected by CSD: CSD Templates - Project Plan Data.xlsx</p> <p>This project found that it is not possible with current infrastructure and resourcing to build a shared understanding of the data already collected, what it tells stakeholders about unmet demand and opportunities to increase early intervention and prevention or what further data is needed to inform future investment in individual Programs or the human services system.</p> <p>The project provided policy advice on mapping need for services, and intensity of service offering required to respond to needs, to the ACT Wellbeing Framework: Investing in co-contribution of NGOs to Wellbeing.docx</p> <p>The project sourced evidence that could inform future assessment of growth in demand for services:</p> <ul style="list-style-type: none"> • Living-well-in-the-ACT-region_Part-3_resilienceandvulnerabilityFINAL7Dec2020.pdf (University of Canberra regional wellbeing survey provides useful data and policy advice on community needs) (University of Canberra regional wellbeing survey provides useful data and policy advice on community needs) • F Community services - Report on Government Services 2024 - Productivity Commission • Building from purpose: Unlocking the power of Australia's not-for-profit sector McKinsey (growth in demand for services, and complexity of need, 2017-2021) • Call-Unanswered.pdf (Homelessness services unmet demand) • January Data Shows More Australians Need Help Infoxchange (AU) (food assistance) • Family, domestic and sexual violence - Australian Institute of Health and Welfare • Australia's welfare 2021 indicators - Australia's welfare 2021 indicators - Australian Institute of Health and Welfare

