

The Treasury
2022-23 Pre-Budget Submissions
prebudgetsubs@treasury.gov.au

20 December 2021

Infoxchange pre budget submission

Thank you for the opportunity to provide this submission.

Infoxchange is a leading not-for-profit social enterprise dedicated to using technology to improve the lives of people experiencing disadvantage and the organisations that support them. We have a vision of technology for social justice which we've brought to life for over 30 years nationally.

We tackle the biggest social challenges through the smart and creative use of technology by working with community, government and corporate partners to solve issues around homelessness, family violence, mental health and disability, as well as supporting Indigenous communities, women, youth and families.

Our products and services are used by over 25,000 government and community services. We provide the right tools to improve efficiency and deliver greater impact, from nationwide service coordination and referral systems to IT support, advice, technology products and training that meets the needs of the not-for-profit sector.

And through our work in digital inclusion and social innovation we use technology to empower people experiencing disadvantage, driving social inclusion and creating stronger communities. We believe no-one should be left behind in today's digital world.

We are writing to urge the Australian Government to prioritise funding for three programs as part of the social and economic recovery from COVID-19, with a focus on addressing digital capability, digital infrastructure and to better support people experiencing vulnerability through early intervention.

Digital and technology capability of the not-for-profit sector

In July 2021, Infoxchange launched the [Digital Transformation Hub](https://digitaltransformation.org.au) (<https://digitaltransformation.org.au>) to help Australian not-for-profits build digital capability and resilience for a post COVID-19 world. With seeding funding provided by the Lord Mayor's Charitable Foundation, Gandel Philanthropy and the NSW government, we are now seeking scale up funding to support up to 20,000 small to medium not for profit organisations nationally.

The Hub brings together capacity building programs, access to technology solutions, web-based resources and tailored advice to help organisations have an even greater impact. Organisations are supported to migrate to the cloud, and ensure a variety of online tools, courses and resources remain accessible to not-for-profit organisations during and beyond the COVID-19 pandemic.

Infoxchange's recent report released in November 2021, [Digital Technology in the Not-for-Profit Sector](https://www.infoxchange.org/au/digital-technology-not-for-profit-sector) (<https://www.infoxchange.org/au/digital-technology-not-for-profit-sector>), demonstrates the digital transformation of not-for-profit organisations is crucial to supporting a thriving, impactful and sustainable sector. These findings are further supported by the [Vital support: building resilient](#)

[charities to support Australia's wellbeing report](https://www.socialventures.com.au/work/vital-support-building-resilient-charities-to-support-australias-wellbeing/) (https://www.socialventures.com.au/work/vital-support-building-resilient-charities-to-support-australias-wellbeing/) by Social Ventures Australia.

Key findings include:

- Close to half of not-for profits are still not satisfied with the way they are using technology, with this figure remaining largely unchanged on last year.
- There is an urgent need for improvement in information security practices, with the rollout of multi-factor authentication and security awareness training to staff being a major priority.
- Almost 50% of organisations do not have an effective information security plan in place.
- A large proportion of respondents were also keen to ensure that staff continued to develop their digital skills ranking it as one of their top priorities, alongside making further improvements to the way teams collaborate as hybrid work environments become standard practice.

Infoxchange is seeking \$6 million in funding to scale up the hub, coordinate the cross-sector partnership and deliver content, capacity building programs and services to the sector over a 3-year period.

Over a 3-year period we would expect the following project outcomes:

- 20,000 organisations to access the digital transformation hub resources
- 10,000 organisations to make use of the expert bar and associated capacity building programs including group events and webinars
- Measured improvement in digital capability of at least 25% for organisations accessing the Digital Transformation Strategy on a Plate and online digital assessment programs (measurement would be based on the Infoxchange digital maturity model)
- Skill gain of at least 25% (average) for participants accessing online training courses as measured within the platform

Digital infrastructure fund

In complement to the work of the Digital Transformation Hub, the COVID-19 pandemic has highlighted the urgent need for a digital infrastructure fund to for small and medium-sized charities and not-for-profits to help them modernise their operations, so they can remain efficient, effective and viable.

Every not-for-profit organisation should have sound technology foundations in place to help make the most of their ability to service clients. However, restricted funding terms and inability to prioritise technology upgrades have meant substandard legacy technology environments continue to impact organisation capability to effectively work remotely and capacity to deliver services to their communities.

Infoxchange proposes a \$10m national fund to support up to 500 small to medium not-for-profit organisations nationally to improve infrastructure focused on:

- Personal technology and equipment for a flexible workforce (laptops, mobile phones and tablets)
- Cloud infrastructure (cloud services, purchase/upgrade of servers, wireless network, data storage, or new accounting software)
- Data and information (cyber) security (new hardware or software to improve cyber security. Engagement of security experts to test current systems)
- Client relationship or information management system (new or upgraded software to manage client information, bookings and client files)

Ask Izzy

Ask Izzy is Australia's leading community support website, helping people experiencing or at risk of homelessness, family violence, mental health challenges or in need of emergency relief to connect to vital support services.

Led by not-for-profit social enterprise Infoxchange, Ask Izzy has been developed as a cross-sector partnership between the government, corporate and not-for-profit sectors with founding partners Google, REA Group and News Corp Australia.

Ask Izzy has demonstrated the vital role it plays in supporting people experiencing vulnerability to search and connect to vital services. As a trusted tool designed in collaboration with people with lived experience of family violence and homelessness, Ask Izzy remains the go to site for reliable and up to date information on essential services nationally.

Infoxchange is seeking \$2,670,000 over 3 years to provide a sustainability pathway for Ask Izzy to better serve people experiencing disadvantage through timely, early intervention.

The funding would be directed to 3 key areas:

1. Enhancing and maintaining Ask Izzy

Ask Izzy is managed by a passionate core team made up of product managers, service designers, user experience specialists, web developers, testers, systems engineers, community engagement specialists and crucially, a Product Advisory Group (PAG) made up of people with lived experience of homelessness and family violence.

Community collaboration supported by a multi-disciplinary team is essential to Ask Izzy's ongoing development. The 10 PAG members contribute their skills and experience to ensure Ask Izzy is the best it can be for people in need while representing the wider community and bringing diverse backgrounds, knowledge, and lived-experience to inform Ask Izzy's evolution.

This work has been supported to date by philanthropic funding from corporate partners and philanthropic foundations.

Funding from the Australian Government would support the ongoing development and sustainability of Ask Izzy and enable us to further strengthen early intervention and introduction to services for people experiencing vulnerability.

2. Keeping service information up to date

The Infoxchange Service Directory is Australia's largest community-led health and welfare directory, listing over 370,000 services nationally. It is maintained by a committed team of 25+ database updaters who liaise with services to ensure their information is captured succinctly and accurately. During the COVID-19 pandemic, the demand on our database updating team has increased significantly, and the urgency of the updates has become critical to ensure people are accessing vital services such as emergency relief and family and domestic violence support.

We receive partial funding for maintaining the service directory from a number of government agencies and not-for-profit providers. This funding is to maintain specific service provider data sets including Services Australia - National Recovery and Resilience Agency (disaster response dataset),

NSW Department of Communities and Justice (NSW specific services), Queensland Family and Child Commission (QLD specific services) and Lifeline (crisis support services).
Funding from the Australian Government would enable us to ensure our national dataset has continuity and is maintained to ensure users receive timely, accurate and up to date service information.

3. Providing data insights to government and the sector

Infoxchange collects a significant amount of data pertaining to social services nationally. Our service directory team update service information daily, providing unique insights into the sector.

Beyond acting as the nationally accepted platform for service information, we are also able to gain key insights into service demand from the usage of the directory by individuals and social sector organisations.

With over 250,000 searches per month in Ask Izzy, we have a strong geographical service demand dataset that provides insights concerning an individual's circumstance (such as gender, age, whether they are escaping family violence or have a disability) as well as their service need at a local and national level.

Examples of previous data insight reports can be found at <https://www.infoxchange.org/au/tags/ask-izzy-covid-reports>




Funding from the Australian Government would allow us to provide data insights to government and the sector on a regular basis from the searches on Ask Izzy including service demand insights focused on geography, demographics and service needs.

We would be pleased to discuss these matters with you further.

Yours faithfully



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Attachments:

- Not For Profit Digital Hub Proposal - December 2021
- Ask Izzy early intervention tool proposal – December 2021
- Digital Technology in the NFP sector report 2021
- Vital support: building resilient charities to support Australia's wellbeing, Social Ventures Australia, May 2021.

SUPPORTING THE DIGITAL TRANSFORMATION OF NOT-FOR-PROFIT ORGANISATIONS

Project overview

The COVID-19 pandemic has highlighted the ongoing technology challenges faced by not-for-profit organisations as they have attempted to deliver services online and support their staff and volunteers to work remotely.

Infoxchange proposes to scale our [Digital Transformation Hub](https://digitaltransformation.org.au) (<https://digitaltransformation.org.au>) to support not-for-profits in addressing these challenges, as well as assisting them on a broader transformation journey which will build their capability and resilience for a post COVID-19 world.

The focus of the hub is on digital technology as an enabler to support service transformation and new ways of working, addressing key barriers identified by the sector including:

Access to affordable and fit for-for-purpose technology solutions

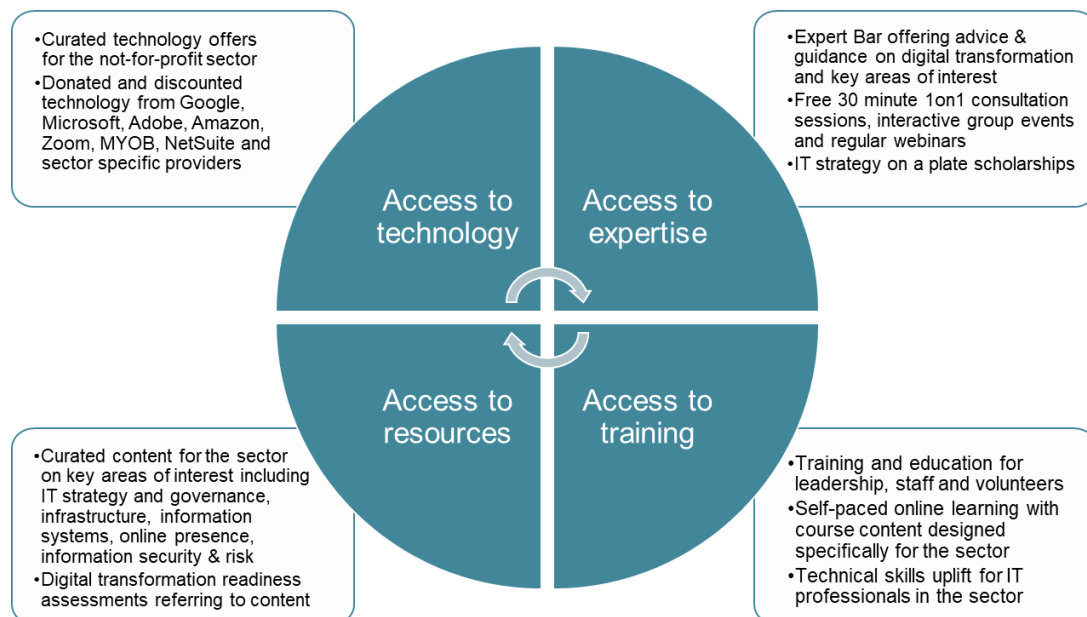
Lack of skilled technical resources to advise on digital technology

Resources and funding to assist with the implementation of digital transformation initiatives

Staff and volunteer digital skills and capability

Lack of awareness of the benefits of digital technology and a fear of making technology related decisions

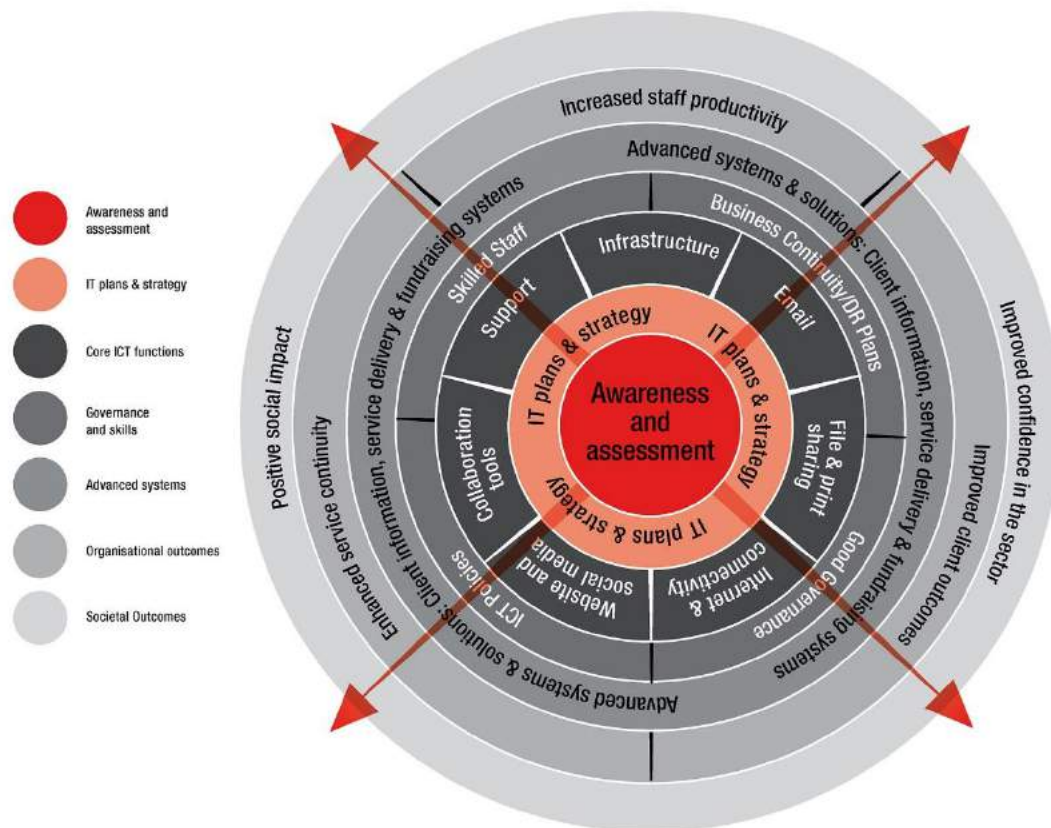
The hub will be delivered as an integrated set of web-based resources, capacity building programs and tailored advice for organisations as shown in the following diagram.



Why digital transformation?

Digital technology can enable greater impact for not-for-profit organisations – enabling them to deliver services more effectively, improve staff productivity and better serve communities in need.

The diagram below shows the digital transformation journey from awareness and assessment, establishment of base technology capabilities through to supporting improved client outcomes and greater social impact.



The [Digital Technology in the Not-for-Profit Sector 2020](#) report outlines the challenges being faced by not-for-profit organisations in undertaking this journey:

25% of not-for-profits felt they were completely or largely unprepared to support staff working from home.

Only 5% of respondents said that COVID-19 had not affected the way they deliver services, with 33% of organisations saying that COVID-19 had significantly altered the way services were delivered and 8% completely suspending services. Significant differences were noted between Victoria, NSW, the rest of Australia and New Zealand.

Survey respondents spent on average 6.4% of their operating expenses on digital technologies, a small increase from 6% in 2020.

44% of not-for-profits said improving their website was a top priority.

Only 38% of organisations reported that their primary information system allows them to understand the impact of their service.

A recent survey by Infoxchange of almost 500 not-for-profit organisations has highlighted the impact of these challenges on how organisations have responded to the COVID-19 pandemic.

Organisations had to move quickly to help staff to work from home, access organisational information, stay connected and collaborate with their team, while also keeping client information safe and secure.

Only 30% of organisations surveyed indicated that they already had the digital technology in place that was needed to be able to easily adapt to staff working from home.

Aspects of digital technology that have become a higher priority as a result of COVID-19 for organisations surveyed include:

Setting up better video conferencing tools

Building their staff members' digital skills

Setting up better team collaboration tools

Updating and maintaining their hardware

Finding better ways of storing files and information

Moving to the cloud

Managing their information security and data privacy better

Service delivery also had to evolve, with more than 50% of organisations reporting that significant changes were required to their services due to COVID-19.

Components of the hub

The Digital Transformation Hub supports not-for-profits to address the challenges identified above through an integrated set of web-based resources, capacity building programs and tailored advice for organisations.

The key components of the hub are as follows:

Access to technology – providing curated technology offers for the not-for-profit sector including donated and discounted technology from existing Infoxchange Group partners Google, Microsoft, Adobe, Amazon, Zoom, MYOB, NetSuite and sector specific providers.

Access to expertise – an “expert bar” offering advice and guidance on digital transformation and key areas of interest including one-on-one consultation sessions, interactive group events, regular webinars and access to [Digital Transformation Strategy on a Plate](#) scholarships. The expert bar would be staffed by Infoxchange Group employees as well as volunteers from corporate partners.

Access to resources – an online digital transformation readiness assessment and content for the sector on key areas of interest including IT strategy and governance, infrastructure, information systems, online presence, information security and risk. The hub would also offer links to funding opportunities for organisations to enable digital transformation projects.

Access to training – training and education for leadership, staff and volunteers including self-paced online learning with course content designed specifically for the sector and technical skills uplift for IT professionals in the sector

These components are underpinned by an awareness raising program supported by Infoxchange, peak bodies and project partners to maximise the reach and impact of the hub.

Access to technology

A key need identified by the sector is access to affordable and fit for purpose technology solutions.

This component leverages the existing [Connecting Up platform](#) (part of the Infoxchange Group) which enables access to donated and discounted technology from over 60 partner organisations and includes cloud products, hardware and software.

In the last year alone, Connecting Up has provided \$28.9 million worth of donated technology to the sector at fair market value, enabled the sector with \$250 million of cloud technology and served over 20,000 organisations through the platform.

The platform would be supplemented with additional curated offers for the not-for-profit sector, as well as case studies on organisations currently using the solutions to help guide the sector in making appropriate technology choices.

A [resource hub](#) has already been developed with offers available for not-for-profits during COVID-19 that can be built on for this component.



Access to expertise

The hub includes an “expert bar” offering advice and guidance to not-for-profits on digital transformation and key areas of interest including:

Technology strategy development – including scholarships to our existing [Digital Transformation Strategy on a Plate](#) program to guide not-for-profits through the process

Practical advice and mentoring for specific transformation projects

Information security reviews, policy development and implementation plans

Online collaboration and productivity tools to enable service delivery

Digital marketing, online presence and social media

Information systems and outcome measurement

The expert bar is delivered through multiple channels including free one-on-one 30-minute consultations online or by phone, interactive group events and regular webinars.

Staffing would be provided by the Infoxchange Group along with volunteers from corporate partners wanting to contribute to the digital transformation of the sector.

This component was built on the highly successful [Connecting Up COVID-19 Expert Bar](#), which was established to support not-for-profits during COVID-19 by leveraging Infoxchange Group staff, partners and corporate volunteers.

This program’s sessions are designed to provide not-for-profit staff and volunteers with expert guidance, peer connections and support around specific challenges. To date these have been operated as group sessions to reinforce a sense of community in participants around the environment and key issues that they are currently facing.

Session numbers have been limited to ten people to ensure that everyone has a chance to ask questions, either in the session or by email, and receive support and insight into the specific issues they face.




The existing program served over 500 participants in the month of August 2020 alone.



Access to resources

This component provides curated content from project partners designed specifically for the not-for-profit sector on key areas of interest including IT strategy and governance, adoption of cloud technology, information systems, online presence, information security and risk. The content ranges from “how to” guides through to templates and case studies for organisations with varying levels of digital maturity.

What would you like to learn about?

 <p>IT MANAGEMENT IT planning, strategy development and governance</p>	 <p>TECHNOLOGY PCs, infrastructure, servers, hardware, software and email</p>	 <p>INFORMATION SYSTEMS Client information, service delivery, donors and members</p>
 <p>ONLINE PRESENCE Websites, social media, search engines, online communication</p>	 <p>STAFF SKILLS Digital literacy, productivity tools, professional development</p>	 <p>SECURITY & RISK Securing your information and disaster recovery</p>

Use of the resource hub would be enhanced through a digital assessment tool, enabling organisations to undertake an online assessment of their current level of capability and linking to resources that could assist in meeting the specific areas of improvement identified.

Improve your IT today

No matter what skill level you're at, you can find articles to help you improve your use of technology at your organisation.

Not sure where to start?

[Take the Digital Capability Quiz](#)



The tool would be underpinned by Infoxchange's digital maturity assessment model which organisations can use to map their current state, desired future state and identify actions to drive their digital transformation journey.

The digital maturity model is shown in the table below.

	Basic	Intermediate	Proficient	Transformational
Governance, planning & management	No ICT plan. Ad hoc & reactive.	ICT planning is discussed. Informal alignment with organisation's objectives.	Comprehensive ICT plan aligned with management objectives, supported by effective governance	Clear & compelling ICT vision and strategic plan, aligned with organisation's vision, mission & goals.
Common ICT platforms & collaboration tools	Individual PCs with no information sharing capability.	Some simple shared information services with limited remote access.	Up-to-date systems with reliable support enable effective information sharing.	Information accessible anywhere, supported by functional & easy to use collaboration tools.
Client information & service delivery systems	Predominantly paper based systems to support client information & service delivery.	Basic client information & service delivery systems.	Functional client information & service delivery solutions are used but with some limitations.	Integrated, accessible solutions support efficient processes, service delivery and track outcomes
Social media, marketing & public website	No social media presence & very basic, static website	Limited social media presence & engagement with stakeholders. Updating of website ad hoc.	Active social media presence & engagement with stakeholders. Website functional & current.	Broad stakeholder engagement through integration of social media & sophisticated website.
Staff & volunteers skills & culture	Most staff are uncomfortable using computers, technology & the internet	A small number of staff are comfortable using technology, but many have limited skills	Staff can use the organisation's computer systems well. Training needs & plans are identified	Staff are keen innovators, drive technology improvements & keep skills up to date.
Risk management & disaster recovery (DR)	We'll worry about it when it happens.	Regular backups of important information exist. Virus protection & Internet firewall active	Off-site backup, security & redundancy provisions exist. Key systems supported.	Practical ICT DR plan regularly tested. Client data & service provision capability protected with good security & redundancy provisions.

The hub would also offer links to funding opportunities for organisations to enable digital transformation projects. This could assist organisations who have developed an appropriate digital transformation plan using the "expert bar" and above set of resources.

Access to training

The hub provides access to a range of education and training resources for not-for-profit organisations including:

Self-paced online learning with course content designed specifically for the sector

Digital skills training for leadership, staff and volunteers

Technical skills uplift for technology professionals in the sector

This component leverages the existing [Connecting Up Online Courses](#) platform, which provides access to a wide range of not-for-profit specific learning content.

Additional content will be sourced from partners including Google for Nonprofits training and the Microsoft Digital Skills Centre for Nonprofits.



Reach into the sector

Critical to the success of the hub will be raising awareness and reaching not-for-profit organisations most in need.

It is proposed to promote the program through the following channels:

Infoxchange Group – Infoxchange and Connecting Up served over 25,000 not-for-profits in the last year and have a mailing list of 49,000 active subscribers

Peak bodies – Community Council of Australia (CCA) and Australian Council of Social Service (ACOSS) have agreed to partner with us to raise awareness of the initiative

Sector aligned organisations – existing partners including Social Ventures Australia (SVA) and the Centre for Social Impact (CSI)

Philanthropic partners – including the Lord Mayor’s Charitable Foundation, Gandel Philanthropy and other foundations who can promote the hub to their grantees

Corporate and technology partners – including corporate partners and tech companies who provide donated technology to the sector including Google.org and Microsoft Philanthropies

Impact

Supporting the digital transformation of the not-for-profit organisations is crucial to supporting a thriving, impactful and sustainable sector.










Over a 3-year period we would expect the following project outcomes:

20,000 organisations to access the digital transformation hub resources

10,000 organisations to make use of the expert bar and associated capacity building programs including group events and webinars

Measured improvement in digital capability of at least 25% for organisations accessing the Digital Transformation Strategy on a Plate and online digital assessment programs (measurement would be based on the Infoxchange digital maturity model)

Skill gain of at least 25% (average) for participants accessing online training courses as measured within the platform

Key technology capability areas for not-for-profits			
Category	Basic 	Advanced 	Benefit 
IT MANAGEMENT 	No IT plan; ad hoc and reactive	Clear and compelling IT vision and strategic plan, aligned with organisation's vision, mission and goals	Maximum impact from IT investment
TECHNOLOGY - PCS, INFRASTRUCTURE, EMAIL, ETC 	Individual PCs with no information sharing capability	Information accessible anywhere, supported by functional and easy to use collaboration tools	Staff can collaborate, work productively and access information anywhere
INFORMATION SYSTEMS 	Predominantly paper-based systems to support client information and service delivery	Integrated, accessible solutions support efficient processes, service delivery and track outcomes	Painless reporting, efficient client services and client outcomes tracked
ONLINE PRESENCE 	No social media presence and very basic, static website	Broad stakeholder engagement through integration of social media and sophisticated website	Attract new funders, supporters, volunteers, staff and clients
SKILLS AND CULTURE 	Most staff are uncomfortable using computers, technology and the internet	Staff are keen innovators, drive technology improvements and keep skills up to date	Productivity of staff and volunteers is maximised
SECURITY AND RISK 	We'll worry about it when it happens	Practical IT disaster recovery plan regularly tested. Client data and service provision capability protected with good security	Service interruptions are minimised

Budget

Infoxchange is seeking \$6 million in scale up funding to establish the hub, coordinate the cross-sector partnership and deliver content, capacity building programs and services to the sector over a 3-year period. This will include:

Development and enhancement of online resources including incorporating content and training material from project partners

Delivery of the expert bar, technology assessments and the digital transformation strategy on a plate program

Regular scheduling of group events, webinars and training programs

Undertaking mentoring for discrete transformation projects

Reporting and evaluation

Awareness raising and promotional activities

Staff costs and technical expenditure for delivering the hub components including management of corporate partners and volunteers

Sustainability

Infoxchange would continue to operate the hub beyond the 3-year funding period.

It is expected that the ongoing operational costs would be covered by the income already received by Infoxchange through the operation of the Connecting Up platform. This platform provides access to donated and discounted technology for not-for-profits from over 60 major partners including Google, Microsoft, Adobe, Cisco, Amazon Web Services and Zoom.

The annual revenue from the operation of this platform is \$5 million, funded by tech companies providing technology to the sector and fee for service offers.

The surplus generated from the operation of the platform is used to deliver capacity building programs for the not-for-profit sector and would be used to cover the ongoing costs of the digital transformation hub.

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Learn more about the Infoxchange Group at

<https://www.infoxchange.org/au/about-us/annual-report>

Ask Izzy as an early intervention tool for people experiencing family violence proposal

Executive Summary

Ask Izzy is Australia's leading community support website, helping people experiencing or at risk of homelessness, family violence, mental health challenges or in need of emergency relief to connect to vital support services.

Led by not-for-profit social enterprise Infoxchange, Ask Izzy has been developed as a cross-sector partnership between the government, corporate and not-for-profit sectors with founding partners Google, REA Group and News Corp Australia.

Thank you for your support

We were incredibly grateful to the Australian Government for the funding received in 2020 enabling us to scale up and respond to the COVID-19 pandemic at a time when connecting the community with support services was critical.

The funding enabled us to respond to unprecedented levels of demand during the pandemic with searches for help exceeding 250,000 per month including from many people that had never had to ask for help previously. During the lockdowns we experienced increases in demand for emergency relief of up 200% and in the period March to September 2020 alone we saw family and domestic violence searches as a percentage of total searches in Ask Izzy almost double.

The anonymous usage data from Ask Izzy also provided valuable data insights in near real-time with the funding enabling us to develop reports for government and the not-for-profit sector on changes in service demand, demographics and geography over the course of the pandemic.

Supporting people experiencing family violence

Ask Izzy has been designed and developed with people with lived experience of homelessness and family violence. A key learning from this engagement has been the value of Ask Izzy in empowering people in need as an early intervention tool.

"As a person who has experienced family violence, independence and freedom is the most important to me. Ask Izzy puts the power in your hands – you make the calls." – Ask Izzy research participant

Our research has demonstrated that people often engage with other services first including requesting financial support or looking for services that can support pets – before reaching out to a specialist family violence service. Ask Izzy provides the information they need to understand their situation, the confidence they need to act on that information, and the ability to find the right person to begin their journey to safety and recovery.

Proposal for ongoing support

This proposal outlines how a contribution of \$890,000 per year over 3 years from the Australian Government will ensure Ask Izzy continues to support people experiencing disadvantage to connect to support services, enabling an early intervention response for people experiencing family violence and providing robust data to better understand service demand and patterns of vulnerability.

The funding requested would complement existing support from government and corporate partners including News Corp Australia, Google and Telstra.

About Infoxchange

[Infoxchange](#) is a not-for-profit social enterprise that has been delivering technology for social justice for over 30 years. With 180 staff across Australia and New Zealand, we tackle the biggest social challenges through the smart and creative use of technology, ultimately working to ensure no-one is left behind in today's digital world.

We work with community, government and corporate partners to solve issues around homelessness, family violence, mental health and disability, as well as supporting Indigenous communities, women, youth and families.

Through our work in digital inclusion and social innovation we use technology to empower people experiencing disadvantage, driving social inclusion and creating stronger communities.

Read more about Infoxchange in our annual report: <https://infoxchange.org/2020>

Introduction to Ask Izzy

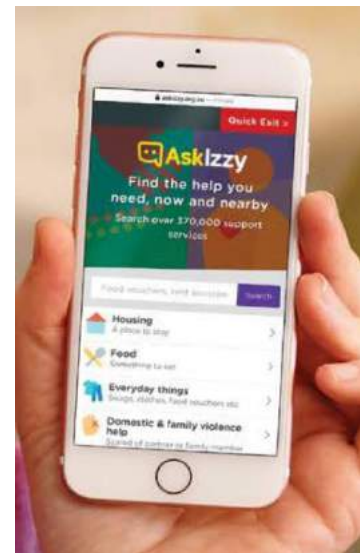
Ask Izzy is a website that connects people in need with food, emergency relief, housing, money help, family violence services, mental health support and much more. It has established itself as the leading national platform for people experiencing disadvantage and workers in the field to find up to date service information across Australia.

Ask Izzy was developed by not-for-profit social enterprise Infoxchange in partnership with Google, REA Group and News Corp Australia. The development and operating costs have been funded by these partners with additional financial and in-kind support from Telstra, National Australia Bank, Vodafone, the Victorian Government, Westpac, the Lord Mayor's Charitable Foundation and the Department of Social Services.

Collectively these partners have contributed over \$5 million to the development of Ask Izzy to date. Beyond funding, these partners have and continue to amplify our efforts to raise awareness of Ask Izzy through their networks.

Powered by a service directory that lists over 370,000 services nationally, Ask Izzy is regarded a trusted tool designed for community by community. Infoxchange employs a team of 25+ database updaters who work with services nationally to maintain service listings and add new services using simple English and consistent language. This team is partially funded by agreements with state and territory governments and not-for-profits such as Lifeline who use the directory to support their own operations.

Ask Izzy has had wide support from across the sector with organisations being involved in the co-design and development of the platform including the Australian Council of Social Service (ACOSS), Council to Homeless Persons, Australian Red Cross, St Vincent de Paul, Salvation Army, Foodbank, OzHarvest, SecondBite, The Big Issue, Orange Sky Australia and the Asylum Seeker Resource Centre.



Impact of COVID-19

The social and economic impacts of COVID-19 have resulted in shifts in the way that vulnerable people are seeking assistance from the government and community sectors. Ask Izzy has experienced unprecedented levels of usage since the pandemic began. With the Australian Government's funding support in 2020, our assessment of the search data has revealed valuable insights into the changing demand for support services by vulnerable people across Australia.

“The Morrison Government is committed to helping Australians through the pandemic, and by supporting Ask Izzy we’re connecting Australians with a variety of crucial government, charitable and other services.” – Anne Ruston, Minister for Families and Social Services.

**2.3 MILLION
ASK IZZY
SEARCHES IN THE LAST YEAR**



TOP 5 CATEGORY SEARCHES



TOP 5 DEMOGRAPHICS OF USERS SEEKING HOUSING SUPPORT

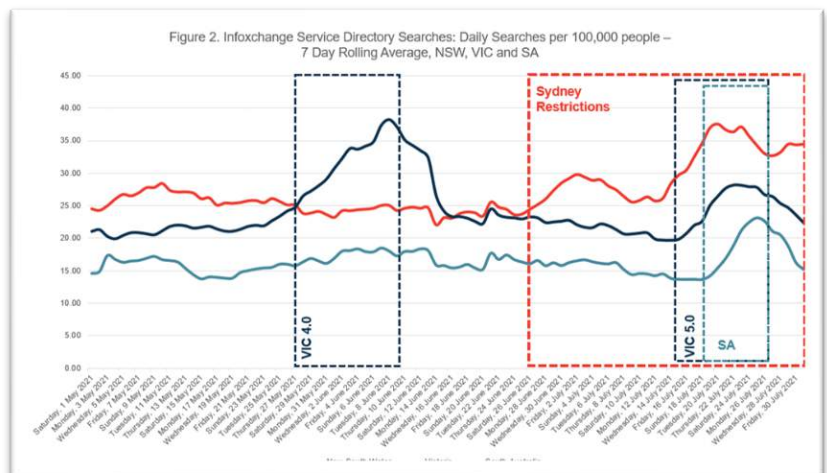


With the support of grant funding in 2020 from the Department of Social Services we:

- Developed specific features and content within Ask Izzy to support help seekers in finding:
 - General COVID-19, and later vaccination, information at a state and federal level.
 - Additional general service support information, particularly for those facing family violence, financial, emotional or mental health stress for the first time due to the pandemic and associated lockdowns.
- Built a dedicated service directory product team to enhance the underlying technology of the directory and our policies and processes around data management. This has allowed us to improve the scalability, capability, and agility of our data systems, and the efficiency with which we can collect, validate, and share service information.
- Delivered a series of [12 reports](#) detailing changes to service-seeking behaviour across areas such as Family and Domestic Violence, Drug and Alcohol services, and services for Aboriginal and Torres Strait Islander people. The capability and systems developed through this process have allowed us to continue producing valuable data and insights.

Ask Izzy key usage findings during the pandemic

- Ask Izzy supported over 2.3 million searches for support in FY20/21.
- The top category searches for support were food (29%), financial assistance (25%), housing (18%), Centrelink (11%) and everyday needs (8%).
- Family violence searches in FY20/21 are 30.5% higher than FY19/20, an additional 25,000 searches.
- Mental health searches grew by 19.4% in FY20/21.



For Greater Sydney, in the 50 day lockdown period 26 June 2021 – 14 August 2021, there was an increase in requests of 120% compared to the previous 50-day period. Half of these additional searches were for Financial Assistance, making Financial Assistance the largest category of search within Greater Sydney over the lockdown period.

Ask Izzy as an early intervention tool to support people experiencing family violence

There are few more dangerous, complex, and frightening situations that a person can find themselves in than seeking support to escape family and domestic violence. Our research has demonstrated someone seeking help needs to consider a vast and ever-changing list of needs for them and their family, provided by a complex and often opaque array of social, community and legal services.

“I have no money. I need to go to Centrelink. I need legal. I need 48 hours in a day. I have hungry children. How can you survive when you are thrown into that cesspool of services.”
- Ask Izzy research participant

Ask Izzy cannot replace the superhuman acts that are performed every day across Australia by workers in the family and domestic violence sector. However, Ask Izzy can, and has, increased the likelihood that someone seeking help will have the information they need to understand their situation, the confidence they need to act on that information, and the ability to find the right person, the first time, to begin their journey to safety and recovery.

Along with the invaluable lived-experience embedded in our Product Advisory Group, we have worked with family and domestic service providers and service users to understand how we can improve the Ask Izzy experience for this cohort, and where we can have the greatest positive impact.

A survivor of domestic violence and advocate of Ask Izzy recently told us:

“As a person who has experienced family violence, independence and freedom is the most important to me. Ask Izzy puts the power in your hands – you make the calls.”

Among the many impacts of the COVID-19 pandemic and associated lockdowns, we have seen several spikes in searches for family and domestic violence service, in the period March – September 2020 alone we saw the portion of family and domestic violence searches as a percentage of total searches in Ask Izzy almost double. More than ever, Ask Izzy has a vital role to play in helping people access the right support, at the right time, to give them the best possible chance of escaping or avoiding family violence, and getting on the path to a safe and secure life.

Infoxchange proposal

Ask Izzy has demonstrated the vital role it plays in supporting people experiencing vulnerability to search and connect to vital services. As a trusted tool designed in collaboration with people with lived experience of family violence and homelessness, Ask Izzy remains the go to site for reliable and up to date information on essential services nationally.

Support from the Australian Government would enable Ask Izzy to better serve people experiencing disadvantage through timely, early intervention. Outlined below are the key areas of funding sought.

Enhancing and maintaining Ask Izzy

Ask Izzy is managed by a passionate core team made up of product managers, service designers, user experience specialists, web developers, testers, systems engineers, community engagement specialists and crucially, a Product Advisory Group (PAG) made up of people with lived experience of homelessness and family violence.

Community collaboration supported by a multi-disciplinary team is essential to Ask Izzy's ongoing development. The 10 PAG members contribute their skills and experience to ensure Ask Izzy is the best it can be for people in need while representing the wider community and bringing diverse backgrounds, knowledge, and lived-experience to inform Ask Izzy's evolution.

Collectively, this team are responsible for:

- Continually enhancing Ask Izzy to meet the specific needs of our growing user base and responding to emerging needs such as the COVID-19 pandemic, bushfires and other significant events.
- Working collaboratively with community to co-design solutions and features that will deliver meaningful impact to those communities, with key audiences including people at risk of or experiencing family violence, people at risk of or experiencing homelessness and people with a disability, their family and carers.
- Working with the community and social sector to better understand the challenges being faced in their communities, to develop responses to these challenges, and to spread awareness of Ask Izzy among those that can be helped by it.
- Scaling the reach and accessibility of Ask Izzy by working towards the highest standards of digital accessibility, content inclusivity, and ease of use for anyone regardless of digital literacy, English language skills, or need to use assistive technologies.
- Ensuring that Ask Izzy remains a modern, robust, secure and scalable digital platform, that adheres to the highest standards of data and information security and privacy.

This work has been supported to date by philanthropic funding from corporate partners and philanthropic foundations.

Funding from the Australian Government would support the ongoing development and sustainability of Ask Izzy and enable us to further strengthen early intervention and introduction to services for people experiencing vulnerability.

Keeping service information up to date

The Infoxchange Service Directory is Australia's largest community-led health and welfare directory, listing over 370,000 services nationally. It is maintained by a committed team of 25+ database updaters who liaise with services to ensure their information is captured succinctly and accurately. During the COVID-19 pandemic, the demand on our database updating team has

increased significantly, and the urgency of the updates has become critical to ensure people are accessing vital services such as emergency relief and family and domestic violence support.

We receive partial funding for maintaining the service directory from a number of government agencies and not-for-profit providers. This funding is to maintain specific service provider data sets including Services Australia - National Recovery and Resilience Agency (disaster response dataset), NSW Department of Communities and Justice (NSW specific services), Queensland Family and Child Commission (QLD specific services) and Lifeline (crisis support services).

Funding from the Australian Government would enable us to ensure our national dataset has continuity and is maintained to ensure users receive timely, accurate and up to date service information.

Providing data insights to government and the sector

Infoxchange collects a significant amount of data pertaining to social services nationally. Our service directory team update service information daily, providing unique insights into the sector.

Beyond acting as the nationally accepted platform for service information, we are also able to gain key insights into service demand from the usage of the directory by individuals and social sector organisations.

With over 250,000 searches per month in Ask Izzy, we have a strong geographical service demand dataset that provides insights concerning an individual's circumstance (such as gender, age, whether they are escaping family violence or have a disability) as well as their service need at a local and national level.

Examples of previous data insight reports can be found at <https://www.infoxchange.org/au/tags/ask-izzy-covid-reports>

Funding from the Australian Government would allow us to provide data insights to government and the sector on a regular basis from the searches on Ask Izzy including service demand insights focused on geography, demographics and service needs.

Awareness raising

Ask Izzy has benefitted significantly from the in-kind support provided by corporate partners, service providers and community organisations to raise awareness of Ask Izzy to the general public. This strong network of partners, including News Corp Australia, Google, Telstra and REA Group, are committed to continuing to promote Ask Izzy to reach our audiences nationally.

Promotion and awareness raising of Ask Izzy during the pandemic has been generously supported in-kind by our partners News Corp Australia, Google, Yarra Trams and community radio. Refer to examples of awareness raising and in-kind advertising in **Appendix A**.

- News Corp Australia provided print and digital advertising to the value of \$284,324 in addition to significant editorial coverage.
- Google has and continues to provide \$480,000 worth of Google Ads in-kind per year.
- The Ask Izzy 'unexpected turn' promotional campaign received in-kind support to the value of \$280,000, including a tram wrap from Yarra trams.
- Over 7,000 Ask Izzy community radio advertisements have aired nationally.

No additional funding is requested from the Australian Government to support awareness raising. This will continue to be provided on an in-kind basis by our partners.

Budget

Opportunity	Overview	Annual Cost (excluding GST)
Enhancing and maintaining Ask Izzy	Funding to support 3 FTE staff to expand the reach and impact of Ask Izzy and associated technology hosting, software maintenance and support costs.	\$420,000
Keeping service information up to date	Funding to support 3 FTE service directory data updating staff to ensure service information is up to date and associated data updating and systems costs.	\$360,000
Providing data insights to government and the not-for-profit sector	Funding to support a 0.8 FTE data analytics staff member and associated data analysis tools.	\$110,000
Awareness raising	In-kind promotional support from Ask Izzy corporate and community partners.	\$0
Total cost per year		\$890,000
Total over 3 years		\$2,670,000

Contact

David Spriggs, CEO, Infoxchange
dspriggs@infoxchange.org | 0417 190 319

Appendix A – Examples of in-kind awareness raising and advertising provided by our partners


The Advertiser

Coronavirus

How Ask Izzy can help Aussies in need of support

A record number of Australians are in need of assistance as the coronavirus pandemic places them under extreme amounts of pressures, and there's a simple way they can find support.

Shoba Rao
1 min read July 8, 2020 - 2:00pm News Corp Australia Network



Families and Social Services Minister Anne Ruston said Ask Izzy is providing a vital service to the community. Picture: Supplied

Families and Social Services Minister Anne Ruston said Ask Izzy is providing a vital service to the community.

"During these unprecedented times it is important people know what support is available to them," she said.


PROBONO AUSTRALIA

News | Policy | Social affairs | Fundraising | Philanthropy | Governance | Marketing | Innovation | Good

News | Social Affairs | Community

Ask Izzy gets government funding boost amid rising service demand

The website is being upgraded to better help people navigate social support services



Luke Michael | 8 July 2020 at 5:39 pm

A website connecting Australians in need with nearby support services is getting government funding to better deal with a surge in demand during the COVID-19 pandemic.

Ask Izzy – which lists more than 370,000 health and welfare services across Australia – recorded over 450,000 searches during March and April, a 60 per cent jump since the same time last year.

On Wednesday, it was announced that the Morrison government was

0 Comments

Print

Telstra Exchange Search

How the crises of 2020 helped shape a digital service for young people in crisis

THE CHALLENGE

How can we support young people – as well as their families and supporters – in navigating a complex social and community services system, and empower them to make decisions and take positive action?

THE OUTCOME

A digital service that gives young people in a range of crisis scenarios the information, tools and support they need to make positive decisions and actions on their future.

Melbourne Today 8/7/20

Herald Sun

My News Local Victoria National World Opinion Business Entertainment Lifestyle

Leader Melbourne City

Ask Izzy: Melbourne tram shows where to get support during COVID-19

Melburnians who have found themselves struggling as a result of COVID-19 are being encouraged to reach out for support. And when it comes to messages of hope, you can't get much more Melbourne than this.

Grace McKinnon | 1 min read October 8, 2020 - 8:00am The Melbourne City News



Ask Izzy has launched the 'Unexpected Turn' campaign to help millions of Australians who have unexpectedly found themselves struggling as a result of COVID-19.

Health and harmony

Nellie Jackson, member of Melbourne band Loose Tooth, and Unexpected Turn campaign spokesperson.



THE ASK IZZY WEBSITE IS ONE OF SEVERAL INITIATIVES TO HELP AUSTRALIANS STRUGGLING WITH COVID STRESS

MENTAL HEALTH

PATRICK TADROS

Charities have been inundated with families and young people needing help to feed and support themselves plus take care of their mental health.

Australia's largest food-relief organisation Foodbank reported a demand for help had doubled since the COVID-19 crisis began. The Feed Appeal reported a 50-78 per cent increase in the need for food relief.

Infoxchange, a not-for-profit social enterprise supported by News Corp Australia, saw a surge in March and during Victoria's stage four lockdown on its website Ask Izzy — that connects people with more than 370,000 support services including shelter, food, money help and health care.

*Searches in Ask Izzy's food

category more than doubled in a single week in March at the beginning of the pandemic, and searches for Centrelink locations nearly quadrupled the following week," Infoxchange chief executive David Spriggs said.

"Food category searches in Melbourne increased by 42 per cent during stage four lockdown and searches for money help increased by 25 per cent."

Its new campaign, Unexpected Turn, aims to reach millions of disadvantaged Australians who have unexpectedly found themselves struggling this year as a result of COVID-19.

"It's great to see this campaign raise awareness for people in need," News Corp community ambassador Penny Fowler said.

Musician and Unexpected Turn campaign spokesperson, Nellie Jackson, understands the importance of asking for help after she struggled with the mental health and financial impacts of having her

band's gigs and new album suddenly cancelled.

"Music is such a personal thing, that it's kind of a therapy for me and I've had to learn new ways to cope with the stress of life and my job," she said.

"I know for some people, accessing support is really overwhelming and really scary, but there's no reason why someone should be suffering alone when there is help out there."

"You just never know when you're going to need it and you never know what it might be."

Now working as a youth drug and alcohol counsellor, Nellie said Ask Izzy was a valuable tool for people in her position who didn't expect to be struggling this year and don't know how or where to

turn for help. "With Ask Izzy, you can just type in where you are and there you go, it's all at your fingertips," Nellie said.

"Having that information is a powerful first step."

Mental health advocate and founder of The Wake Up Call, Paul Spinks, said now is the time to protect your mental health and to reach out for support as early as you can.

"We need to keep talking about the issues of mental health in our community," he said.

"Research tells us that one in two Australians will have a mental health issue in their lifetime pre-COVID, so with the pressures we are all facing today, looking after our mental health is more important than ever."

Reach out to those in need

Many charities and organisations are helping those affected by the pandemic. Here is what you can do to support those doing it tough.

Make a donation: Donate to an organisation that's making a difference, including hospitals and health centres or charities that provide housing, financial assistance or food.

Give to GoFundMe fundraisers for essential workers or families who are struggling after illness or death.

Give blood: As coronavirus cases increase, the number of eligible donors has dropped. The Australian Red Cross and other blood banks have remained open with safety precautions in place.

Provide mental health support: Mental health helplines such as Beyond Blue are looking for volunteers to answer texts from people in crisis. The helpline has reported a surge of calls expressing anxiety about the coronavirus. Helping relieve someone else's concerns may lower your own stress.

Feed the hungry: The best way to help right now is to either volunteer (if your local food bank allows for this and you feel safe doing so). Check with your local food bank to see how best to help. Reach out to your neighbours and ask them how you can help, by picking up prescriptions and groceries or other assistance.



Seven myths about probiotics, busted

Brought to you by **BO+SOUL.com.au**

HEALTHY GUT, HEALTHY BRAIN!

FIN MACKENZIE

Probiotics, the good kind of bacteria that supports a healthy digestive system, have been touted as a wonderful support to a healthy diet and exercise. But the information can be overwhelming. Taking a probiotic is as easy as popping a pill but here are seven things you might not know. **1 I should only use them when I have an upset stomach** Probiotics don't permanently colonise

the gut so when you stop taking them, the beneficial bacteria they have introduced to your gut will usually disappear within two weeks.

2 They didn't fix my issues, therefore they don't work If any symptoms you experienced before probiotics remain or get worse, it's a sign you may have small intestinal bacterial overgrowth. It's best to get this checked out by a health practitioner.

3 They don't cancel your antibiotics At some point in your life, a health practitioner has probably suggested that you take probiotics following a course of antibiotics, but the best way to ensure that antibiotics don't get the chance to wipe out your good gut flora

is to take probiotics at the same time.

4 All probiotics are created equal There is a difference between the probiotics available at a chemist and practitioner-only products available from a naturopath or nutritionist which are high quality human strains that have evidence of transient colonisation of the gut, compared to many supermarket or chemist brands which may not be quality tested with no evidence of benefit.

5 Their benefits are just for the gut Probiotics are just as beneficial for mental as physical health. Certain strains such as Lactobacillus rhamnosus, Bifidobacterium bifidum and Lactobacillus acidophilus have been

shown to signal the production of certain neurotransmitters that affect mood and have also been shown to signal the vagus nerve to affect the brain.

6 Numbers don't matter There is a difference between one billion and 10 billion. It can be a good idea to do some research into the amount of colony forming units needed to achieve a clinical effect.

7 They're just for adults Probiotics can help kids. Certain strains have been shown to reduce sick days among children as well as the amount and frequency of infections and viruses.

Fin Mackenzie is a gut health expert at Endeavour College of Natural Health and founder of Green Door Health.



Probiotics vary in quality so it pays to do research

VL 16/03/2020/20A

Ad · <https://www.askizzy.org.au/> ▾

[Ask Izzy - Find support services nearby.](https://www.askizzy.org.au/)

Ask Izzy connects people with housing, a meal, money help, health services and much more. Search over 370,000 support services across Australia. 360,000 Services. 24/7 Service. Free & Anonymous. Re-Connect Hubs. Local Listings. Services: Housing, Food, Everyday things. [Finding Food](#) · [Financial Support](#) · [Homeless Shelters](#) · [Homeless Health Care](#)

Google Australia Blog

News and notes from Google Down Under

No shame when you Ask Izzy

Finding help for Aboriginal and Torres Strait Islander people, who make up almost a quarter of those supported by Australia's homeless services, is often a struggle.

That's all about to change with the release of the redesigned Ask Izzy mobile website that now allows users to search for dedicated housing, health, food services and much more.

News | Innovation > Tech and AI

Ask Izzy Expands To Provide Support For People Experiencing Family Violence

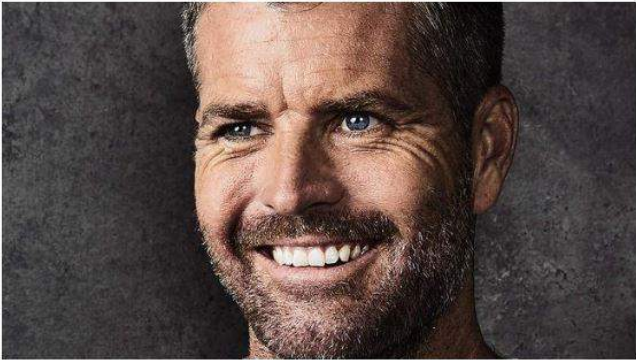
A mobile website which has been described as a “saviour” by people experiencing homelessness is to launch a new project to assist people fleeing family violence, with funding assistance from the NAB Foundation.

Menu Read the Paper Rewards Hi Srinivas

The Daily Telegraph Supported by News Corp Australia


Search **Askizzy** Connect with 370,000+ support services across Australia **SEARCH NOW**

ENTERTAINMENT MOVIES MUSIC **TELEVISION** BOOKS ARTS COMPETITIONS GAMES



Top doctor worried about Pete Evans

CONFUSING POSTS The president of the Royal Australian College of GPs has said he hopes Pete Evans is spending time with family after sharing a bizarre post online. 1h ago



Askizzy Connect with 370,000+ support services across Australia **SEARCH NOW** Supported by News Corp Australia

Affected by the bushfires?

Find support services nearby, including food, money help and counselling.



Askizzy
askizzy.org.au

Supported by Google Australia.

Courtney 'back on track'

LINE CLASH

After a year of being a free agent, Courtney has signed a two-year deal with the New York Yankees. The deal is worth \$10 million and includes a \$2 million signing bonus. Courtney, 33, is a former All-Star who has won a World Series with the Yankees in 2009. He is expected to play for the Yankees in 2017 and 2018.

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New blow for Serie A hopes

The Italian football league has suffered a major blow as several clubs have announced they are withdrawing from the competition. This move could significantly impact the league's financial stability and competitive balance.

Ready to train in Spain

A group of athletes has expressed their readiness to begin training in Spain. The athletes are looking for a high-quality training environment and are excited about the opportunity to work with top coaches and facilities.



A photograph of a football stadium filled with fans, with a large banner in the foreground that reads "NO FANS, NO SINGAPORE FI". The banner is held up by a person in a red shirt, and the stadium is filled with people, suggesting a significant event or protest.

Find support services nearby, including food, money help and counselling

Askizzy
askizzy.org.au

More info: askizzy.org.au

Infocchange



Digital Technology in the Not-for-Profit Sector

**NOVEMBER 2021
REPORT**

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We're based on the lands of the Wurundjeri, Kurna and Turrbal peoples, the traditional custodians of the land, waters and knowledge for this place, where we gather to collaborate and strengthen communities.

In our work, we recognise the importance of Country – not just as a place, but how it also maintains community, family, kin, lore and language.

We pay our respects to Elders past and present. This always was, always will be Aboriginal land.

We support the Uluru Statement from the Heart.



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About this report

The Digital Technology in the Not-for-Profit Sector report is an annual research project conducted by the Infoxchange Group.

It aims to recognise areas of growth and improvement by understanding how not-for-profit organisations across Australia and New Zealand use technology.

Now in its sixth year, this report provides a benchmark for all not-for-profit organisations across the sector to ensure they are using technology in the best way possible to achieve their mission.

WHO WE ARE

The Infoxchange Group is Australia and New Zealand's leading not-for-profit dedicated to using technology to improve the lives of people experiencing disadvantage and the organisations that support them.

Infoxchange, Connecting Up and TechSoup NewZealand joined forces in 2018 to create the Infoxchange Group. We share a vision of technology for social justice, and with over 180 staff across Australia and New Zealand we tackle the biggest social challenges of our time through the smart and creative use of technology.

We work with community, government and corporate partners to solve issues around homelessness, family violence, mental health, disability and natural disasters as well as supporting Indigenous communities, women, youth and families.

Our products and services are used by over 25,000 government and community services. We provide the right tools to improve efficiency and deliver greater impact - from nationwide service coordination systems to IT support, advice, technology products and training that meet the needs of the not-for-profit sector.

And through our work in digital inclusion and social innovation we use technology to empower people experiencing disadvantage, driving social inclusion and creating stronger communities. We believe no-one should be left behind in today's digital world.

Connecting Up operates as a subsidiary of Infoxchange and trades in New Zealand as TechSoup New Zealand.



A MESSAGE FROM OUR CEO



There is an urgent need for improvement in information security practices and rolling out security awareness training for staff.

.....

I am pleased to present the 2021 Digital Technology in the Not-for-Profit Sector report, the most comprehensive look at not-for-profit technology use across Australia and New Zealand.

The COVID-19 pandemic is continuing to profoundly change the way that not-for-profits work and utilise technology to deliver their services.

Organisations are now investing more in technology than in previous years, enabling them to build more reliable and resilient technology environments to support their work.

There has been a considerable increase in organisations adopting cloud technology to improve productivity and collaboration, as well as an increase in organisations who felt they were in a good position to support staff to work remotely.

Importantly, we have seen growth in the number of organisations introducing information security measures, however there is still an urgent need for the development and implementation of information security policies, improvement in information security practices and rolling out security awareness training for staff.

This year's report provides a refreshed look at how not-for-profits responded to the challenges of COVID-19. It also offers insights on digital capability, information systems, digital marketing, information security and the cloud.

On behalf of the Infoxchange Group, I would like to say a huge thank you to the 650 organisations across Australia and New Zealand who took the time to complete our survey.

With your input, we can better focus our efforts and identify ways to support the sector on their digital transformation journey.

We've used insights from last year's survey to inform the development of our new Digital Transformation Hub, designed to help Australian not-for-profit's deliver services more effectively, improve staff productivity and better serve communities in need. The Hub brings together web-based resources, capacity building programs and tailored advice in a one-stop-shop.

Now is the time for not-for-profit organisations to invest in digital technology to succeed and thrive in a post COVID-19 world.

We look forward to supporting the sector to ensure the smart use of technology continues to improve the way we serve our communities.

A handwritten signature in blue ink that reads "David Spriggs". The signature is fluid and cursive, written in a professional but personal style.

David Spriggs, Group CEO

Infoxchange, Connecting Up
and TechSoup New Zealand

EXECUTIVE SUMMARY

This report provides a comprehensive overview of the way not-for-profits in Australia and New Zealand are using technology in 2021.

The ongoing disruptions to the way we work posed by COVID-19 have emphasised how important it is for not-for-profits to have efficient, reliable technology in place to keep supporting communities and making the biggest impact possible.

This report aims to recognise where areas of growth and improvement are needed across the sector, so that not-for-profits can ensure they are using technology in the best way possible to achieve their mission.

We're pleased to report that our 2021 survey has continued to identify many areas in which the sector is improving its digital capability and skills, signalling a positive digital transformation trajectory.

This year's survey shows a significant shift in the number of not-for-profits who have moved, or are or in the process of moving, to the cloud – an increase from 58% last year to 69% this year.

At least 53% of not-for-profits are now satisfied with the way they are using technology, however still less than a quarter don't have a digital transformation or IT improvement plan. This highlights a gap in being able to better plan and adapt to emerging technologies and changing organisational needs.

Top priorities for the sector this year are developing staff capability, improving digital marketing, websites and information security.

We know that technology can be incredibly transformative in its ability to increase staff efficiency, improve service delivery and save precious time and money. It will continue to play a significant role in helping our sector through the difficult months and years ahead. What will be critical from this point on is how well not-for-profits can continue to adopt and utilise technology, as they look to transform their services and remote working continues to some degree for the foreseeable future.

Some of our key findings include:



69% of not-for-profits are in the process of moving or have moved to the cloud.



53% of not-for-profits are satisfied with the way they are using technology.



Only **38%** of organisations reported that their primary information system allows them to understand the impact of their services.



Almost **50%** of organisations do not have effective organisational information security plans.



25% of not-for-profits felt they were completely or largely unprepared to support staff working from home.



44% of not-for-profits said improving their website is a top priority.

Please note: due to rounding, some numbers presented in this report may not add up precisely to 100% when representing a total breakdown of responses received.

BACKGROUND

Building a resilient and digitally capable not-for-profit sector.

More than one year on, the COVID-19 pandemic has continued to highlight ongoing technology challenges faced by not-for-profit organisations as many attempt to deliver services online, match record levels of demand and support their staff and volunteers to work remotely.

Prolonged lockdowns are causing uncertainty in the sector, with not-for-profits experiencing financial distress leading to reduced spending.

Digital technology helps not-for-profits respond to these challenges. It can drive productivity and improve efficiency and service delivery, allowing organisations to adapt and respond effectively.



GOVERNMENT

Government is looking for ways to reduce spending and COVID-19 disaster payments are starting to diminish in-line with growing vaccinations rates.

Governments want new models which devolve greater responsibility to the not-for-profit sector and reduce traditional levels of funding. They also increasingly require demonstrable outcomes from funding commitments.

This creates pressure on not-for-profits to become more efficient, competitive and sophisticated in measuring impact and outcomes.



FUNDING

Traditional forms of funding are under threat at multiple levels.

For many not-for-profits, the dependence on government funding means the need to be responsive to requirements to improve efficiency and demonstrate data-driven outcomes. In parallel, donations made by everyday Australians have dropped to the lowest levels since the 1970s.

In response, many not-for-profits are looking to diversify income streams by pivoting their service model and establishing revenue generating activities for the first time. Some of this gap is being met by philanthropists and corporates who are actively seeking partnerships that align to their own environmental, social and governance goals.



SUPPORTER ENGAGEMENT

Supporters increasingly want to see the impact of their investment.

The public now expects far more information about the project they are funding and will actively engage through social media to do this. Social media continues to grow as a key factor in supporter engagement strategies, particularly as the younger generation become a new key source of public investment for not-for-profits.

Not-for-profits are under pressure to maintain engagement with supporters to drive ongoing investment and must harness the power of social media.

The need for greater impact and efficiency drives the urgency for digital transformation.

Historically, not-for-profits have under-invested in digital technology, with spending usually directed towards frontline service delivery. Without the right technology to drive supporter engagement, enable staff to deliver services efficiently, measure client and community outcomes and communicate success in a professional manner, organisations will be unable to keep up.











WHY DIGITAL TECHNOLOGY?

Digital technology can facilitate greater impact for not-for-profits, and organisations that use it effectively are better placed to respond in a challenging environment.

This has continued to be demonstrated throughout COVID-19, as not-for-profits with good systems and infrastructure have been better able to support remote work and continue to

deliver critical services in ever-changing conditions. Those with established, effective digital marketing channels are also able to maintain client and supporter engagement when it is needed most.

We measure digital capability across five capability areas shown below – along with the corresponding organisational benefits.

Category	Basic 	Advanced 	Benefit 
TECH FOUNDATIONS PCs, network, telephony, servers, email, file sharing and collaboration platforms such as Microsoft 365 and Google Workspace 	Individual PCs sharing files and information via email attachments	Staff can work anywhere productively, enabled by cloud-collaboration platforms	Staff can collaborate, work productively and access information anywhere
INFORMATION SYSTEMS Client/case management, CRM, membership, finance, HR and related systems to deliver services and understand activities, outputs and outcomes 	Spreadsheets and documents often support service delivery and reporting	Integrated, accessible solutions support efficient processes, service deliver and track outcomes	Painless reporting, efficient processes and client outcomes tracked
DIGITAL MARKETING Website, email marketing, social media, events management systems, and fundraising processes and systems 	No social media presence and very basic, static website	Effective stakeholder engagement across multiple digital channels delivers substantial benefits	Attract new funds supporters, volunteers, staff and clients
DIGITAL TECHNOLOGY MANAGEMENT Digital technology management, governance, planning, project delivery and business resilience systems 	No ICT plan, ad-hoc and reactive	Clear and compelling digital vision and plan with identified benefits and costs	Maximise impact from ICT investment
CYBERSECURITY Information security, threat protection processes, systems and governance 	We'll worry about it when it happens	Our staff, systems and processes keep information safe and secure	Reputation, client and staff information protected

PARTICIPANT SNAPSHOT



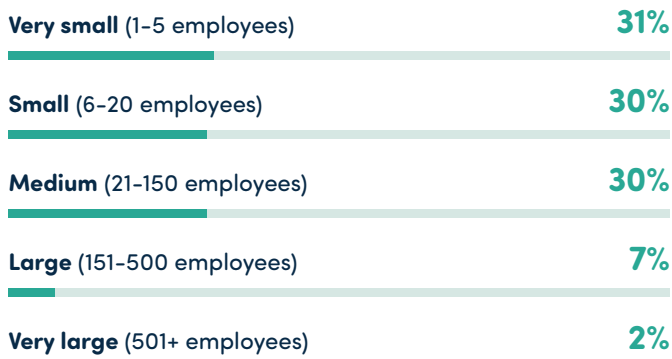
650 organisations completed the survey

75%

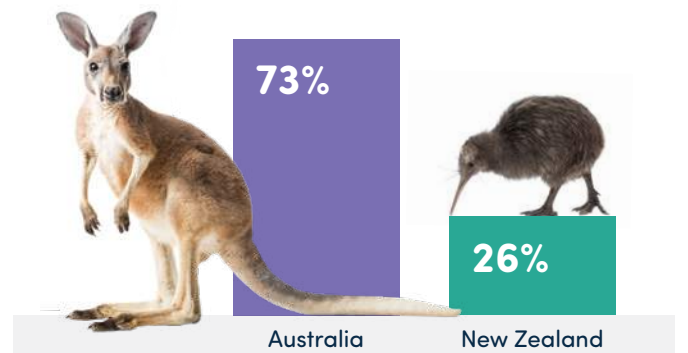
of respondents have more than one service area



Organisation size



Respondents by country



Note: 1% of respondents were from outside Australia and New Zealand.

Organisation by primary service area



CONTINUING TO ADAPT TO COVID-19

Despite the continued impact of the COVID-19 pandemic, the sector's ability to deliver critical services improved this year following accelerated digital transformation in 2020.

Three quarters of not-for-profits reported they were in a good position to support staff working from home with only a little bit of work (if any) required. However, 25% felt that they were completely or largely unprepared.

While some key COVID-19 adaption challenges remain – priorities still include better team collaboration and video conferencing tools as well as the need for improved online service delivery. New priorities have also emerged such as building the digital skills of staff and improving information security.

Many organisations moved rapidly to the cloud, and some aspects such as staff training or cybersecurity protections were not always fully implemented in the rush to ensure services would still be delivered.

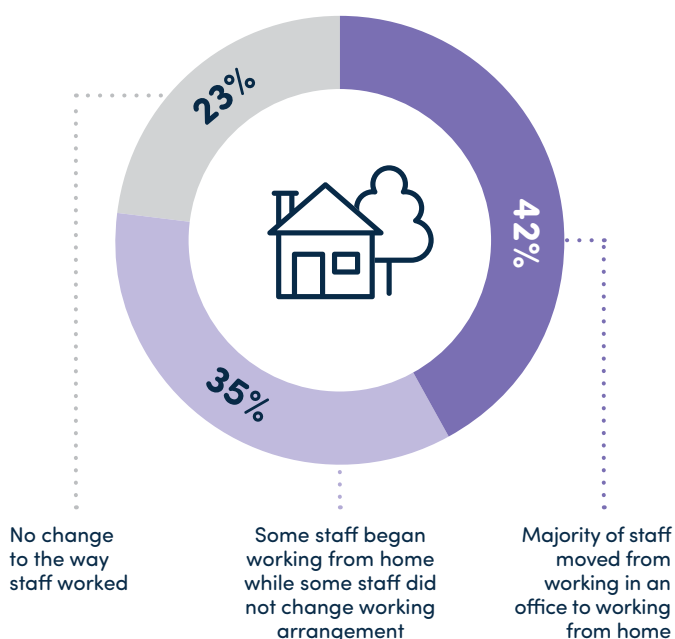
The impacts of COVID-19 were not distributed evenly across Australia and New Zealand. Overall, New Zealand had considerably fewer lockdown days as compared to Australia (although lockdown conditions were more stringent compared to Australia).

Within Australia, Victoria, and then NSW experienced substantially more lockdowns and total lockdown days compared to all other states and territories. The differences between Victoria, NSW, the rest of Australia, and New Zealand are evident in COVID-19 related survey responses.

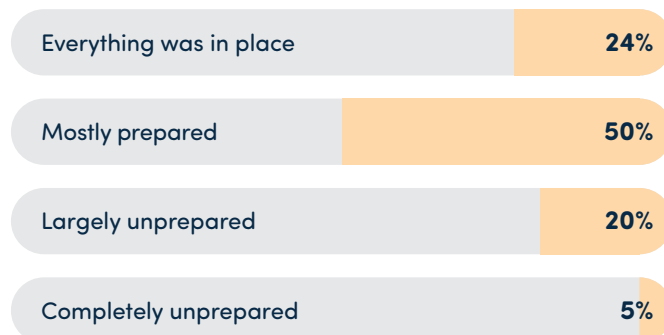
- » A far higher percentage of Victorian respondents (41%) indicated that they had to significantly alter the way they delivered services, compared to respondents from NSW (36%), the rest of Australia (30%) and New Zealand (23%).
- » A considerably smaller percentage of Victorian (27%) and NSW (31%) respondents indicated that overall, they were able to keep providing the same services, compared to the rest of Australia (48%) and New Zealand (44%).
- » 57% of Victorian and 47% of NSW respondents indicated that the majority of their staff shifted to working from home, compared with 36% of respondents in the rest of Australia, and 32% in New Zealand.

Even though Victorian and NSW not-for-profits had to adapt significantly more to the challenges posed by COVID-19 compared to the rest of Australia or New Zealand, surprisingly there were no significant differences in how well they thought their organisation was set up for staff working from home. It is encouraging to see many organisations continuing to adapt well to the technology challenges posed by COVID-19 and increasing remote work, and we are optimistic that more will accelerate their digital transformation journey in the coming year.

As a result of the pandemic, what changes were made to the way staff worked?



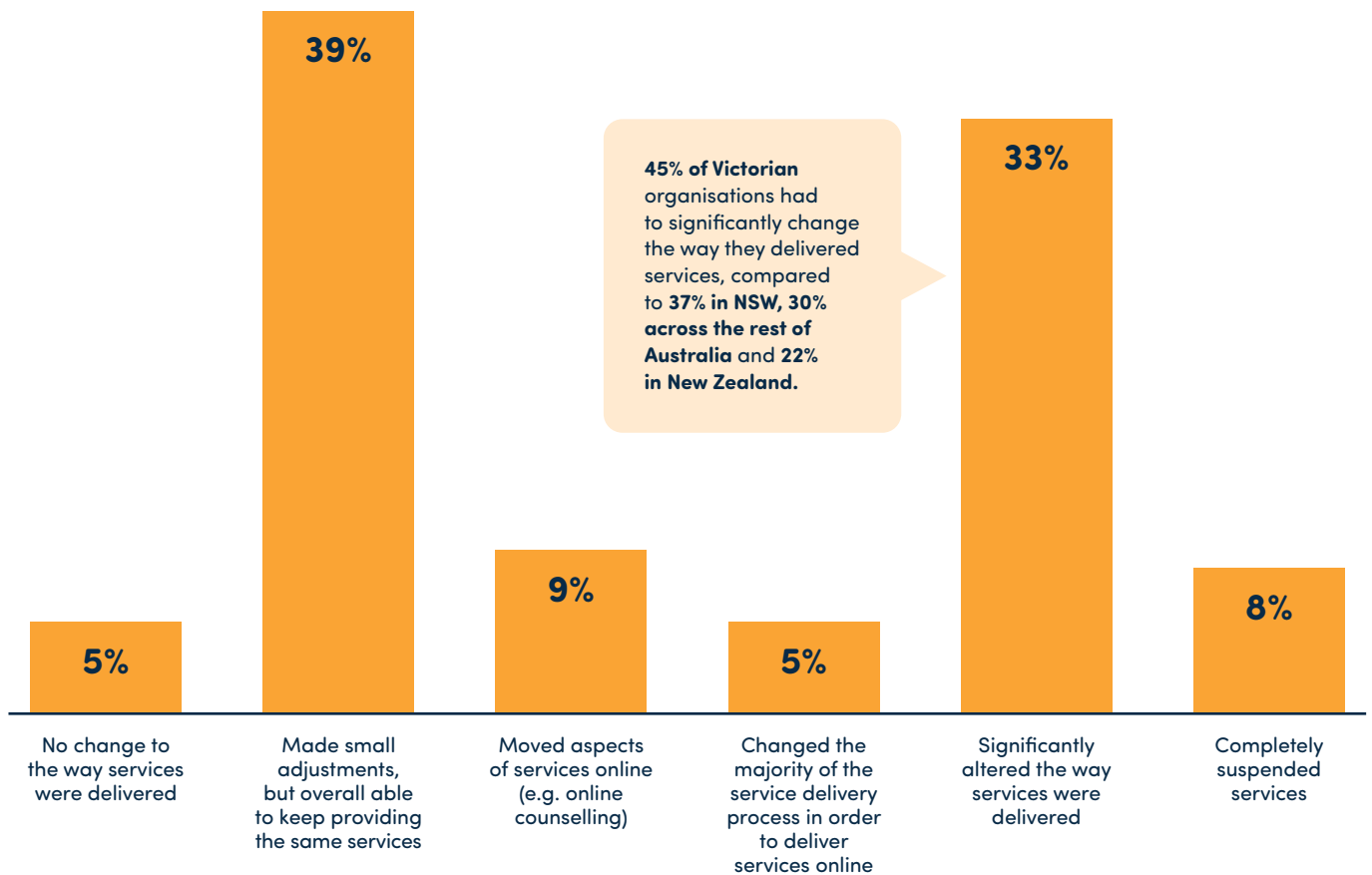
How well was technology set up for staff working from home?










In analysing the data by region, significant variation was evident, and this influenced the technological changes and priorities on the subsequent page.

For example, **57% of staff in Victoria** moved to working from home, compared to **47% in NSW**, **36% across the rest of Australia** and **32% in New Zealand**

How has COVID-19 affected the way organisations delivered services?



As a result of the pandemic, what technology areas need more attention or have become a bigger priority?

 Building staff members' digital skills	14%	 Moving to the cloud	10%
 Setting up better team collaboration tools	14%	 Updating & maintaining our hardware	8%
 Setting up better video conferencing tools	12%	 Supporting online fundraising	5%
 Supporting delivery of services online	11%	 Other	2%
 Managing information security	10%	 No significant change	4%
 Finding better ways of storing files & information	10%		

IT SPENDING

This year's survey shows that not-for-profits spent more on their IT than last year, indicating that they are responding to the need for investment in secure, reliable and resilient technology to support post COVID-19 working arrangements.

Overall, survey respondents spent 6.4% of their operating expenses on digital technologies, a small increase from 6% in 2020.

Australian not-for-profits spent AU\$3,816 per FTE on technology – similar to last year, which we found surprising given the demand for laptops and headsets to help staff work from home. Reported spend from New Zealand not-for-profits increased more substantially to NZ \$3,355 per FTE.

Further analysis showed that:

- » Among all not-for-profit sizes, very large and very small organisations spent the highest percentage of their operating expenses on IT. Large not-for-profits spent about 40% less than average.
- » On average, aged care, Indigenous, animal welfare and youth services spent the smallest percentages of their operating expenditures on IT (1-3%), while environmental, employment, peak body organisations, and disability services spent the highest (10-13%).
- » On average, Victorian organisations spent the same as those in other states, despite a greater number of days in lockdowns and related remote working challenges. A significant number of Victorian based organisations who we spoke with were forced to work within existing funding constraints, reallocating funds from planned service improvement projects to enable remote working through laptops or other technology solutions. It is pleasing to see a different approach in NSW with the Social Sector Transformation Fund allowing not-for-profits to enable remote working and also transform service delivery.

Average spend per FTE in each area for Australia and New Zealand

- IT staff salaries
- External IT support services
- Internet/network data links
- Infrastructure
- Website & core applications
- Telephony costs (mobile / fixed)
- PCs, software & equipment
- IT training & staff skills development
- Other



\$3,816 AUD
per FTE/annum

\$3,355 NZD
per FTE/annum

DIGITAL CAPABILITY AND SKILLS

Digital capability continues to be critical to the success and continued provision of not-for-profit services. We are pleased to report that 53% of not-for-profits are now satisfied (or highly satisfied) with the way they use technology, an increase from last year's 47%.

We've seen a steady increase in satisfaction being reported by not-for-profits in the past three years. During that time, more and more organisations have embraced new technologies that support them to effectively deliver services to their community and clients, while responding to new challenges posed by COVID-19 lockdowns and increasing remote work.

Staff confidence has also improved somewhat since our 2020 survey, with over half of not-for-profit staff feeling confident using new technologies and systems.

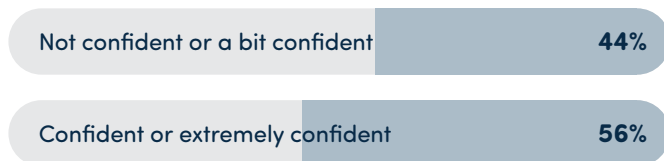
However, still less than a quarter of not-for-profits have a digital transformation or IT improvement plan. This shows that there is a gap in being able to better plan for necessary steps to implement and benefit from emerging technologies based on organisations' needs and structure.

It is promising to see that fewer organisations consider cost, lack of experience and time as a barrier to developing a plan.

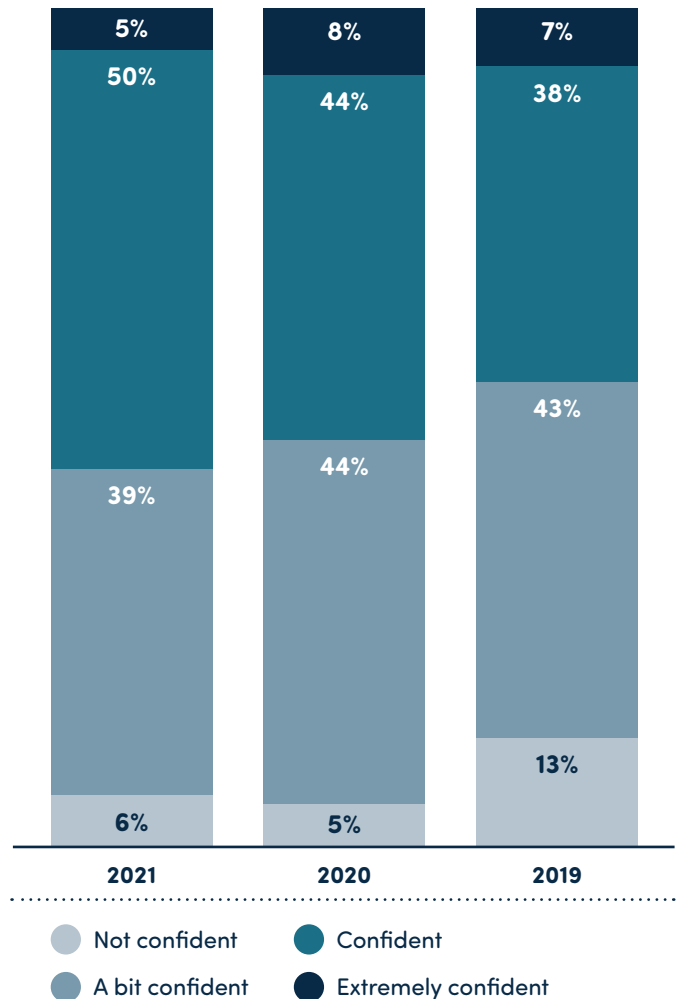
Technology can be incredibly transformative in its ability to increase staff efficiency, improve service delivery and save precious time and money. A digital transformation plan is the best way to plan and adapt for these changes. Our new Digital Transformation Hub supports not-for-profits to achieve their technology goals by offering web-based resources, capacity building programs and tailored advice.

What will be critical from this point on is how well not-for-profits can continue to adopt and utilise technology, as they look to transform their services and remote working continues to some degree for the foreseeable future.

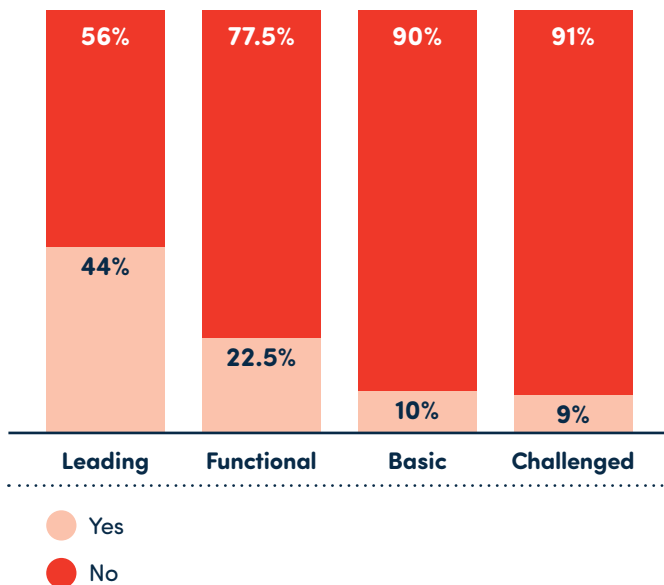
Staff confidence in using technology & systems (overview)



Staff confidence in using technology & systems (detail)



Organisations with a digital transformation or IT plan by technology capability



DIGITAL MARKETING

Our annual survey results consistently show that not-for-profits across Australia and New Zealand appreciate the importance of having an online presence and digital marketing capabilities, whether it be to raise awareness about their services, fundraise, or stay in touch with their supporters.

This year, 94% of not-for-profits reported that they have a website and 89% use at least one social media platform. More than 60% of not-for-profits use popular newsletter platforms like MailChimp to stay in touch with their clients or send regular communications to their supporters.

However, there are still plenty of untapped opportunities for organisations to improve their digital marketing.

Less than half of not-for-profits track and report on their digital marketing efforts. Regularly tracking and analysing these results is key to understanding the success of organisations' digital marketing activities, where changes need to be made, and where resources can be better allocated.

The number of organisations benefiting from the Google for Nonprofits program has increased slightly from last year, but the majority (75%) are still missing out on the free Google advertising and apps available through the program.

From design apps to analytics and readability tools, the list of free and low-cost marketing tools continues to grow every year, giving not-for-profit marketers the means to manage an effective online presence without the big budgets.

Social media



Social media platforms used



Websites



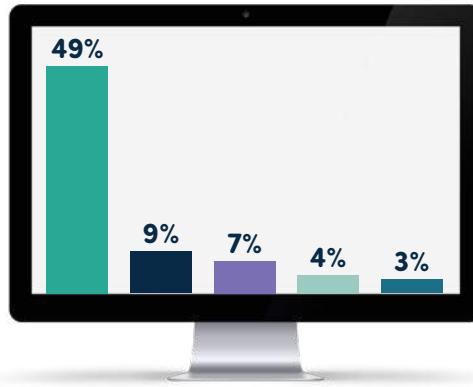
94%
of not-for-profits
have a website

of those



68%
like the look, feel
and functionality
of their website

Most popular content management systems

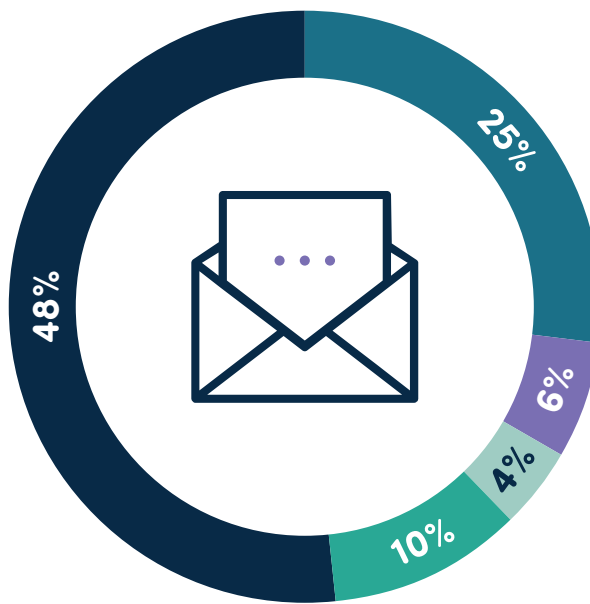


- Wordpress
- Custom built
- Wix
- Joomla!
- Squarespace

Email updates



Most popular platforms for email newsletters & updates



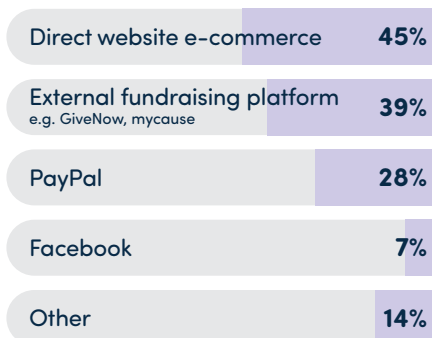
- MailChimp
- Regular email provider e.g. Outlook
- Customer relationship management (CRM) software
- Campaign Monitor
- Other

Donations



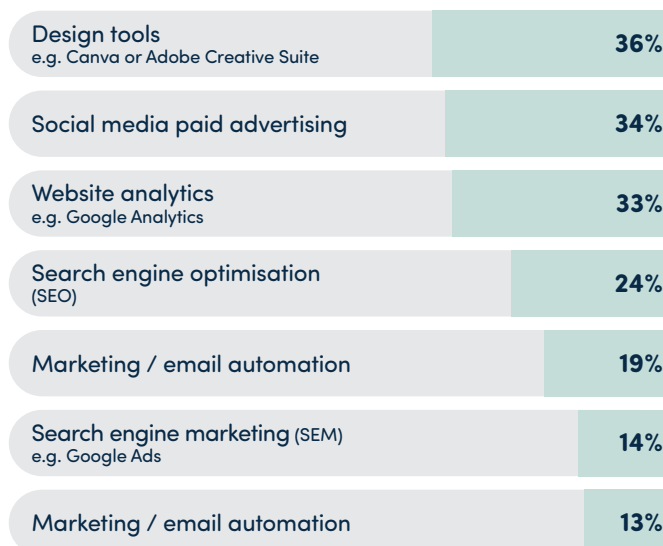
44%
of not-for-profits
collect donations
online

Donations are collected through:



Digital marketing

Not-for-profits are using:



Reporting

40%

of not-for-profits regularly track and report back to management on the performance of their online presence



INNOVATION

Through a period of ongoing instability in the not-for-profit sector, our report this year demonstrates that innovation remains pivotal for organisations to deliver services through the COVID-19 pandemic. But in the face of shrinking budgets, innovation is out of reach for many not-for-profits.

In 2021 only 41% of organisations reported using at least one type of new or emerging technologies, compared to 52% in 2020.

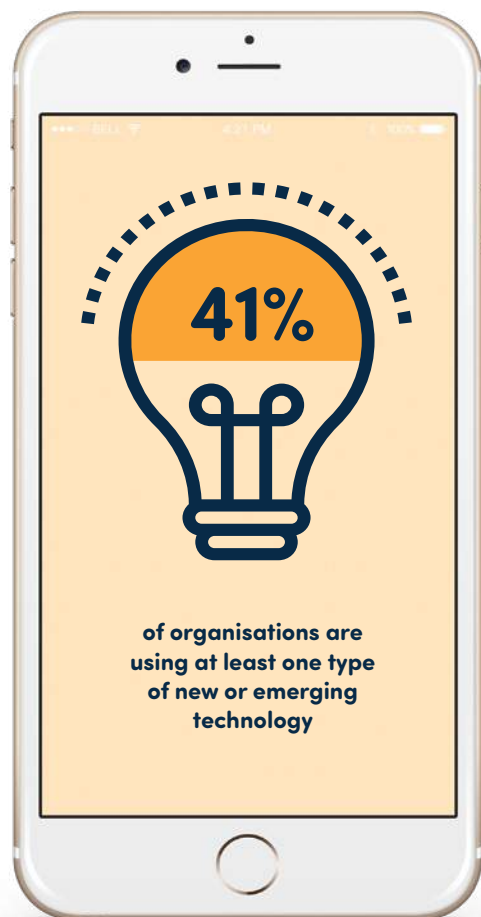
For many organisations, effectively using current technologies to adapt to the challenges of COVID-19 has

understandably been a priority. But we've seen many inspiring uses of new technology over the past year too.

For example, Aboriginal-led organisation Children's Ground launched a mobile app for children based on the incredible work of First Nations authors and illustrators. It enables children to listen to audiobooks and play interactive games while learning the Arrernte language.

Food rescue organisation Oz Harvest received over \$300,000 on the back of PayPal's Give at Checkout campaign, which facilitates shoppers to add a \$1 donation when purchasing online. Innovative partnerships like this between the not-for-profit and private sectors have provided significant support to organisations navigating the pandemic.

Top 10 new or emerging technologies being used by not-for-profits



19%



Mobile apps

13%



Bulk SMS

10%



Data-driven technology solutions & platforms

8%



Artificial intelligence (AI) / machine learning

6%



Assistive technology
e.g. for people with disabilities or the elderly

6%



Data analytics / big data
e.g. Google BigQuery

4%



Drones

4%



Internet of Things (IoT)

4%



Voice / speech recognition

4%



Open API

CLOUD

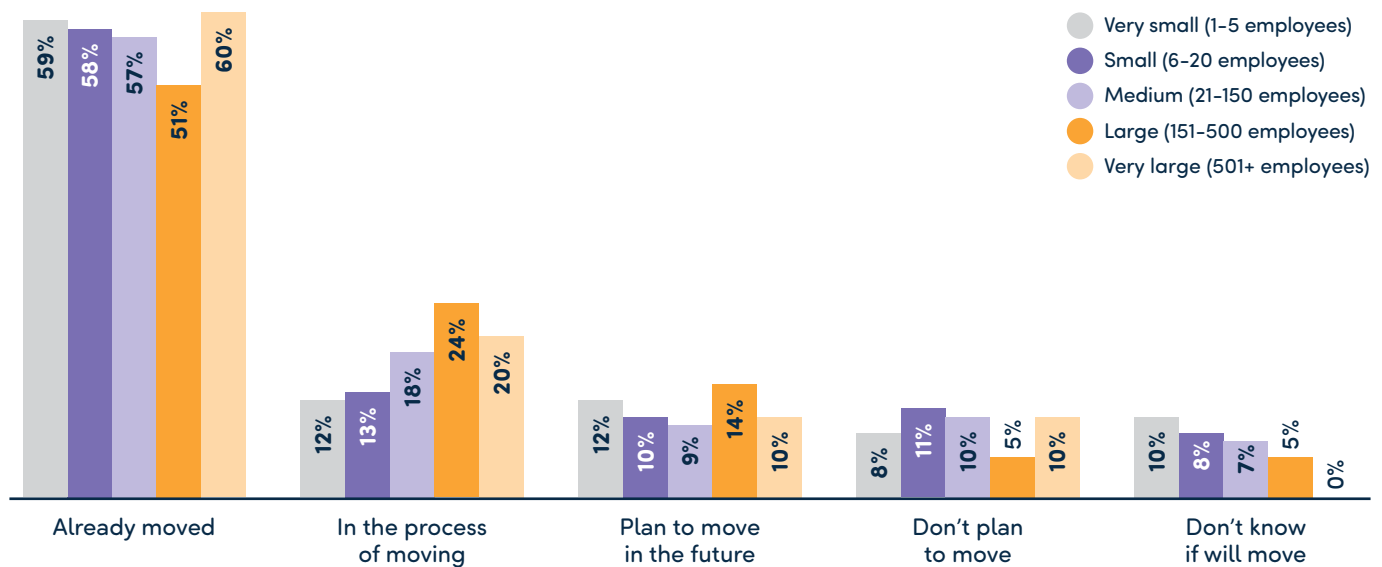
This year's results show a significant shift in the number of not-for-profits who have moved or are or in the process of moving to the cloud – from 58% last year to 69% this year.

Moving to the cloud reduces technology risk, facilitates better staff collaboration and allows staff the opportunity to work productively and access information anytime, anywhere.

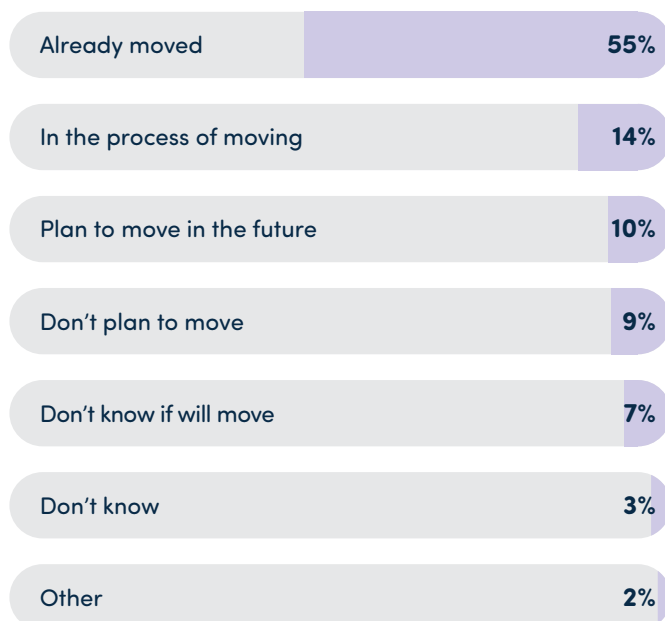
Given the benefits of the cloud in supporting remote work, this year's extended COVID-19 restrictions and increased working from home conditions have no doubt influenced the rate of adoption of cloud technology across the sector.

For not-for-profits who are yet to move to the cloud, the key reasons given were "not a priority" and "don't know enough". This demonstrates that there is a need to educate not-for-profits about the benefits of using cloud-based resources, such as improved productivity and efficiency.

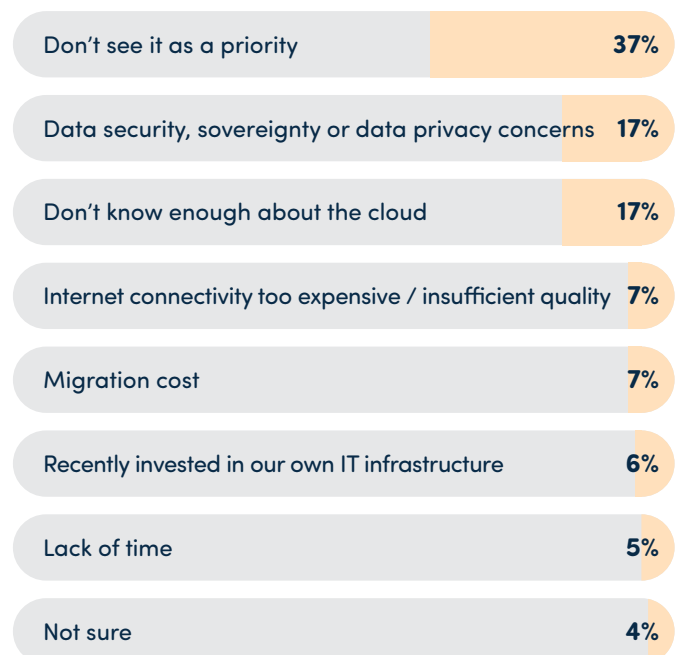
Not-for-profit plans to move a significant proportion of IT to the cloud (by size)



Not-for-profit plans to move a significant proportion of IT to the cloud (overall)



Key reasons for not moving to the cloud



TECHNOLOGY FOUNDATIONS

Every not-for-profit organisation should have sound technology foundations in place to help make the most of their ability to service clients.

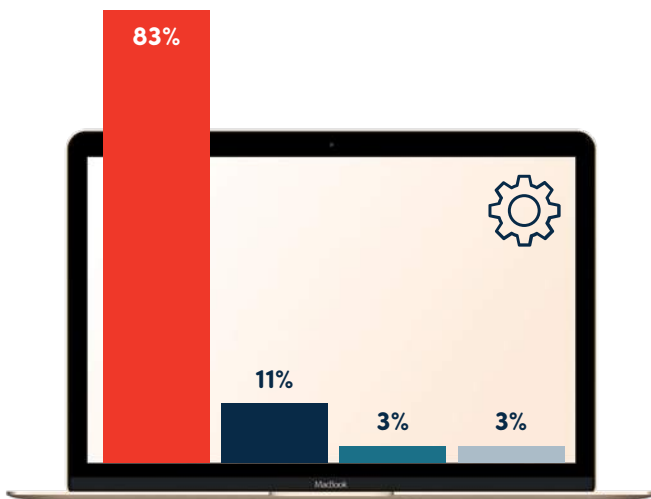
Substandard legacy technology environments effect team members' ability to effectively work from home as well as the organisation's capacity to deliver services to their communities.

Our survey revealed that although not-for-profits are starting to make the journey to move to the cloud (half are now using Microsoft 365 for their primary file sharing and email applications), key barriers still include:

- » expensive or insufficient internet connectivity,
- » recent investments in on-premises technology infrastructure,
- » migration cost,
- » lack of knowledge of/familiarity with the cloud,
- » lack of time/prioritisation.

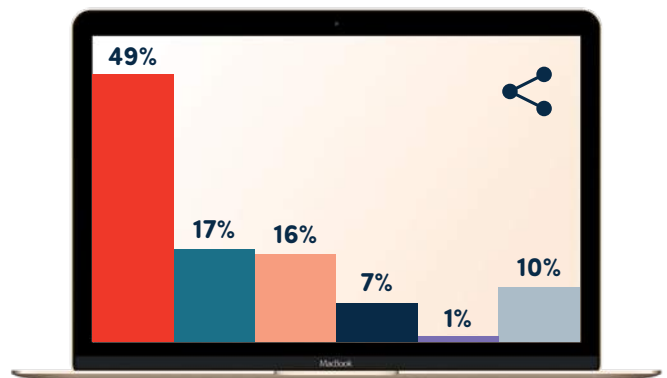
Just as COVID-19 will be part of everyday life for the foreseeable future, hybrid work environments will continue to shape how we work and collaborate. If you haven't yet started your cloud journey, our Digital Transformation Hub can help you begin.

Operating systems used



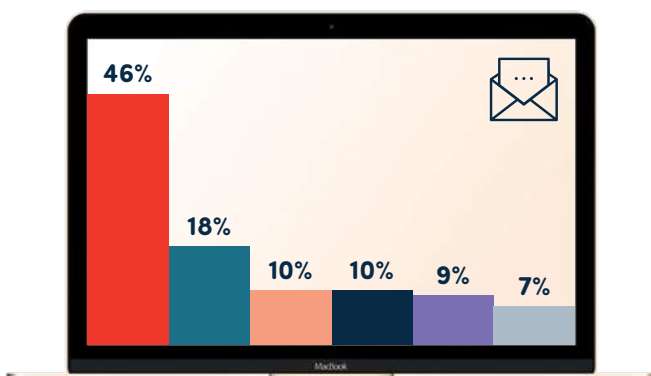
- Microsoft Windows
- Apple Mac OS
- Chrome OS
- Other

Primary file sharing applications used



- Microsoft 365 (includes SharePoint & OneDrive)
- Google Workspace (previously G-suite)
- Microsoft Windows server based file sharing
- Dropbox
- Linux/Mac server based file sharing
- Other

Primary email applications used



- Exchange Online (Microsoft 365)
- Google Workspace (previously G-suite)
- Email provided by internet service provider
- Exchange server
- Personal cloud email service (e.g. Hotmail, Gmail)
- Other

INFORMATION SYSTEMS

Effective information systems are critical to supporting service delivery, measuring impact and keeping not-for-profit organisations running.

An organisation's capacity to effectively deliver services requires reliable, coordinated systems that are easy for staff to use.

We asked participants about the system they primarily use to capture information about their clients, members or stakeholders and found that 35% of not-for-profits currently use a commercial system, 28% use Word and Excel, 16% use a custom developed system, 6% use paper and 5% use a government mandated system.

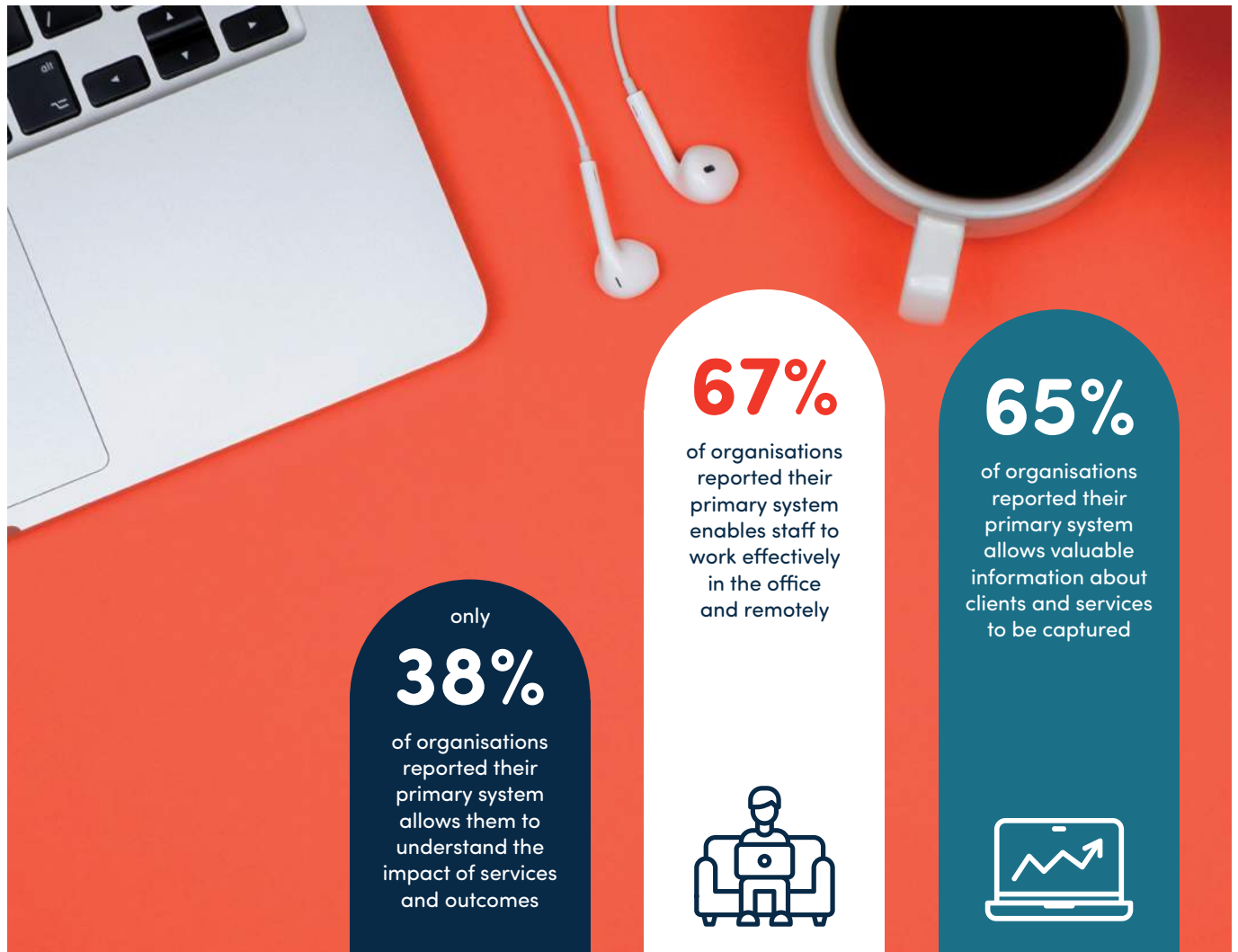
There is definite room for improvement in the client information systems being used. 67% believe their primary systems enable staff to work efficiently both in the office and remotely, while 65% say that their systems allow them to capture valuable information about their clients and services.

Only 38% of organisations reported that their primary systems help them to understand and measure the impact and outcomes of their services, a 6% decrease compared to last year.

Our survey findings from the past few years have identified that finding and implementing the right information systems is still a challenge for many not-for-profits. Investing money and effort into information systems can bring huge rewards and contribute to better service delivery, better reporting on impact, and improved ability to provide evidence for funding purposes.

The good news is that more and more organisations are questioning whether their information systems are set up in the best possible way to support their staff and clients.

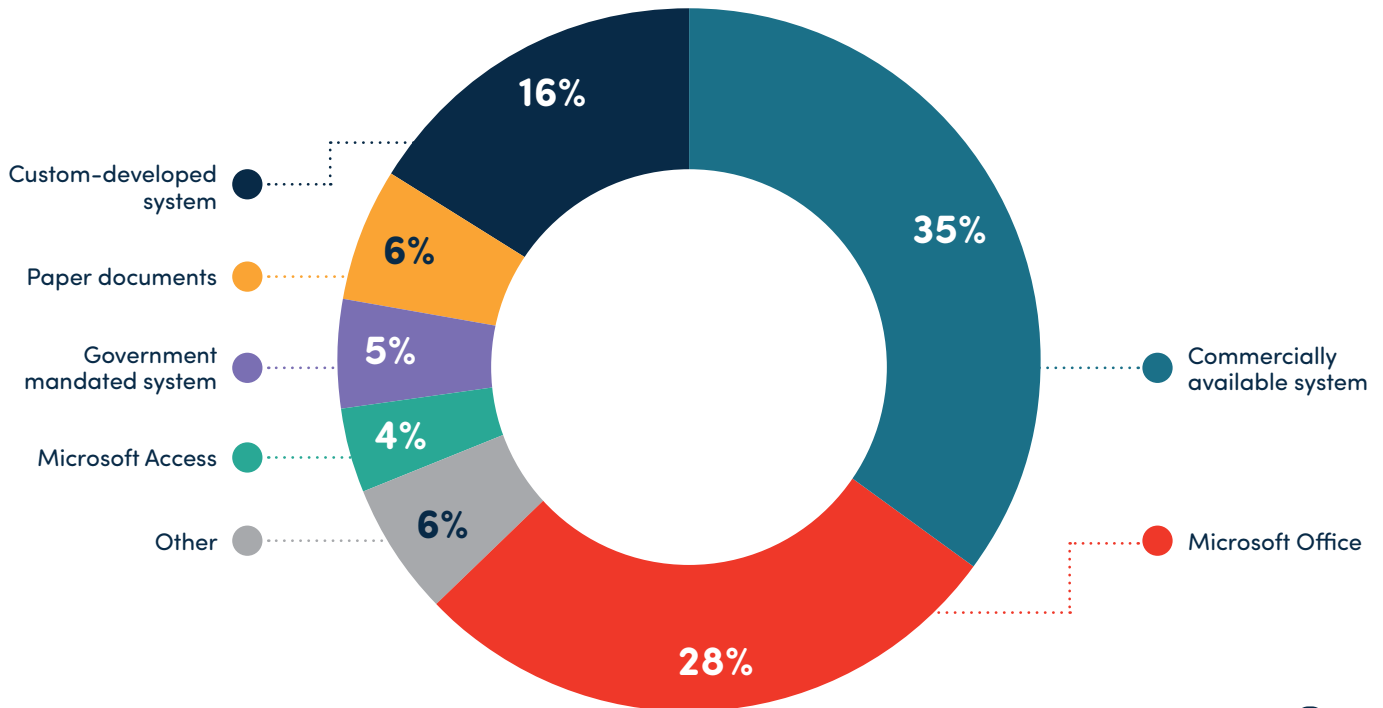
Our Digital Transformation Hub experts are receiving a large volume of requests from organisations asking for help to improve their existing information systems, or to find a new system that can better help them achieve their mission. We are thrilled that not-for-profits are tackling this challenge and excited by the opportunity it provides for organisations to improve their processes, better understand their impacts and enhance outcomes.



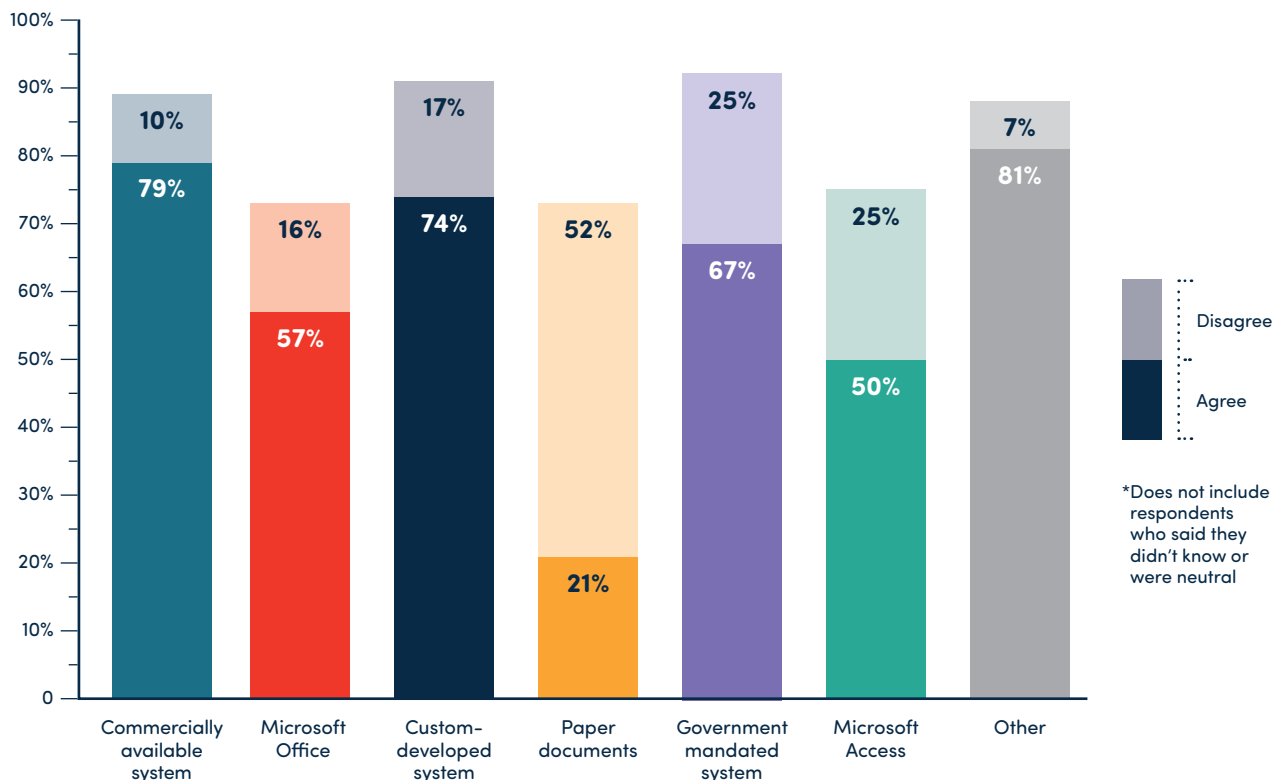
INFORMATION SYSTEMS (continued)



Primary system used to capture information

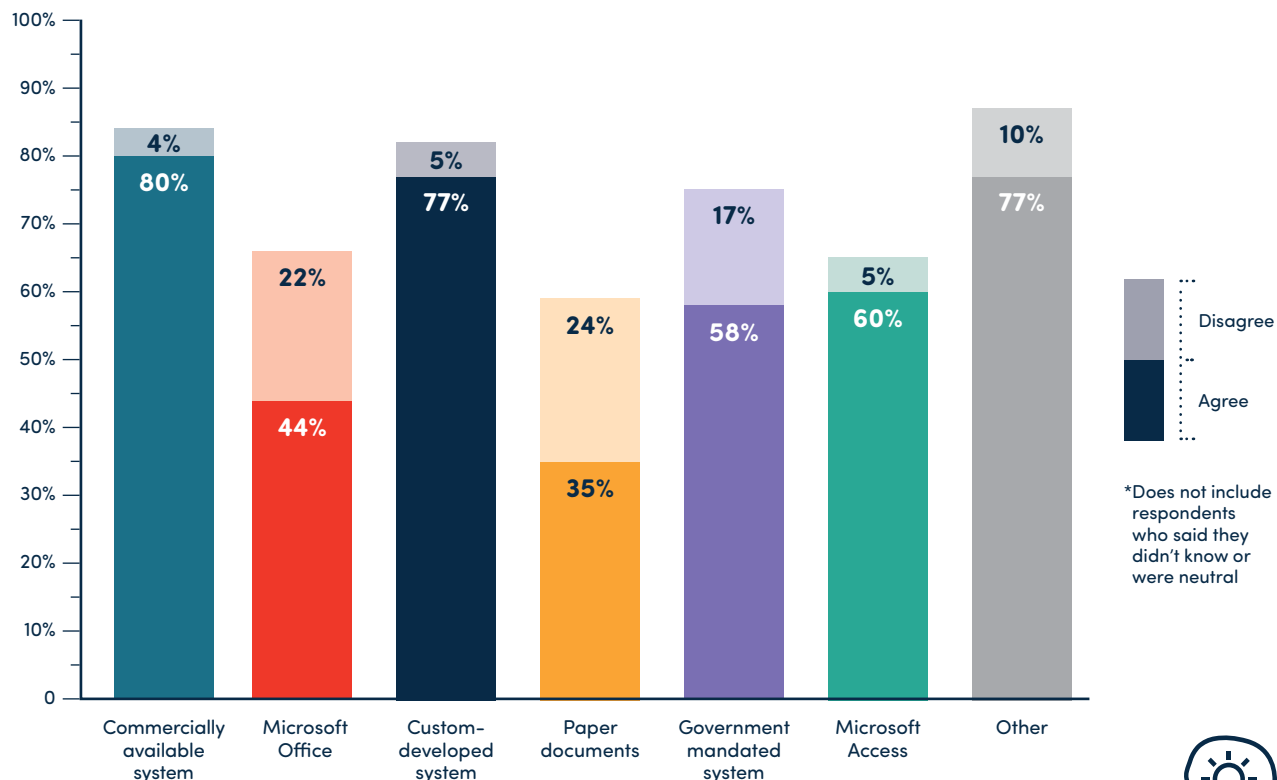


This system enables staff to work efficiently both in the office and remotely

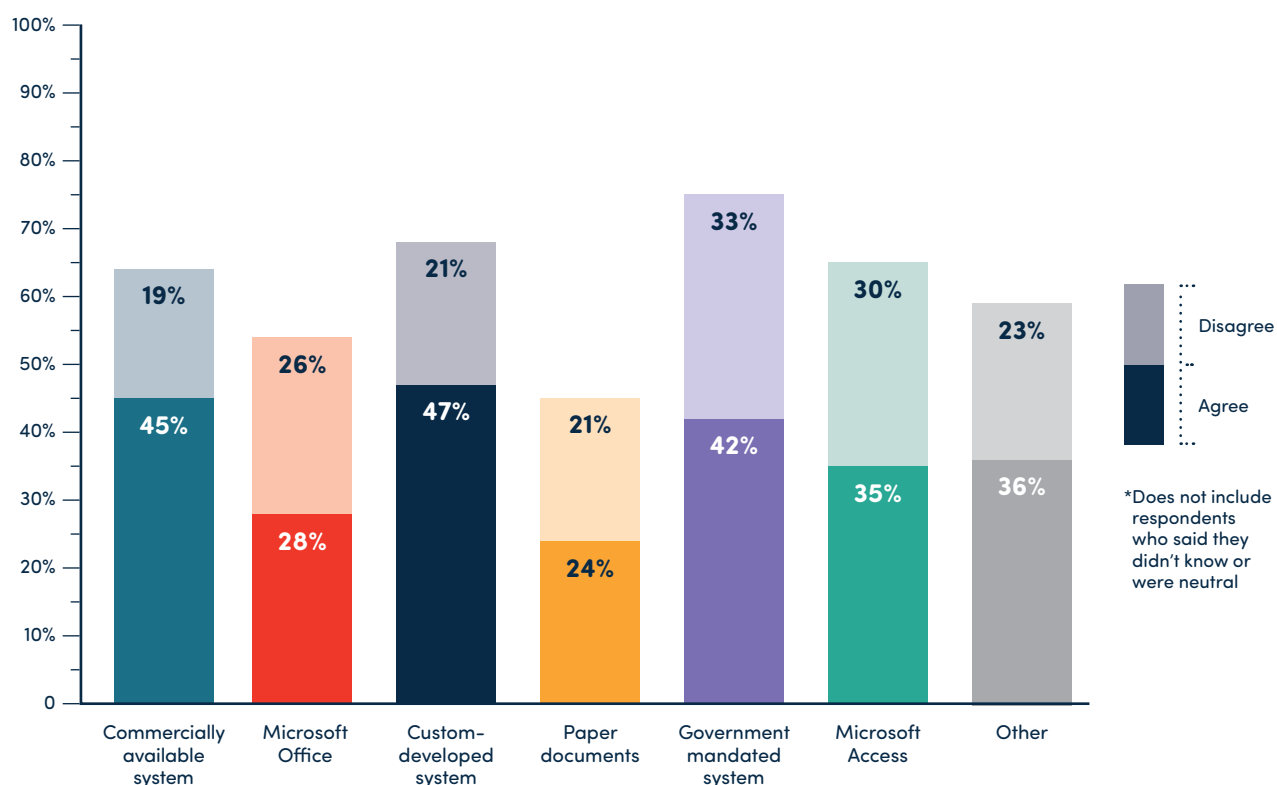




This system allows organisations to capture valuable information about clients and services



This system enables organisations to understand the impact of services and outcomes



INFORMATION SECURITY

Protection against security incidents, data breaches and cybercrime are a must for every organisation, irrespective of staffing, services or revenue.

It's encouraging to see an increase in the number of respondents introducing data protection technologies and practices into their organisations. Half reported that they have implemented multi-factor authentication. Additionally, more than half have implemented security incident response plans or are planning to do so.

This indicates that more not-for-profits are realising the importance of robust information security plans and practices, particularly in light of the increase in cyber security challenges during COVID-19.

However, almost half of the organisations surveyed are yet to develop information security policies. Only 61% of

respondents provide security awareness training to their staff about common security-related threats.

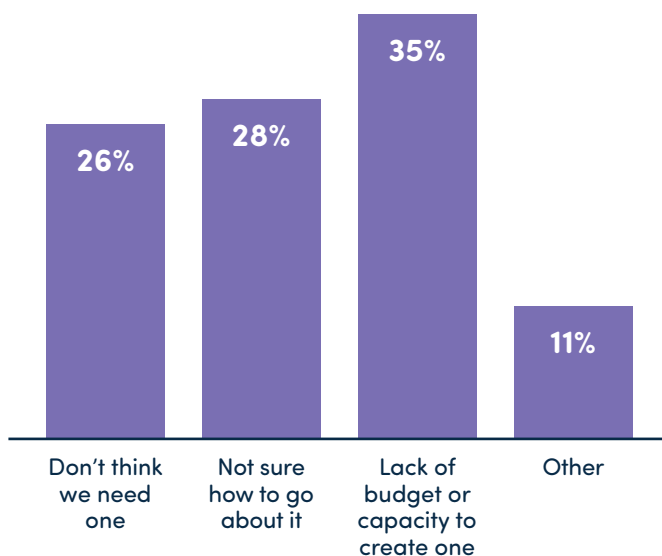
This year's survey has also highlighted growth in organisations having or planning to have a security incident response plan, seeing a 7% increase from 49% in 2020 to 56% in 2021.

Recovering from a security incident or data breach can take weeks or months of effort, cause damage to an organisation's reputation and impact its revenue. Ensuring organisations have critical cyber security protections in place, including training staff about common threats, can go a long way to protecting information of a sensitive nature such as client information.

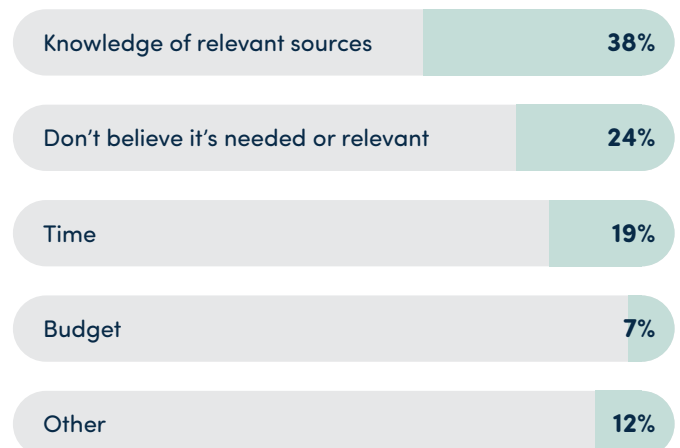
Fortunately, there are a growing number of resources available for not-for-profits looking to improve their information security practices. Free guides, policy templates, consultation sessions and training webinars are available via our Digital Transformation Hub.



Reasons for not having a security incident response plan



Reasons for not providing information security awareness content to staff on security threats and risks



PRIORITIES AND CHALLENGES

This year's data shows that information security, improving data collection and making better use of websites and digital marketing are top priorities for the sector.

Access to impartial technical advice and affordable, skilled and technical resources remain the top challenges for not-for-profits. But other challenges faced by respondents have shifted noticeably this year.










Information security and disaster recovery are areas that pose a much bigger challenge to not-for-profits compared to previous years, showing a greater need to invest in security, risk management and business continuity plans.

Responses to new fields added in this year's survey reflect changes in ways of working that many organisations have made during COVID-19 – at least 10% of respondents selected enabling staff to work effectively from home, supporting delivery of services online and online fundraising as priorities.










It is encouraging to see that fewer not-for-profits selected IT infrastructure, staff capability, capacity and training as their biggest challenges this year, indicating that organisations are benefiting from moving to the cloud, better IT infrastructure, and improved staff technical capability and confidence.

It's also great to see that there's appetite for not-for-profits to learn more about data security and privacy, which is crucial to ensuring organisations and their client information are protected. Organisations also expressed an increased interest in exploring emerging technologies to support their work and mission.

Top priorities

	2020	2021
 Improve website	41%	44%
 Make better use of social media &/or digital marketing	37%	38%
 Improve data & information security	24%	24%
 Improve the digital capabilities of staff	25%	23%
 Implement a new client, stakeholder or member information management system	20%	20%
 Move to the cloud	22%	17%
 Upgrade IT infrastructure	22%	15%
 Explore new technologies/innovations to help achieve social mission	22%	15%
 Supporting online fundraising	-	14%

Biggest challenges

	2020	2021
 Budget/funding	49%	43%
 Access to affordable, skilled technical resources	34%	37%
 Staff capacity & capability	38%	36%
 Keeping abreast of technology changes & identifying where to invest IT spend	25%	28%
 Making the most of the cloud	24%	23%
 Affordable staff training	22%	16%
 Improving ability to recover in the event of an IT disaster	9%	15%
 Refreshing IT infrastructure	15%	11%
 Impartial technical advice	11%	11%

CAN WE HELP?

Infoxchange, Connecting Up and TechSoup New Zealand have decades of experience in helping the Australian and New Zealand not-for-profit sectors get the most out of technology.

If you're looking to improve efficiency and service delivery through better use of technology, we're here to help.

Whether you're a tiny team running on a shoestring budget or a large organisation operating across multiple locations and service areas, we have scalable options to suit your needs.

Our new Digital Transformation Hub brings together practical guides, not-for-profit technology discounts and tailored advice to help you create an even greater impact. Learn more at digitaltransformation.org.au

Some of the things we can help with include:

Digital Transformation Hub



Managed IT services



Client & case management



Discounted & donated technology



FIND OUT MORE

infoxchange.org | connectingup.org | techsoup.net.nz

FOLLOW US ON



Vital support: building resilient charities to support Australia's wellbeing

Partners in Recovery series,
Social Ventures Australia and the Centre for Social Impact
May 2021



Social Ventures Australia and the Centre for Social Impact acknowledge Traditional Owners of Country throughout Australia. We pay our respects to Aboriginal and Torres Strait Islander Elders past, present, and emerging. We also accept the invitation in the Uluru Statement from the Heart to walk together with Aboriginal and Torres Strait Islander peoples in a movement of the Australian people for a better future.

About Social Ventures Australia

Social Ventures Australia (SVA) is a not-for-profit organisation that works with partners to alleviate disadvantage – towards an Australia where all people and communities thrive.

We influence systems to deliver better social outcomes for people by learning about what works in communities, helping organisations be more effective, sharing our perspectives and advocating for change.

About The Center for Social Impact

The Centre for Social Impact (CSI) is a national research and education centre dedicated to catalysing social change for a better world. CSI is built on the foundation of three of Australia's leading universities: UNSW Sydney, The University of Western Australia, and Swinburne University of Technology. Our research develops and brings together knowledge to understand current social challenges and opportunities; our postgraduate and undergraduate education develops social impact leaders; and we aim to catalyse change by drawing on these foundations and translating knowledge, creating leaders, developing usable resources, and reaching across traditional divides to facilitate collaborations.

Acknowledgements

This report was prepared by Social Ventures Australia and the Centre for Social Impact. Contributors from SVA included Cassie McGannon, Doug Hume, Emma Glyde, Sam Thorp, Susie King, Patrick Flynn and Suzie Riddell. Contributors from CSI included Megan Weier, Ioana Ramia and Kristy Muir. We thank the many other people inside and outside our organisations who have provided valuable feedback and advice on the work.

We thank the Paul Ramsay Foundation (PRF) for allowing us to share the findings of their Sustaining Our Partners Taskforce in this report. The Foundation continues Paul Ramsay's philanthropic legacy through a commitment to break cycles of disadvantage. PRF partners with individuals and organisations around Australia to support promising ideas and methods, scalable innovation and adaptive practice to break cycles of disadvantage in Australia.

Suggestion citation for this report

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May 2021

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Executive Summary

Australia, along with the rest of the world, experienced a dramatic economic crash at the beginning of the pandemic. But due to successes in managing the spread of the virus, the economy as a whole has performed much better in the most recent phase of the recovery than expected. COVID-19 also had a major social impact. While there were many positive stories of different communities coming together to support each other, there is no doubt that the pandemic had negative impacts on many Australians.

Charities played a critical role in the crisis phase of the pandemic. They stepped up to assist people and communities hit hard by COVID-19, and resulting lockdowns and restrictions. This ranged from working directly with vulnerable communities that needed additional support, to providing emergency relief for individuals who were not eligible for government support programs, to being the ‘social glue’ for many people during social distancing restrictions.

Without a vibrant charity sector, many more people would have been left behind.

Some groups have bounced back quickly but many of those who were already vulnerable risk being left behind for good. And while the recovery work has barely begun, many charities will enter this next phase in a weaker and more vulnerable position.

Like many organisations across Australia and the world, the crisis also significantly affected the operations and sustainability of the charity sector. Charities faced disruptions to their service delivery, finances and workforce. The new analysis conducted for this report has found that more than half of charities faced some form of temporary closure, and more than 80% made some shift towards at least partial online service delivery. Almost half of all charities shifted part or all of their workforce to remote working, and more than half also made other changes to staffing. 77% reported that recent events had put strain on their financial operations, and 52% were worried they would not be able to provide their services in the current economic climate.

Financial support from the Commonwealth Government undoubtedly helped some charities through the initial phase of the crisis and the Commonwealth deserves great credit for the adjustments made to JobKeeper and other initiatives to ensure charities could also access these supports.

But our analysis shows that more than 40% of eligible charities reported that the stimulus represented a temporary fix only. With the recent end of JobKeeper, it is expected that some charities will need to retrench staff or otherwise shrink their operations. The scale of job losses is thankfully much smaller than projections made early in the pandemic, due to government stimulus measures and a faster-than-expected recovery from the economic and health crises. But the withdrawal of stimulus is coinciding with a number of other trends that will make it challenging for charities to thrive.

At the time of writing, many social services charities were expecting to see a spike in demand for their services. With JobKeeper, the JobSeeker Coronavirus Supplement and eviction moratoriums ceasing at the end of March, many people will experience decreased income and increased expenses, and charities will be expected to pick up the slack. Unlike commercial businesses, charity funding for services does not rise in parallel with demand. Charity revenue fell during the pandemic, and charities already had lean reserves going in. This leaves them in a precarious position now.

Charities can – and should – be part of Australia’s economic recovery. They employ more than one in ten employees in Australia – 1.3 million people. This employment is concentrated in sectors that are expected to add large numbers of jobs in the next five years, and that disproportionately employ

women, who have been hit hard by the crisis. They can help government achieve its goal of reducing unemployment rates back below 5%.

A thriving charity sector is vital for the future productivity and wellbeing of Australia. Charities provide services that people, communities and government rely on. They deliver vital services on behalf of Commonwealth and state governments and taxpayers, from disability services to early learning. We all benefit from their contributions to education, health care, sports and recreation, aged care, religion, arts and culture, animal protection, and environmental protection. As a community, we are especially reliant on charities during a crisis and to support a recovery, whether confronted by bushfires or financial turmoil. They are the social glue in our communities, and without them Australia's quality of life would be poorer on almost every dimension

But if we want a strong charity sector, we must provide them with appropriate support that recognises their unique needs and challenges.

As we emerge from the crisis phase of the COVID-19 pandemic, we are developing new insights on the structural challenges facing charities. The Paul Ramsay Foundation *Sustaining Our Partners Taskforce* worked closely with 80 social purpose organisations to ensure they remained financially viable, built their resilience, and, where possible, captured new opportunities. From this work, they identified six findings with broader relevance to the charity sector, which can inform future action:

- Funding source is a predictor of vulnerability
- Regular analysis helps to understand vulnerability
- Grant funding can create unique vulnerabilities
- Agility is a protective factor
- A crisis creates opportunities
- Organisational capability needs to be strengthened

Given the sector's importance, there is a clear case for government support for the resilience and productivity of the charity sector. Australian governments have long recognised their role in providing targeted support to industry sectors where there is a clear public benefit or market failure. Charities face unique constraints and barriers because of their structures and the environment in which they operate, including lack of access to capital and flexible funding, market dynamics that constrain innovation and productivity, and their very nature as organisations seeking to generate public benefit. Given the clear economic and social benefits we all derive from charities, targeted investment in the resilience of the sector is a win-win.

We have identified six actions for governments and others that would support charity resilience:

1. Continue to provide targeted support to charities facing long-run effects of the pandemic, including ensuring that business support is structured so charities can benefit on an equal footing
2. Appropriately fund government contracted services delivered by charities
3. Make fundraising and philanthropy simpler to encourage increased giving
4. Establish a Resilient Charities Fund to enable Charities to invest in capability building and organisational transformation
5. Support further research to better understand how to build back the charities sector so that they are funded for impact
6. Meaningfully increase the rate of JobSeeker payment to reduce poverty and financial stress

The final section of this paper presents a detailed proposal for a Resilient Charities Fund. We recommend government invest \$200-400 million in a one-off, time-limited fund to support charities to undertake strategic and operational transformation. This is a targeted initiative, focused on structural reform and collaboration. This would help them to develop more impactful and efficient ways to operate in a 'with-COVID' and 'post-COVID' environment, so they can continue to strengthen Australia's economy and society beyond the immediate recovery.

About this report

During the COVID-19 crisis, there has been great concern about the future of the Australian charity sector, and the people it supports, given the economic, health and social crises currently unfolding. Charities' capacity to respond to financial and operational shocks will vary drastically. It will be some time yet before there is sufficient data to be able to determine the full impact. However, decisions made now will strongly affect whether charities are COVID-19 casualties or partners in recovery, and those decisions need to be based on the best available information.

To support public and sector discussion as the sector seeks to transform in response to COVID-19, Social Ventures Australia and the Centre for Social Impact are undertaking the *Partners in Recovery* project.

This is the fourth publication from this project, following on from:

- *Will charities be COVID-19 casualties or partners in recovery? A financial health check*, published in June 2020. This report models how ACNC-registered charities are likely to be affected by the crisis; explores the implications of the sector experiencing greater financial vulnerability; assesses the impact of the first phase of JobKeeper; and sets out the extent of support needed to ensure a thriving, financially viable charities sector
- *Partners in recovery: Why charities need tailored support*, published in July 2020. This policy snapshot explores the different financial, legal and operational constraints to commercial businesses that charities face, and shows that charities need tailored support from government that recognises their unique situation if we are to preserve jobs and services
- *Taken for granted? Charities' role in our economic recovery*, published in August 2020. This report updates the modelling presented in the June 2020 report to explore the implications of the revised JobKeeper wage subsidy arrangements announced by the Commonwealth Government in July 2020. It also presents new analysis on the economic contribution of the charity sector.

More than a year on from the start of the crisis, this new report surveys the current landscape for charities, and presents new analysis of data from two projects: the CSI *Pulse of the For-Purpose Sector* survey, and the Paul Ramsay Foundation and Social Ventures Australia's work on the *Sustaining Our Partners Taskforce*.

1. The state of the charity sector

1.1. Charities supported Australia through crisis, but were hit hard themselves

The economic and social impact of COVID in Australia

Australia, along with the rest of the world, experienced a dramatic economic crash at the beginning of the pandemic. The activity restrictions introduced by governments to prevent the spread of the COVID-19 virus meant that millions of people lost jobs and work hours. The average number of hours worked per head of population was at its lowest level on record in May 2020.¹ In June 2020, 992,300 people were unemployed (7.4%) and 1,555,593 people were underemployed (11.7%).² That equates to more than 2.5 million people looking for or wanting more work, but competing in a market with only 129,000 job vacancies.³

Because of Australia's success in managing the spread of the virus, the economy has a whole has performed much better in the most recent phase of the recovery than expected. In May 2020, the Reserve Bank forecast a 6% drop in GDP growth for calendar year 2020.⁴ As of February 2021, it estimates only a 2% drop for the same period, and GDP growth of 3.5% over the next two years.⁵ The May 2020 forecast unemployment rate for 2020 was 9%, up from 5% pre-pandemic. The February 2021 forecast estimates a rate of 6.8% in the same period, with a fall to 6% by the end of 2021.

As the Reserve Bank noted in February:

*'The economy is now transitioning beyond the initial 'snapback' phase, which was underpinned by favourable health outcomes, the faster-than-expected lifting of activity restrictions and very substantial policy support. The nature and speed of the next phase of the domestic recovery remains uncertain and is expected to be uneven for some time yet. Beyond the risks associated with the virus, a key uncertainty is how Australian households and businesses respond and adapt to the tapering of some fiscal and other temporary support measures in coming quarters following the extraordinary boost to cash flows they received last year.'*⁶

It is also clear that the economic recovery is uneven, with some communities still feeling significant effects of international border closures. Industries such as tourism and higher education that are heavily reliant on international visitor revenue continue to struggle, as do cities and regions where these industries are major economic drivers. Some sectors of the labour market, such as young people, have also been hit harder than most.⁷

¹ SVA and CSI analysis based on ABS (2020) 6202.0 *Labour Force, Australia, June 2020*, Tables 1 & 19; and Cowgill, M. & Coates, B. (2020) 'The modest rise in unemployment hides a much grimmer picture' *Grattan Blog* 14 May 2020, Grattan Institute.

² ABS (2020) 6202.0 *Labour Force, Australia, June 2020*. Seasonally adjusted data.

³ ABS (2020) 6354.0 *Job Vacancies Australia, May 2020*. Seasonally adjusted data.

⁴ Reserve Bank of Australia (2020) Statement on monetary policy – May 2020.

⁵ Reserve Bank of Australia (2021) Statement on Monetary Policy – February 2021. The Bank notes significant uncertainty depending on health circumstances and global economic conditions

⁶ Reserve Bank of Australia (2021) Statement on Monetary Policy – February 2021

⁷ Borland, J. (2021) *Labour market snapshot #76* March 2021

In contrast, sectors have come out of the crisis strongly. Some prominent corporations have reported significant profits and paid large shareholder dividends for 2020, including some who received payments under the JobKeeper wage subsidy program. Some companies have pledged to repay the subsidy, but some have not.⁸

COVID-19 also had a major social impact. As the Brotherhood of St Laurence reported in its *Voices from the COVID-19 Frontline* report:

*'Many of the threads of our social fabric have been stretched and torn by this virus. Individuals, families and communities experiencing disadvantage have borne the heaviest burden of the COVID-19 (C19) pandemic and its accompanying isolation restrictions on any measure of social, health and economic impact.'*⁹

While there were many positive stories of the resilience of Australian communities coming together to support each other in crisis, there is no doubt that the pandemic had negative impacts on many Australians. While data is still emerging, many people experienced significant economic hardship¹⁰ and there are indications that rates of domestic violence,¹¹ mental ill-health¹² and school disengagement¹³ rose as a result of the economic and social dislocation. Even as the health crisis recedes, the long-term impact of these dynamics on affected individuals and communities will be substantial.

Impact of the crisis on charities

Like many types of organisations across Australia and the world, the crisis significantly affected the operations and sustainability of the charity sector. Although it is too soon to have a comprehensive picture of the full impact, we are beginning to see some trends emerging.

In mid-2020, the Centre for Social Impact launched the *Pulse of the For-Purpose Sector and the Building Back Better* initiative, including the first wave of data collection for a longitudinal dataset on the state of the for-purpose sector.¹⁴ Initial results from this survey were reported in December 2020.¹⁵ This section of this report presents new analysis of the first wave of data, focusing specifically on the circumstances of charities in 2020.¹⁶

Service disruptions

Organisations delivering on-the-ground services were often forced to change their approach – either due to government shutdown requirements or their own risk assessment. As Figure 1 shows, more than half of charities faced some form of temporary closure, and more than 80% made some shift

⁸ See for example, Powell, D. 'Not a good look': Push grows for JobKeeper payments to be returned as profits, dividends boom, Sydney Morning Herald, 2 March 2021.

⁹ Brotherhood of St Laurence (2020) *Voices from the COVID-19 Frontline*.

¹⁰ Cortis N. & Blaxland, M. (2021) *Meeting community needs in difficult times: experience of Australia's community sector*. ACOSS

¹¹ Australian Institute of Criminology (2020) *Statistical Bulletin 28, The prevalence of domestic violence among women during the COVID-19 pandemic*.

¹² Australian Institute of Health and Welfare (2021) *Mental Health Services in Australia*

¹³ Evidence for Learning (2020) *Insights Paper: Identifying and taking action for students at risk of disengagement from school during the phases of the COVID-19 response*.

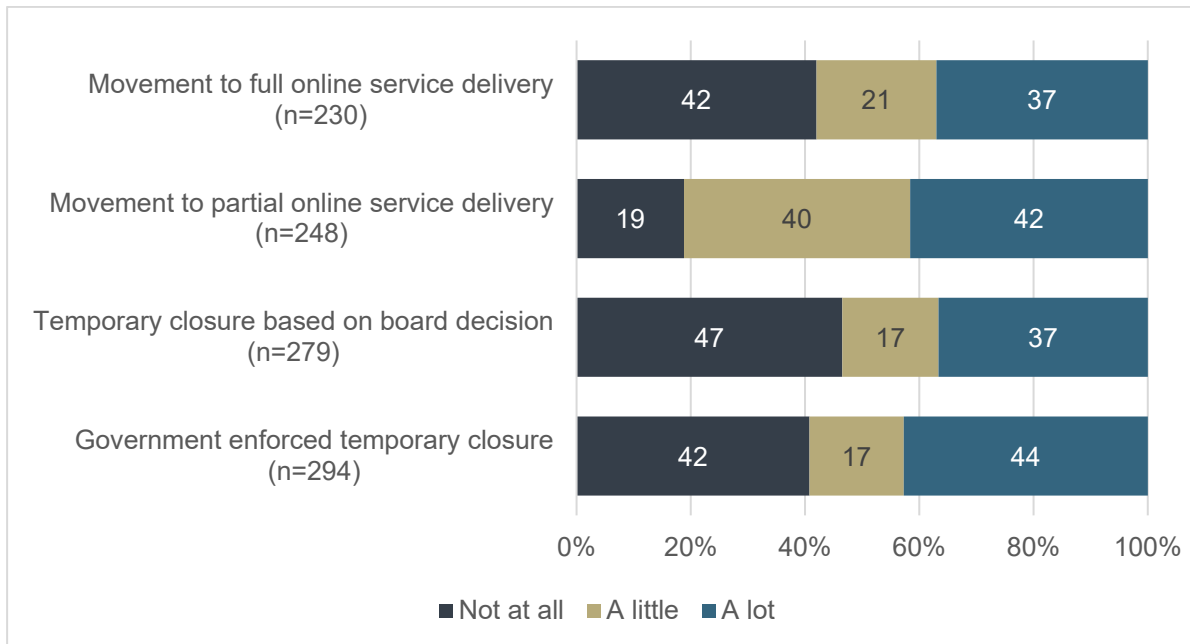
¹⁴ Muir, K., Carey, G., Weier, M., Barraket, J., & Flatau, P. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*. Centre for Social Impact, Sydney.

¹⁵ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*. The December 2020 report presents findings from 524 people who responded to Wave One of the *Pulse of the For-Purpose Sector* survey in August 2020. Of these people, 470 identified their organisation type: 53% represented community and social service organisations; 24% industry and social enterprise (training, social enterprise, business or sector supplier); 11% philanthropy and grant making (philanthropic/grants, intermediary); and 11% other.

¹⁶ In this report, data on charities is drawn from the 411 *Pulse* survey respondents who were Australian Charities and Not-for-profits Commission (ACNC) registered charities (78.6%). Not all respondents answered all questions, so the sample size for individual questions is generally lower than 411.

towards at least partial online service delivery.¹⁷ Of course, some operations could not be shifted online. Services that had to shut down entirely, at least in the initial phase of the crisis, ranged from the provision of direct care services, to a randomised controlled trial evaluating the effects of an intervention in schools having to scrap their data collection and start over, to several social enterprises that had their entire business disappear almost overnight when tourism stopped and cafes were closed.¹⁸

Figure 1: Service delivery changes in response to COVID-19 amongst Australian charities



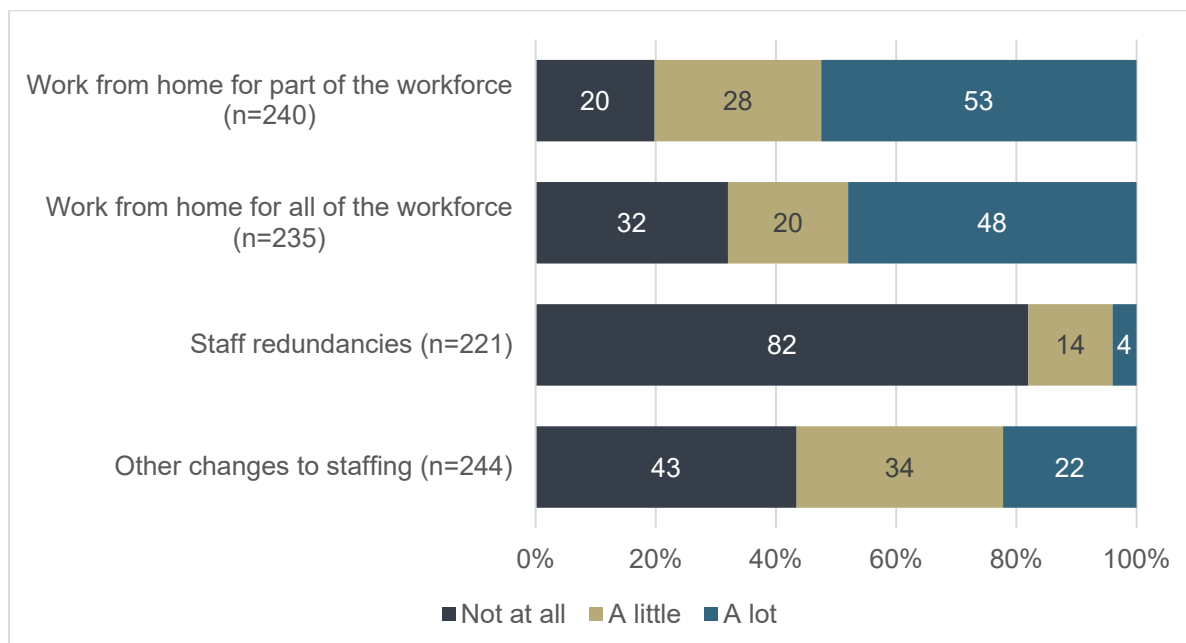
Workforce disruption

The charity workforce – both paid and volunteer – was also significantly disrupted by the crisis. As Figure 2 shows, almost half of all charities shifted part or all of their workforce to remote working, and more than half also made other changes to staffing. Fewer than a fifth of charities made staff redundant (although this figure may not capture casual staff who were offered fewer or no hours, or staff on fixed-term contracts which are common in parts of the sector).

¹⁷ Unless noted otherwise, all data in this section is previously unpublished analysis from the CSI *Pulse of the For-Purpose Sector Survey*. Surveyed in August 2020.

¹⁸ Thorp, S. (2021) *Vulnerability and resilience in the social sector: what we learnt through Covid-19*. SVA Quarterly, 31 March 2021

Figure 2: Workforce changes in response to COVID-19 amongst Australian charities



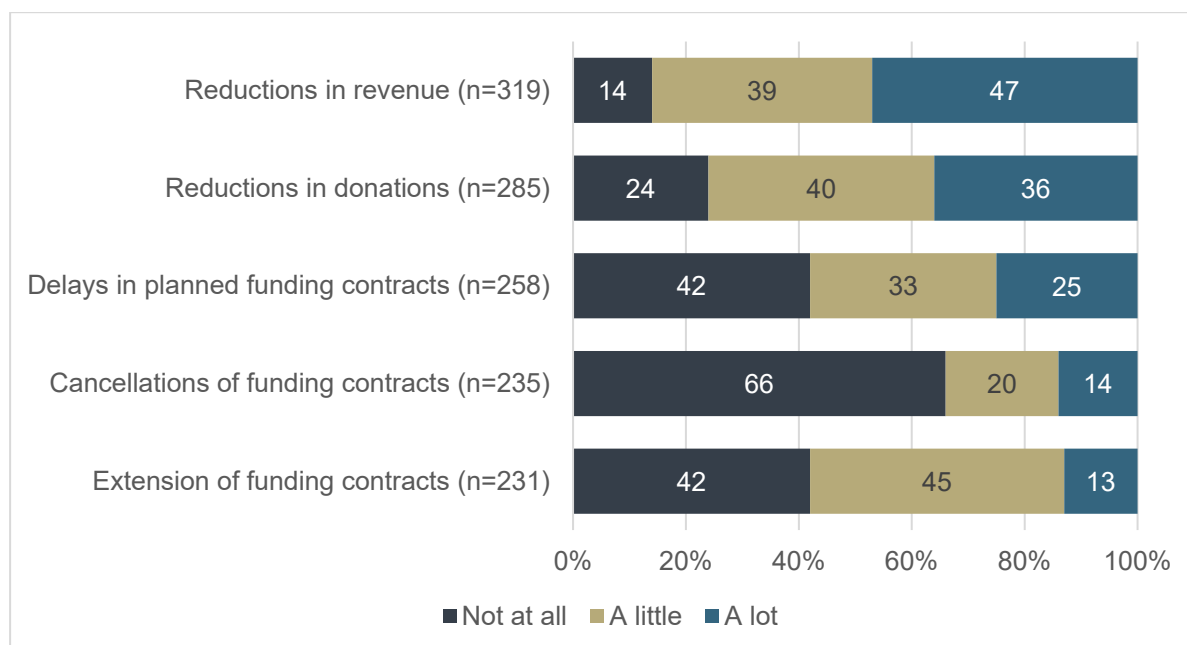
Financial disruption

The vast majority of charities faced financial disruption as a result of the crisis, as shown in Figure 3. 86% of surveyed charities reported a reduction in revenue, and almost half of those surveyed reported being impacted 'a lot' by those reductions in revenue. More than three quarters saw a reduction in donations. More than half reported delays in planned funding contracts, although only 14% reported a significant impact from the cancellation of funding contracts.

On top of this immediate disruption, many organisations faced significant uncertainty about their ability to find ongoing philanthropic support for their work (especially from new funders) or in the case of social enterprises, a market for their offering. 77% reported that recent events had put strain on their financial operations, and 52% were worried they would not be able to provide their services in the current economic climate.¹⁹

¹⁹ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

Figure 3: Financial changes in response to COVID-19 amongst Australian charities



Charities and their staff played a vital role in the crisis phase

Charities played a critical role in the crisis phase of the pandemic. While many were already stretched from their involvement in supporting their communities through bushfires, droughts and floods, they stepped up to assist people and communities hit hard by the health crisis and resulting lockdowns and restrictions.

Beyond their direct role in the health system, from hospitals to community health provision, some of the roles that charities undertook included:

- Working directly with vulnerable communities that needed additional support during the health crisis and shutdowns. This included stepping up to fill gaps where governments did not have the capacity or skills to meet specific community needs. For example, Settlement Services International worked closely with diverse communities in New South Wales to support community leaders to provide culturally appropriate information and services.²⁰
- Supporting self-determination within their communities. First Nations people were at the start of the crisis recognised as a highly vulnerable group, who in the past have experienced poorer health outcomes than the rest of the Australian population in pandemics.²¹ So far, the First Nations population has fared better than expected, with infection rates lower than the general population. Researchers have identified that ‘a key attribute of the success of the COVID-19 Indigenous response has been the extent of self-determination by Indigenous organisations’.²² Examples of ‘exemplary leadership’ include Land Councils establishing access restrictions to minimise risk to their communities,²³ and Aboriginal Community Controlled Health Organisations (ACCHOs)

²⁰ Settlement Services International (2020) *Multicultural leaders are taking steps to make sure their communities are COVID-19 safe*. Media release 7 August 2020

²¹ Crooks, K., Casey, D.; & Ward, J S (2020) *First Nations peoples leading the way in COVID-19 pandemic planning, response and management*. *Med J Aust* 2020; 213 (4): 151-152.e1

²² Moodie, N., Ward, J., Dudgeon, P., et al. (2021) *Roadmap to recovery: Reporting on a research taskforce supporting Indigenous responses to COVID-19 in Australia*. *Aust J Soc Issues*. 2021; 56: 4– 16

²³ Moodie, N., Ward, J., Dudgeon, P., et al. (2021) *Roadmap to recovery: Reporting on a research taskforce supporting Indigenous responses to COVID-19 in Australia*. *Aust J Soc Issues*. 2021; 56: 4– 16

developing local resources for their communities, as well as engaging closely with government to advocate for community needs.²⁴

- Providing emergency relief for individuals who were not eligible for government support programs, including international students and casual workers. This ranged from keeping foodbanks running amidst the challenges of social distancing and shrinking supply lines,²⁵ to providing crisis cash support for individuals who had lost income and did not have other means of support²⁶
- Advocating to government to ensure that the needs of groups facing high risk and vulnerability were met. For example, a number of disability organisations drew attention to the fact that the initial *Australian Health Sector Emergency Response Plan for Novel Coronavirus COVID-19* did not include the specific needs of people with disability,²⁷ and worked to put plans in place themselves
- Delivering vital services to people in need, across disability, aged care, employment services, child protection and other areas.²⁸ In many cases this required staff to step outside their usual roles and find new ways to work with clients. For example, the majority of staff at one social services charity reported that they spent extra time helping people to access the technology they needed for remote service delivery. The same charity also bought and supplied phones and data plans to keep young people connected²⁹
- Working together across the sector and with governments at all levels to mitigate the impact of the crisis on those experiencing housing stress. This collaboration is already being held up as an example of what co-ordinated policy action can achieve³⁰
- Providing the ‘social glue’ for many people during social distancing restrictions. Churches, sporting groups, and other grassroots charities worked to engage their communities and reduce social isolation by shifting their activity online, and then seeking ways to safely open up and reconnect people with their communities.

The crisis highlighted the strengths of community sector organisations in supporting their communities. A recent assessment of the Victorian social sector’s adaptations found that:

‘The crisis has highlighted the sector’s ability to listen and respond to the needs of service-users, and the value of their deep connections and knowledge of their communities [...] The period has been characterised by more efficient decision-making processes enabled by high-trust relationships, enhanced information sharing, and a reduction in red tape. This has resulted in faster, more effective responses to service-user needs.’³¹

Without a vibrant charity sector, many more people would have been left behind.

²⁴ Crooks, K., Casey, D; & Ward, J S (2020) *First Nations peoples leading the way in COVID-19 pandemic planning, response and management*. Med J Aust 2020; 213 (4): 151-152.e1

²⁵ See, for example, Schneiders B., & Millar, R. (2020) ‘Demand for emergency food skyrockets’ Sydney Morning Herald, 2 May 2020.

²⁶ See, for example, TNA (2020) ‘1000x1000: Crisis cash for artists’

²⁷ See, for example, People with Disability Australia (2020) *COVID-19 Preparation Must Include People With Disability*. Media release 11 March 2020.

²⁸ Future Social Service Institute & VCOSS (2021) *Stories into evidence: COVID-19 adaptations in the Victorian community services sector*

²⁹ Brotherhood of St Laurence (2020) *Voices from the COVID-19 Frontline*

³⁰ Mason, C., Moran, M. & Earles, A. (2020) *Policy coordination and housing outcomes during COVID-19*, AHURI Final Report No. 343

³¹ Future Social Service Institute & VCOSS (2021) *Stories into evidence: COVID-19 adaptations in the Victorian community services sector*

1.2. The challenges for charities are far from over

Charities and the end of JobKeeper

Financial support from the Commonwealth Government undoubtedly helped some charities through the initial phase of the crisis, and the Commonwealth deserves great credit for the adjustments made to JobKeeper and other initiatives to ensure charities could also access these supports. Almost half of the respondent charities in the *Pulse of the For-Purpose Sector Wave 1* survey were eligible for the government stimulus package. Over three-quarters of respondents who indicated they had paid employees were eligible.³²

As Figure 4 shows, almost two-thirds of charities who were eligible for stimulus reported that government stimulus measures (including JobKeeper and the Cash Flow Boost) had allowed their organisation to remain operational. 55% said that these measures had prevented layoffs. 29% reported that the stimulus had prevented the organisation from shutting down completely. These numbers are similar to those reported by the broader for-purpose sector.³³

Figure 4: Charities' reporting of the impact of Australian Government stimulus measures in response to COVID-19, eligible charities only

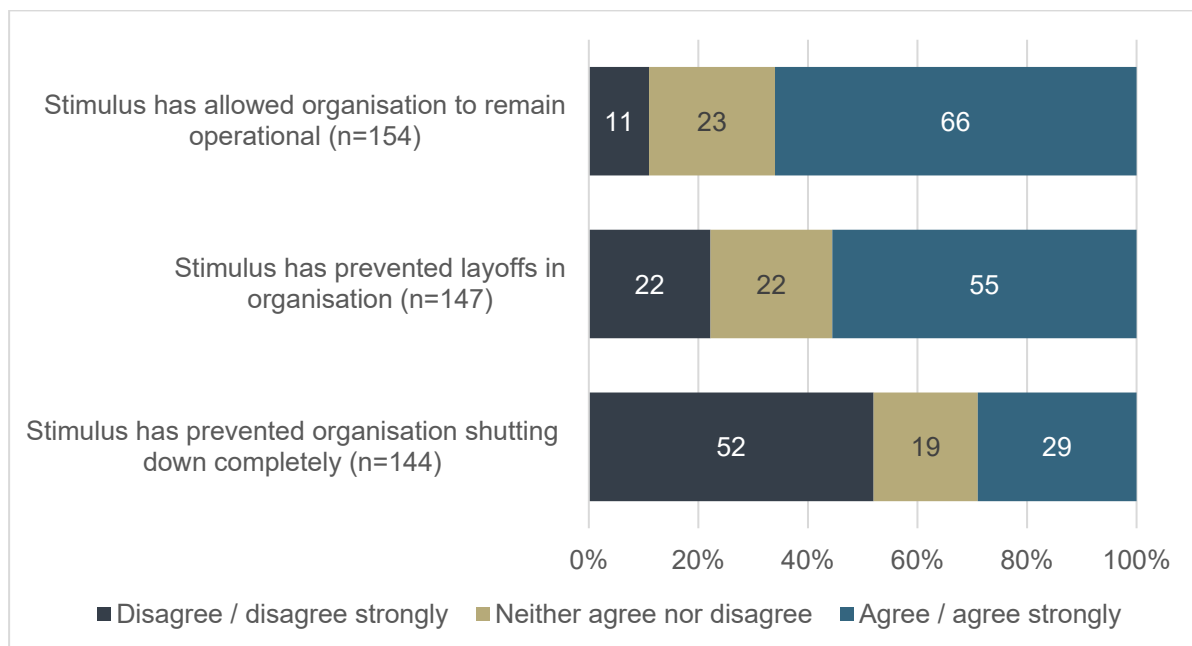
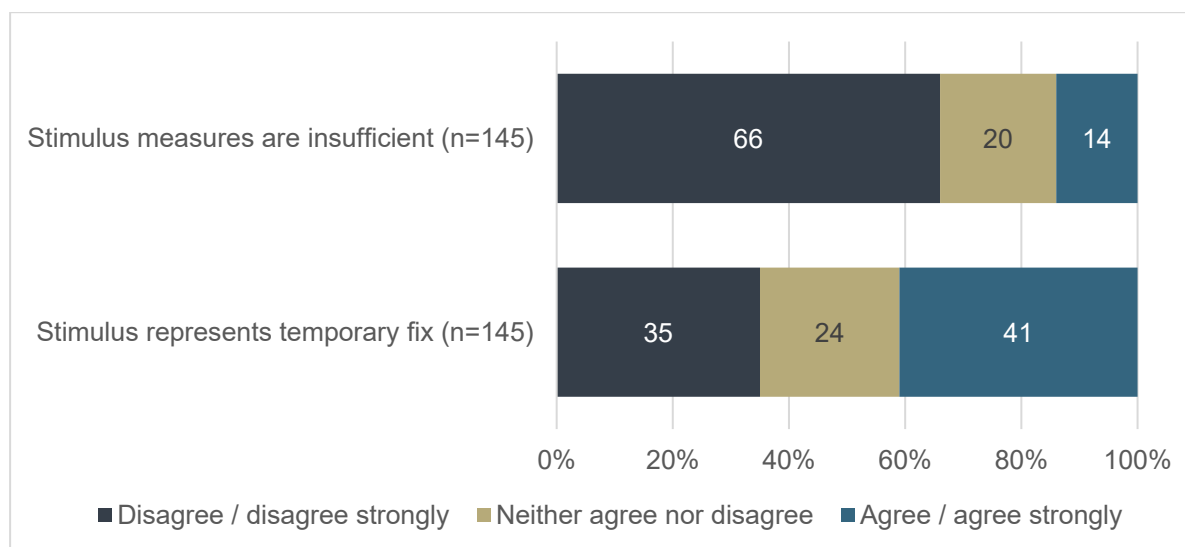


Figure 5 shows the views on the stimulus package of charities who reported being eligible to receive it. Only 14% of these charities felt that the stimulus measures were insufficient. However, more than 40% reported that the stimulus represented a temporary fix only.

³² Due to the structure of the survey, it is possible that some charities with paid employees did not indicate whether or not they did in fact have such employees

³³ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*

Figure 5: Opinion on stimulus measures amongst Australian charities, eligible charities only



At time of writing, it isn't known what the impact of the end of JobKeeper on charities will be. One media poll suggests that more than half of respondent charities were still receiving the subsidy in March 2021, and that 12% of respondents would need to retrench staff.³⁴ Commonwealth Treasury estimates suggest that around 1.1 million individuals were being supported by JobKeeper in the March quarter, and that up to 150,000 people could lose jobs when JobKeeper was removed.³⁵ Others are forecasting up to 250,000.³⁶ Given that charities employ more than one in ten of Australia's workforce – 1.3 million people – pro-rata job losses in the sector could see 15,000 – 25,000 jobs lost from charities. This is thankfully much smaller than projections made early in the pandemic, due to government stimulus measures and a faster-than-expected recovery from the economic and health crises. However, the withdrawal of stimulus is coinciding with a number of other trends that will make it challenging for charities to thrive.

Charities continue to face challenging dynamics

At the time of writing, many social services charities were expecting to see a spike in demand for their services.³⁷ With JobKeeper and the JobSeeker Coronavirus Supplements ceasing at the end of March, many people will experience a significant loss of income, and charities will be expected to pick up the slack.³⁸ The end of the rental eviction moratoriums is expected to cause an increase in housing instability and homelessness as deferred rents fall due.³⁹

Unlike commercial businesses, demand for critical services run by charities – not just emergency services but many different early intervention services and points of community connection – goes up when our community faces challenges. They are counter-cyclical. Not-for-profit organisations are already reporting increases in service demand, particularly those in social services (71% reporting

³⁴ Williams, W. (2021) 'JobKeeper was a lifeline': As payment ends some charities thrive while others face staff cuts, Pro Bono News, 25 March 2021

³⁵ Kennedy, S. (2021) Opening statement - Economics Legislation Committee 24 March 2021

³⁶ Borland, J. (2021) Labour market snapshot #76 March 2021

³⁷ Cortis N. & Blaxland, M. (2021) Meeting community needs in difficult times: experience of Australia's community sector. ACOSS

³⁸ See Wright S. (2021) Charities call for more JobSeeker support amid pressure to 'pick up the slack' Sydney Morning Herald, 8 March 2021

³⁹ See Farhart, C. (2021) A wave of homelessness could be about to hit Australia as rules preventing evictions end SBS News, 26 March 2021; and Casey, S. & Ralston, L. (2021) At least 2.6 million people face poverty when COVID payments end and rental stress soars The Conversation, 24 March 2021

increased demand in the 12 months to August 2020), health (67%), and development and housing (64%).⁴⁰

Unlike commercial businesses, an increase in demand does not necessarily lead to an increase in revenue to meet that demand. Charity boards and staff will want to ‘lean in’ to meet increased demand, but they are left trying to do more with less, and will be trying to do that for some time. Experience shows that unemployment takes much longer to fall in recovery than it took to rise during a recession, so we may see higher than usual rates of joblessness for many years.⁴¹ Charities will face increased demand to support people over that time, at the same time that their revenues remain low.

Most charities are reported experiencing losses of income, and history tells us that charity revenues will not bounce back quickly.⁴² In late 2020, 47% of charities reported that reductions in revenues had hurt them ‘a lot’.⁴³ Charities that raise funds from ticketed events, such as the arts, sporting and fundraising charities, have seen major income drops as a result of social distancing restrictions.⁴⁴ For many of these charities, the continued closing of both state and international borders has cut the funds they would usually receive from tourism.

Although the sector as a whole was expecting at the start of the crisis that philanthropic support could fall by more than 15%,⁴⁵ this may not have been borne out. Recent data suggests that philanthropic donations from the top 50 philanthropists in Australia were 29% higher in 2019-20 than in 2018-19, and that corporate donations had also risen.⁴⁶ While this is a promising trend, we are yet to see how this plays out across the sector, given that most charities reported drops in donations over the same period.⁴⁷ And while philanthropy is an important income source for some charities, it contributes only 7% of total sector income, so a significant rise for some organisations may not make up for overall revenue falls.⁴⁸

Charities have also lost non-financial sources of support. Two out of every three volunteers stopped volunteering between February and April 2020 – an estimated 12.2 million hours lost per week. By February 2021, only 28% of volunteering organisations had returned to pre-pandemic levels of activity.⁴⁹

Charities rely on governments for a large proportion of their revenue – 47% of aggregate sector income comes from this source. If governments seek to reduce debt and rebalance budgets quickly, as they did following the Global Financial Crisis, charities are very likely to be affected. While the Commonwealth Government has committed to a gradual transition to fiscal consolidation,⁵⁰ some recent evidence of government interest in cost-cutting in social services is concerning.⁵¹

⁴⁰ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*. See also Cortis N. & Blaxland, M. (2021) *Meeting community needs in difficult times: experience of Australia’s community sector*. ACOSS

⁴¹ Daley, J., Wood, D., Coates, B., Duckett, S., Sonnemann, J., Terrill, M., Wood, T. & Griffiths, K. (2020). *The Recovery Book: What Australian governments should do now*. Grattan Institute.

⁴² See PriceWaterhouseCoopers, Fundraising Institute Australia & the Centre for Social Impact (2009) *Managing in a downturn: the impact of economic downturn on not-for-profit organisations*; and The Centre for Corporate Public Affairs (2009) *Impact of the economic downturn on corporate community investment*.

⁴³ Previously unpublished analysis from CSI *Pulse of the For-Purpose Sector Survey*. Surveyed August 2020.

⁴⁴ Our Community (2020) *COVID-19 Community Sector Impact Survey*. Survey conducted in late April 2020, with 366 respondents

⁴⁵ McLeod, J. (2020) *Where to from here? The outlook for philanthropy during COVID-19* JBWere.

⁴⁶ Analysis by J. McLeod of JBWere, published in Coates, P. *Donations of Australia’s 50 biggest givers double in five years* Australian Financial Review Magazine, 29 April 2021

⁴⁷ Previously unpublished analysis from CSI *Pulse of the For-Purpose Sector Survey*. Surveyed August 2020.

⁴⁸ See SVA and CSI (2020) *Will Australian charities be COVID-19 casualties or partners in recovery? A financial health check for further analysis of charity funding sources*. Around 70% of all registered charities rely on donations and bequests for at least some of their revenue. Smaller charities are more likely to rely on donations and bequests than larger charities - this source comprises one third of all income for smaller charities.

⁴⁹ Volunteering Australia (2021) *Re-engaging volunteers and COVID-19*

⁵⁰ Frydenberg, J. (2021) *Delivering more jobs and a stronger budget* Address to the Australian Chamber of Commerce and Industry, 29 April 2021.

⁵¹ See, for example, Henrique-Gomes, L. (2021) *NDIS cost-cutting taskforce told to reduce growth in participants and spending* The Guardian, 13 April 2021

Even before the crisis, charities were running on lean reserves. As our previous reports have showed, charities have been operating on increasingly thin margins.⁵² Their net income ratio fell to 6.3% in 2018 from 8.7% in 2017. On average, charities who employ people are even leaner – their 2018 aggregate net income ratio was only 4.9%.⁵³ We expect that even before COVID-19, the situation would have become even worse for many charities, as charitable giving was diverted to support people and communities affected by the 2019-20 summer bushfires.

Before COVID-19, these thin margins were already having a real impact on the services that charities could provide. In a survey of the community sector in October 2019, only 5% of staff said their service was completely able to meet demand, and one third of organisations had stopped delivering one of their services or programs due to financial constraints in the past year.⁵⁴ As noted above, many charities faced further unmet demand through 2020.

Many charities also have limited resources available to tide them over in a crisis. Our previous analysis showed that a 20% drop in income would lead one in six charities exhausting their liquid reserves within six months. While government support has mitigated this risk, it remains true that many will have used up much of their reserves managing the increased demand and decreased revenue experienced during 2020.

While we do not yet have comprehensive data on the current financial state of charities, the early indications are concerning. CSI's *Pulse* survey reported that 77% of responding not-for-profit organisations reported that the bushfires and COVID-19 had put a strain on their finances. As noted above, most experienced reductions in revenue. Overall, one in four responding organisations expected to make a loss in the current financial year, with the remaining three in four either expecting to break even (35%) or make a profit/surplus (38%).⁵⁵

Charities are not in this position because they have been mismanaged.⁵⁶ They have been pushed into 'running lean' by various forces for many years. They have limited flexibility to move funds around within the organisation to meet emerging priorities. They have funding arrangements that do not cover the full cost of service provision out of a misguided reluctance to fund 'overhead'. or-profit businesses will quickly stop producing a product or service that does not cover its costs. But because charities believe in, and exist for, the public good that they provide, they may seek to continue to deliver high-quality services to those in need, even when they are not funded to do so.

In short, charities have had to be flexible in meeting the many pressures they face with minimised margins – but this has left them vulnerable in the face of a crisis. If we want a thriving charity sector to support us through this and future challenges, we must provide them with appropriate support.

⁵² SVA & CSI (2020) *Partners in recovery: why charities need tailored support*.

⁵³ SVA & CSI (2020) *Will Australia's charities be casualties or partners in recovery after COVID-19? A financial health check*

⁵⁴ Cortis, N. & Blaxland, M (2020) *The profile and pulse of the sector: Findings from the 2019 Australian Community Sector Survey*. ACOSS.

⁵⁵ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

⁵⁶ These dynamics are explored further in Chapter 3.

Action to strengthen the sector

During the crisis, charities and their partners have been actively seeking to strengthen the sector's ability to support the Australian community. Some of these initiatives include:

- **Charities Crisis Cabinet:** The Charities Crisis Cabinet was convened at the onset of the pandemic, and draws on the leadership and experience of leaders from across the breadth of the charities sector. It seeks to enable charities to support their communities through the crisis, especially those most vulnerable to increased harm, and ensure as many charities as possible can effectively contribute to building flourishing communities after the crisis. It draws on the experience, knowledge and networks of leaders from across the diversity of the charities sector to highlight issues and consider responses.
- **Social Impact Leadership Australia (SILA)** is a new national capacity building and leadership program designed specifically for current leaders of Australian for-purpose organisations. This program will be delivered by the Centre for Social Impact. Designed by leaders in social impact education, and drawing upon hundreds of hours of interviews with CEOs, the program will be delivered annually for five years with a new cohort of leaders commencing each year.
- **Fix Fundraising:** Australia's charitable fundraising laws are outdated and overly complex, with charities required to be licenced in every state or territory they fundraise in. As fundraising shifted online during COVID-19, this became an acute problem. A coalition of sector organisations has stepped up a campaign to achieve a consistent national model, and governments have now placed law reform on the National Federation Reform Council's agenda.
- **Digital Transformation Hub:** Infxchange launched the Hub with philanthropic partners to help Australian not-for-profits build digital capability and resilience for a post COVID-19 world. It will bring together capacity building programs, access to technology solutions, web-based resources and tailored advice to help organisations have greater impact. It responds to research by Infxchange that only 30% of not-for-profits had the technology in place to easily adapt to staff working from home during COVID-19.
- **Philanthropy Australia's pledge:** The Australian philanthropic sector committed to acting with urgency and purpose to support the Australian community through COVID-19, with the release of the Australian Philanthropy's Pledge, from Philanthropy Australia and its members. It committed the sector to principles to better support their grantees.
- **Social Sector Transformation Fund:** The NSW Government's \$50 million fund provides grants and access to advisory services, to support charities and not-for-profits working in health and social service in NSW to modernise their operations — with a focus on capacity building, better digital service delivery, remote working capabilities and improving business strategies — so they can remain efficient, effective and viable.

1.3. Charities can boost jobs growth in the recovery

As Australia emerges from the COVID-19 crisis, getting people back into jobs remains a critical priority. Although employment rates have rebounded from the depths of the 2020 lockdown period, there has still been significant dislocation of workers from employers. Unemployment rates remain higher than they were pre-crisis – rates were 5.1% in February 2020, and remain at 5.6% in March 2021.⁵⁷ Some experts consider that the unemployment rate may rise to as high as 7% in coming months, due to the end of JobKeeper and changes to social security benefit conditions.⁵⁸ Some cohorts face much more challenging job market conditions – the youth unemployment rate was 11.8% in March 2021,⁵⁹ and there are indications that some young people may be facing long-term ‘scarring’ of their employment prospects.⁶⁰

In April 2021, the Federal Government committed to driving employment down to below 5%.⁶¹ It is not yet clear where additional jobs will come from, especially if government moves away from providing stimulus and towards fiscal consolidation as it has previously signalled it will do as the recovery continues.⁶²

Supporting charities to thrive has the potential to be a major driver of jobs growth. As previous *Partners in Recovery* reports have shown, the charity sector is a significant economic force in Australia. Charities’ total economic contribution is equivalent to 8.5% of Australia’s GDP, and they employ more than one in ten employees in Australia – 1.3 million people.⁶³ In aggregate, charities spend 55% of their expenses on employee expenses,⁶⁴ so support for charities translates very directly into money in the pockets of workers, which will be spent in a recovering economy.

Charities are major employers

While charities are dispersed throughout various industries, comparing the charities sector’s size to key industry categories gives an indication of its relative importance to our job market. As our previous report showed, the charity sector employs around the same share of people (10.3%) as our second-largest employing industry – retail trade (10.0% of people employed). It employs more people than the construction (9.2%), professional, scientific and technical services (8.6%) and manufacturing (7.2%) industries. Charities employ five times as many people as the mining (2%) industry.⁶⁵

Even looking at the largest employing industries shows the importance of charities as employers. Health care and social assistance is the largest industry in Australia by share of people employed (13.3%), and education and training is the fourth largest (8.1%).⁶⁶ Many of these employees will be employed by a charity.

⁵⁷ ABS (2021) *Labour Force, Australia*, March 2021. Seasonally adjusted data.

⁵⁸ See Wilkins, R. (2021) *Post-Jobkeeper, Unemployment Could Head North Of 7%: Here’s Why*. The Conversation, 26 April 2021.

⁵⁹ ABS (2021) *Labour Force, Australia*, March 2021. Seasonally adjusted data.

⁶⁰ Borland, J. (2021) *Labour market snapshot #76* March 2021

⁶¹ Frydenberg, J. (2021) *Delivering more jobs and a stronger budget* Address to the Australian Chamber of Commerce and Industry, 29 April 2021.

⁶² Frydenberg, J. (2021) *Delivering more jobs and a stronger budget* Address to the Australian Chamber of Commerce and Industry, 29 April 2021.

⁶³ See: SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*; ACNC (2020) *Australian Charities Report 2018*; ABS (2019) 5206.0 Australian National Accounts.

⁶⁴ ACNC (2020) *Australian Charities Report 2018*. While directly comparable figures are not available for other industry sectors, the ABS reports that the average labour income share of key market sector industries is 57%; of the largest industries, average labour income share of financial services at 33%, mining is 23% and construction is 70%. ABS (2018) 5260.0.55.002 - *Estimates of Industry Multifactor Productivity, 2016-17: Trends in the labour income share in Australia*.

⁶⁵ See SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*. Industry data is 4-quarter average ending February 2019, from Vandenbroek, P. (2019) Snapshot of employment by industry, 2019 *FlagPost Blog*, 10 April 2019, Parliamentary Library of Australia. Charity sector data is AIS 2018, from ACNC (2020) *Australian Charities Report 2018*.

⁶⁶ See SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*.

Charities disproportionately employ women

Women have been disproportionately affected by the current crisis across many dimensions, including employment. Analysis from the Grattan Institute suggests that targeted supports in response to the pandemic have not sufficiently focused on growth industries, and have also favoured male-dominated industries.⁶⁷ This impact could be even worse if charities are not supported to thrive in the economic recovery.

Looking at the ten largest employing industries in Australia pre-crisis (Table 1), the two that employ a much larger share of women are both sectors in which charities are large employers. 22.2% of all employed women work in health care and social assistance, compared to only 5.4% of employed men. Education and training employs 12.4% of all employed women, compared to 4.3% of all employed men. In contrast, the three sectors with a disproportionately large share of male workers – construction; manufacturing; and transport, postal and warehousing – do not have many charity sector employees.

Table 1: Australia's ten largest employing industries, by sex⁶⁸

Industry	% of all men employed	% of all women employed	% of all people employed
Health Care and Social Assistance	5.4	22.2	13.3
Retail Trade	8.4	11.9	10.0
Construction	15.3	2.3	9.2
Professional, Scientific and Technical Services	9.2	7.9	8.6
Education and Training	4.3	12.4	8.1
Manufacturing	9.8	4.3	7.2
Accommodation and Food Services	6.2	8.1	7.1
Public Administration and Safety	6.1	6.9	6.5
Transport, Postal and Warehousing	7.6	2.3	5.1
Other Services	4	3.8	3.9
Other industries not listed	23.7	17.9	21
Total	100	100	100

Key:	Industries that disproportionately employ men	Industries that disproportionately employ women
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Charity sector jobs are in growth industries

Charity sector jobs are in industries that are expected to see strong growth over the next five years to 2025. As Table 2 shows, health care and social assistance, and education and training, are expected to be two of the largest sources of new employment in the coming years, collectively projected to add more than 360,000 jobs. These far outstrip expected growth in industries which frequently benefit from industry support such as mining (21,700 more jobs) and manufacturing (5,900 fewer jobs).

⁶⁷ Wood, D., Griffiths, K & Crowley, T. (2021) *Women's work: The impact of the COVID crisis on Australian women*. Grattan Institute

⁶⁸ See SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*. Data is 4-quarter average ending February 2019, from Vandenbroek, P. (2019) Snapshot of employment by industry, 2019 *FlagPost Blog*, 10 April 2019, Parliamentary Library of Australia. Highlighted industries are those with a greater than 5 percentage point difference between their share of male employment and share of female employment.

Growing labour market demand in these sectors could be a major force for job creation for those who need it most, if charities are thriving. In New South Wales alone, the social sector will demand an extra 62,000 jobs by 2030, including 27,000 in regional NSW.⁶⁹ Researchers estimate that \$1 billion net investment in care industries (which include large numbers of charities) by governments could lift economic activity in NSW by \$10 billion per year through direct generation of jobs and freeing up informal carers to participate in the labour market.⁷⁰

Table 2: Industries projected to add the largest number of jobs by November 2025⁷¹

Industry	Projected % employment change (5 years from Nov 2020)	Projected total employment (Nov 2025) '000	Projected new employment (Nov 2025) '000
Health Care and Social Assistance	14.2	2003.1	249.5
Accommodation and Food Services	16.8	971.8	139.9
Professional, Scientific and Technical Services	11.0	1325.3	131.1
Education and Training	10.8	1213.0	118.6
Construction	6.8	1263.9	80.7
Retail Trade	4.1	1340.2	52.5
Transport, Postal and Warehousing	7.3	694.4	47.3
Administrative and Support Services	8.2	487.3	36.8
Public Administration and Safety	4.2	917.3	36.7
Financial and Insurance Services	5.9	518.8	28.8
Mining	8.3	283.6	21.7
Arts and Recreation Services	8.8	256.3	20.6
Rental, Hiring and Real Estate Services	6.5	222.7	13.5
Electricity, Gas, Water and Waste Services	7.6	164.7	11.7
Other Services	1.9	481.7	8.9
Agriculture, Forestry and Fishing	1.2	349.2	4.1
Wholesale Trade	0.8	375.5	2.9
Manufacturing	-0.7	842.2	-5.9
Information Media and Telecommunications	-3.9	188.0	-7.5

⁶⁹ Equity Economics (2021) *The social sector in NSW: capitalising on the potential for growth* Prepared for NCOSS

⁷⁰ Equity Economics (2021) *The social sector in NSW: capitalising on the potential for growth* Prepared for NCOSS

⁷¹ SVA & CSI analysis of Australian Government, National Skills Commission (2021) *Industry Employment Outlook: Five years to November 2025*.

2. What supports charities to thrive? A case study

As the pandemic hit, the Paul Ramsay Foundation (PRF), Australia's largest philanthropic foundation, quickly moved to support the portfolio of social purpose organisations they fund (referred to as partners by the Foundation). The *Sustaining Our Partners Taskforce* was charged with ensuring the 80 social purpose organisation partners remained financially viable and built their resilience, and, where possible, supported them to capture new opportunities for impact arising from the unprecedented context of the pandemic.

Early in the crisis, several challenges emerged within these social purpose organisations, consistent with what was being seen across the sector. These included workforce, financial and service delivery disruption (as outlined in the previous chapter). This period also saw new strategic opportunities emerging for some organisations. Throughout the project, the supports provided by the Foundation were partner-led, with each partner able to receive support to understand their risks and articulate what would help them to emerge stronger from the pandemic.⁷²

SVA was engaged to advise the Taskforce and individual partners to better understand the immediate impacts of COVID-19. The Taskforce conducted analysis of the financial position, operational situation and capabilities of each partner organisation. It also advised on how partners could take advantage of any new opportunities to increase their impact. In undertaking this work, the Taskforce and team developed a range of insights on the challenges and opportunities facing charities. This chapter summarises those findings and contextualises them with reference to research on a broader selection of not-for-profits. Although these 80 organisations are not fully representative of the broader charity sector, the project allowed a deeper dive into the challenges facing not-for-profit organisations than larger quantitative studies have allowed.⁷³

The Taskforce identified six findings across this cohort of organisations, under the broad themes of *organisational vulnerability* and *organisational resilience*:

1. Funding mix is a key predictor of vulnerability
2. Regular analysis helps to understand the vulnerabilities
3. Grant funding can create unique vulnerabilities
4. Agility is a protective factor
5. A crisis creates opportunities
6. Organisational capability needs to be strengthened

⁷² PRF signed Philanthropy Australia's pledge *Australian philanthropy's response to the COVID-19 crisis*, which they cite as a significant influence on their approach.

⁷³ The 80 social purpose organisations varied in size, operating model and sector. Annual turnover ranged from <\$1m through to \$500m+; models ranged from direct service delivery through to intermediaries, social enterprises and research institutes; actors were as varied as education, health, employment to domestic violence. Further information about the work of the Taskforce is available in Thorp, S. (2021) *Vulnerability and resilience in the social sector: what we learnt through COVID-19*. SVA Quarterly, 31 March 2021.

A note on resilience

The resilience of organisations in the non-profit sector, as with people, is affected by their ability to draw both on internal and external resources to overcome challenges.⁷⁴ The Taskforce's work focused on strengthening an organisation's internal resources to build resilience, and the findings in this chapter largely reflect that focus.

We note that organisations also need to draw on external resources, and that the organisations profiled here had the benefit of an external partner in the Paul Ramsay Foundation who were able to provide both funding and advisory support. It highlights the important role that funders and intermediaries can play in building resilience through external support.

2.1. Funding source is a key predictor of vulnerability

There is a remarkable diversity of organisations in the social sector, from small environmental advocacy charities to billion-dollar universities, encompassing a wide range of causes, approaches and business models.

On top of the existing financial challenges identified in earlier *Partners in Recovery* reports, the source of an organisation's funding was one of the key predictors of vulnerability in the early days of the pandemic.

There are three core sources of funding for social sector organisations: revenue from service delivery, grants from philanthropy, and direct government funding. Each funding source was affected differently by the pandemic:

- **Service delivery** revenue was highly variable – while some areas saw relatively little change (such as residential aged care), others were cut dramatically (such as social enterprise cafes or shops)
- **Philanthropy** was somewhat variable, with long-term funding commitments generally being honoured but new funding more difficult to acquire given the initial effect of the pandemic on global financial markets
- **Direct government funding** was relatively stable through the pandemic, especially for organisations that were part way through a multi-year funding agreement. However, some organisations faced significant challenges with delayed renewals or funding negotiations. There is also ongoing uncertainty about how this will play out over successive Federal and state government budgets as the pressure to reduce COVID-related debt increases.

An example of the importance of understanding funding sources is a public health program supported by the Taskforce. It was led by a social purpose organisation linked to a university, and initially appeared to be at risk as universities had significant drops to their service delivery funding during the pandemic. However, most of the organisation's funding came from a long-term government grant which meant that, overall, the effect of the pandemic on its funding was limited.

2.2. Regular analysis helps to understand vulnerabilities

It is rare in the social sector for organisations to deeply investigate or analyse their finances and operations to understand their own vulnerability, or for funders to do this with grantees – not least because they do not have the flexible resources to do so. One of the Taskforce's key insights from the

⁷⁴ Salignac, F., Marjolin, A., Reeve, R. & Muir, K. (2019) *Conceptualizing and Measuring Financial Resilience: A Multidimensional Framework*. Soc Indic Res 145, 17–38.

pandemic was that robust due diligence (a review of finances and operations) can be of great value to provide real insight into how vulnerable organisations are to a crisis.

Vulnerability is not just the likelihood of an organisation failing entirely and being forced to close. It is also the risk of the organisation having to substantially reduce its impact, by serving fewer people or providing fewer services, in response to a shock.

The Taskforce focused its due diligence with partners on understanding the impact of the pandemic on three elements of organisational performance: finances, operations, and capability.

- **Finances:** what is the risk that the organisation will become insolvent and be unable to pay its debts? For example, is the organisation projecting it would run out of cash within months due to a fall in revenue? To answer these questions, the financial analysis examined how an organisation's income and expenses had been affected by the crisis. This gave insight into what levers were available to improve the situation, and what the organisation's financial health might look like over the next few months or years
- **Operations and capability:** have the organisation's operations been negatively affected by the crisis? Has its ability to create impact been reduced, either due to the response to the crisis, or due to other actions management are taking to remain financially healthy? For example, was the organisation forced to stop delivering services or make staff redundant?

An organisation's ability to weather a significant disruption is partly determined by its financial position, but just as important is the way it reacts to the crisis. This includes the flexibility it has to make changes, the operational adjustments it actually makes, and the skills and capability of its staff to do this. This requires an organisation to understand its operations and capability across multiple domains, including leadership, commercial agility, financial modelling, technology, and ability to change the way it delivers impact.

One social enterprise working in healthcare and tourism was hit hard by the pandemic, with operations halted entirely at the start of the crisis and sales returning only very gradually. This, combined with an already lean balance sheet, meant that financial analysis raised serious flags about its viability and the Taskforce stepped in with financial support. The operational review by contrast, revealed that leadership capability was strong and the organisation had acted quickly to reduce costs where possible and find opportunities in the pandemic.

2.3. Grant funding can create unique vulnerabilities

Whilst having a significant proportion of funding secured with grants can be a real strength, managing the grant and the funder relationship presents a number of challenges for organisations in terms of ongoing financial sustainability. These challenges were exacerbated by the COVID-19 pandemic.

The Taskforce identified some key considerations for funders and organisations receiving grants:

- **Funding flexibility:** Giving grantees the ability to rephrase or repurpose funding to meet emerging priorities or unexpected shocks funding more flexibly can increase social purpose organisations' ability to react adaptively and take advantage of new opportunities. Giving grantees 'not only money, but also power'⁷⁵ is a growing trend that makes the funding relationship less prescriptive and more holistic.
- **Funding of core costs:** the ability of an organisation to properly fund its indirect costs and invest in back-office support is especially important in times of crisis, as it contributes to the operational and capability factors referred to above. Chapter 1 also noted the challenges that many charities continue to face in accessing funding that covers the full cost of delivery. A coalition of organisations, including both CSI and SVA, will be working together in 2021 on a research project

⁷⁵ Behrens, T. & Martin, T. (2020) 'Alternatives to strategic philanthropy are emerging', Pro Bono News, 20 February 2020

to better understand the full costs to operate a charity and then identify actions to assist charities to communicate their costs as well as actions to influence philanthropic and government funders to 'pay what it takes'.

- **Transparency and asymmetry of power:** The inherent power imbalance between funder and funded organisation should be front-of-mind for funders, as fundees may be more inclined to say certain things or act in certain ways because they believe their funder will approve. This could include being reluctant to be fully transparent about the challenges they are facing.

2.4. Agility is a protective factor

In the pandemic, one of the common elements separating the Foundation's partner organisations that thrived from those that didn't was their agility and the ability of their leadership to act decisively. Being able to respond quickly protected organisations from the worst of the effects of COVID-19 by allowing them to swiftly reduce costs, shift focus, or search for additional funding. It also made them more likely to take advantage of opportunities that presented themselves.

The ability of organisations to shift their operations rapidly is critical in a crisis. Organisations who were agile quickly adapted to new ways of working, moved in-person delivery to digital or other means, and instituted changes to staffing or resourcing. While an organisation's ability to make these changes will be at least partly dependent on their access to resources and capability, as well as their service delivery model, agility appears to be a noteworthy protective factor in its own right.

An agile organisation necessarily requires strong and decisive leadership. The pandemic was a crucible for leaders who were forced to make swift decisions to protect their teams and their impact.

Many leaders had to make tough choices about retaining staff, continuing to provide services, or investing into digital delivery. Organisations with leaders that were able to mitigate the effects of the crisis quickly, and shift thinking into how they could actively seek out opportunities from the pandemic were more likely to thrive.

One organisation working in mental health saw a significant increase in demand at the same time as they were predicting a 30% drop in fundraising revenue. Strong management actions resulted in prudent cost reductions. They were also able to leverage the COVID-19 context by investing in their digital strategy and offerings. Agility allowed them to adapt to the changed circumstances and continue to support those with mental health challenges.

2.5. A crisis creates opportunities

The pandemic upended society and led to dramatic changes in the Australian social and political landscape. While this has led to many trials for the social sector, it also presents opportunities for organisations with the resources and/or will and expertise to grasp them.

When working with partners, the Taskforce explicitly prompted them to think about opportunities, rather than just supporting existing work. This helped some organisations emerge from the pandemic stronger and more resilient. However other organisations were not able to identify opportunities – either because they were not available, or because their circumstances meant that they were unable to move fast enough to benefit from them.

Two key types of opportunity have presented themselves to date:

- **Political influence:** changes to the way governments engaged through the pandemic has allowed some organisations to have unprecedented access and opportunities for influence. One organisation was able to capitalise on its existing expertise and respect within the early childhood sector to advocate to government more effectively than before and make significant inroads into its policy agenda

- **New or changed markets:** Many industries were changed by the pandemic, and it took fast thinking by organisations to identify and pursue new opportunities that enabled them to survive or even supported growth. Digital opportunities were identified but often as a stopgap to replace in-person services, while changing attitudes to cleanliness, transport, health and exercise created more subtle chances for increased impact. Social enterprises were most likely to take advantage of these opportunities, with one creating an entirely new brand to take up the additional demand for services.

One social enterprise was faced with the near-complete loss of revenue in its main market in tourism. It quickly spun up a new venture that built on the existing staff and expertise while addressing a new market that had been far less affected by the pandemic.

Of course, not all charities were able to pursue all potential opportunities. Even with flexibility in funding and an agile mindset, challenges still existed. For example, the ability to shift to digital service delivery was constrained for many both because of their own IT capability,⁷⁶ as well as the digital exclusion of those in the community they provide services to.⁷⁷ Organisations also had to balance enabling their operational survival with their commitment to pursuing their overarching purpose – a particular challenge for leadership.

2.6. Organisational capability needs to be strengthened

The vulnerabilities identified by the Taskforce prompted investigation of ways to build capability in the sector as a protective measure. Through engagement with PRF partners and research into the social sector more broadly, there are some critical capability needs of social sector organisations which have been exacerbated by COVID-19. While organisations can make headway in addressing some of these needs on their own, it is evident they will need targeted support – both financial and advisory – to strengthen their capabilities.

The Taskforce specifically identified the importance of funders supporting capability building. One member of the Taskforce and the PRF Board has commented that:

‘Just as COVID-19 has revealed systemic inequities in its uneven impacts and effects, so it has highlighted existing strengths and gaps in organisational capability for our partners and for the Foundation.

‘For our partners, capability gaps often relate to systemic funding issues. In the absence of full cost funding and/or funding for capability building, organisations can struggle to invest in critical areas of organisational effectiveness including financial modelling and digital capability.’⁷⁸

It is likely that these challenges will be more acute for organisations that do not have the support of a funder that shares PRF’s understanding of the importance of investing in capability building.

Some of the capability needs identified by the Taskforce include:

- **Strengthening leadership capabilities:** investment in leadership development, both adaptive change (such as meeting purpose, mission and system performance, and adaptive challenges) and technical skills (such as change management, technological capability, advocacy, and stakeholder management)

⁷⁶ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*

⁷⁷ Thomas, J., Barraket, J., Wilson, C.K., Holcombe-James, I., Kennedy, J., Rennie, E., Ewing, S. & MacDonald, T. (2020) *Measuring Australia’s Digital Divide: The Australian Digital Inclusion Index 2020*, RMIT and Swinburne University of Technology, Melbourne, for Telstra.

⁷⁸ Thorp, S. (2021) *Vulnerability and resilience in the social sector: what we learnt through COVID-19*. SVA Quarterly, 31 March 2021.

- **Improving business model sustainability:** with 40% of organisations carrying less than six months of operating reserves⁷⁹ and organisations experiencing greater operational and financial constraints than before the pandemic,⁸⁰ there is an increasing need to clarify strategic priorities, explore diverse financing options, build internal capabilities and consider partnerships, collaborations and mergers
- **Shifting to online service delivery:** with 80% of organisations fully or partially moving to online service delivery during COVID-19,⁸¹ and the expectation that some will be continued online even after the crisis, building digital and remote service delivery capability is critical
- **Supporting workforce wellbeing:** the mental health and wellbeing of staff and volunteers has been critically impacted, making it more important that organisations can train, engage, and retain staff effectively
- **Better enabling collaboration and partnerships:** organisations need support to build community partnerships in order to sustain and increase impact, and there is a need for better collaboration with partners inside and outside of the charities sector.

⁷⁹ The Xfactor Collective (2020), *RESET 2020 National Impact+Need Research Study 2020 - Phase 2*. September 2020 survey results

⁸⁰ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

⁸¹ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

3. The case for government support for charities

Previous reports in the *Partners in Recovery* series have shown that a thriving charity sector is vital for the future productivity and wellbeing of Australia. This is especially the case as we recover from the economic and social impact of the COVID-19 crisis.

Given the sector's importance, there is a clear case for government support for the resilience and productivity of the charity sector. Australian governments have long recognised their role in providing targeted support to industry sectors where there is a clear public benefit or market failure. Charities face unique constraints and barriers because of their structures and the environment in which they operate, including lack of access to capital and flexible funding, market dynamics that constrain innovation and productivity, and their very nature as organisations seeking to generate public benefit. Given the clear economic and social benefits that both governments and the Australian community derive from charities, targeted investment in the resilience of the sector is a win-win.

3.1. Targeted industry support can generate public benefit

Australian governments have long recognised their role in supporting sectors who face barriers to productivity and development, where there is a clear public benefit. Examples include support for research commercialisation; advice for entrepreneurs and small to medium sized enterprises (SMEs), export market development grants; building digital capability in businesses, and providing targeted support when industries are in crisis or transition.⁸²

Industry supports are often provided on the basis that they address a market failure. For instance, SMEs and entrepreneurs face barriers to scale including difficulty accessing risk capital, reliable advice and networks. The Australian Government's \$400 million Entrepreneurs Programme seeks to address that market failure by pairing organisations with expert business advisors, providing matched grants of up to \$1 million, and access to networks.⁸³ Recent analyses have found these kinds of industry supports to be effective, demonstrating that organisations that received support outperformed non-recipients.⁸⁴ The support is also justified on the presumption that it will enable applicants (or an industry) to overcome a one-off hurdle, and then return benefits to the community such as generating jobs, further investment and tax revenue. For this reason, governments often target industries with promising employment growth, or through the pandemic have endeavoured to focus on industries hardest hit.

Through the pandemic, commercial industries who benefit from these targeted supports have also benefited from a range of COVID-specific policy supports – such as accelerated depreciation and other tax relief – recognising the challenging circumstances. However, these supports have not

⁸² See, for example, [programs run by the Australian Government's Department of Industry, Science, Energy & Resources](#) or similar programs run by state governments in [New South Wales](#) and [Victoria](#).

⁸³ See the Australian Government's [Entrepreneurs Programme](#) and its [Accelerating Commercialisation](#) component.

⁸⁴ See analyses of the predecessors to the Entrepreneurs Programme: Bruno, A. (2020) *Business performance of Enterprise Connect participants* Research Paper 1/19, Department of Industry, Innovation & Science: Office of the Chief Economist; and Bakhtiari, S. & Bruno, A. (2020) *Impact of Commercialisation Australia on business performance* Research Paper 4/19, Department of Industry, Innovation & Science: Office of the Chief Economist

benefited charities given their structure as they do not pay company tax. Customised, targeted supports would be required to address charities unique circumstances.

3.2. Charities face unique constraints and barriers

Charities face unique constraints and barriers by nature of their operating environment.⁸⁵ These constraints arise from a combination of financial, regulatory and cultural factors, and present genuine market failures that have been exacerbated by COVID, including (1) a lack of access to capital and flexible funding, and (2) constraints on innovation and productivity. The Productivity Commission recognised these constraints in their landmark report on the non-profit sector, which informed their recommendation to extend some industry supports to the charity sector.⁸⁶ Charities also face the added challenge of being in (3) the business of public benefit. That is, they operate not to respond to the demand of paying customers, but to public need, and funding does not always follow that need. These constraints, and the national benefits of a resilient charities sector, present a strong rationale for the government providing tailored support for charities.⁸⁷

Lack of access to capital and flexible funding

Charities have some fundamental differences in financial and legal structures compared to other organisations. These restrict their access to capital and flexible funding that would enable them to invest in capacity building and organisational transformation to prepare themselves for the post-crisis world.

As noted in Chapter 1, charities have been operating on increasingly thin margins. Their net income ratio fell to 6.3% in 2018 from 8.7% in 2017.⁸⁸ Coming into the COVID-19 crisis, 45% of charities carried less than six months of operating reserves.⁸⁹ We expect that the situation would have become worse for many charities in 2020 and 2021, who may have used cash reserves supporting communities through bushfires and floods as well as the pandemic.⁹⁰

Charities also have limited resources available to tide them over in a crisis. Our previous research has shown that they have limited liquid reserves, and concerningly low current asset ratios.⁹¹ The charities in our previous analysis had an aggregate current asset ratio of 1.2, which is generally consistent with the most recent data showing an aggregate current asset ratio for all charities of 1.3.⁹² For reference, a current ratio of 1.5 or above is considered a good benchmark for a financially healthy organisation.⁹³ 59% of the charities in our analysis had net current assets on hand to cover less than six months of expenses.⁹⁴

⁸⁵ This section summarises findings explored in more detail in our previous report: SVA & CSI (2020) *Partners in recovery: why charities need tailored support*.

⁸⁶ Productivity Commission (2010), *Contribution of the Non-for-Profit Sector*

⁸⁷ Productivity Commission (2010), *Contribution of the Non-for-Profit Sector*, Chapter 9 'Promoting productivity and social innovation'. Amongst other things, the report recommended an entrepreneurs' support program (Enterprise Connect, now the 'Entrepreneurs Programme') be extended to social enterprises.

⁸⁸ SVA & CSI (2020) *Will Australia's charities be casualties or partners in recovery after COVID-19? A financial health check*.

⁸⁹ SVA & CSI (2020) *Partners in recovery: why charities need tailored support*. Data is from 2018.

⁹⁰ See Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

⁹¹ SVA & CSI (2020) *Partners in recovery: why charities need tailored support*. Data is from 2018. Current asset ratio is a charity's short-term assets (such as cash, accounts receivable, and inventory on hand, for the next 12 months) divided by their short term liabilities (such as accounts payable, loans payable, employee entitlements and tax payable, for the next 12 months).

⁹² ACNC (2019) *Australian Charities Report 2017*.

⁹³ Azoor Hughes, D. (2014) *Financial Fundamentals for Directors*, AICD, p14. This is a general benchmark, not specific to not-for-profit organisations or charities.

⁹⁴ See: SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*. This is broadly consistent with analysis of previous years, although differences in methodology make this figure not precisely comparable with figures previously published.

Charities are not in this situation because they have been mismanaged, but because they have been pushed into ‘running lean’ by various forces for many years.⁹⁵ For example, it is generally understood that payments for at least some government-funded services, especially those delivered by competitive tender processes and similar market structures, do not fully cover the cost of delivering such services at the quality needed to achieve desired outcomes.. Some philanthropists also resist fully funding expenses perceived as ‘overhead’, even when it is clear that such spending is necessary for charities to have the impact that donors seek.⁹⁶ In an extensive survey conducted in 2020, for-purpose organisations reported that only 39% of government grants, 34% of philanthropy grants and 35% of corporate grants covered the full direct and indirect costs allowing them to break even or allow for some surplus.⁹⁷ Government funding processes which prioritise low prices over sector viability further erode margins, as does a lack of funding indexation. This makes it difficult for them to put away reserves to manage future crises.

While many commercial organisations have also experienced falls in revenue, two factors make charities less able to manage this challenge. Firstly, community expectations and funder requirements impose constraints on charities’ spending. A significant proportion of charity revenue is ‘tied’ to particular programs, and cannot be re-allocated to meet emerging priorities – such as the increased demand that occurs during and after a crisis, or investment in the organisation’s future resilience. During the pandemic, declines in untied revenue, such as revenue from social enterprises (an average drop of 51%), have been especially large.⁹⁸ This is concerning as flexible funding is what gives charities the capacity to meet existing needs and respond to crises.

Moreover, charities cannot easily access capital funds. Unlike commercial organisations, they cannot raise equity from shareholders. They also have limited ability to take out loans, because their constrained revenue streams are not attractive to lenders. Charity boards may also be understandably reluctant to take on the risk of debt due to the uncertainty of future revenue sources and the organisational risks and personal liabilities they may face. This further limits the ability of charities to invest in their own future productivity, even when there are clear benefits to them and to the community.

Government recognises that the nature of some industry sectors means that they have challenges accessing appropriate capital, and steps in to support businesses to overcome this market failure. The challenges facing charities are just as acute – perhaps more so – and should also be addressed

Market dynamics constrain innovation and productivity

Charities’ natural drive to take innovative approaches to address social challenges and improve productivity is being restricted by funding constraints, risk averse funders and boards, and structural disincentives to collaboration. While some charities have bucked these constraints and been extraordinarily innovative – the pressures facing charities through the recovery will make this more difficult.

Because charities lack access to capital and flexible funding, they have less ability to balance short- and long-term needs. As a result, they have little flexibility to invest in areas likely to drive innovation and efficiency – such as capability building, organisational and staff development, or investments in technology. This can lead to a chronic underinvestment in organisational infrastructure resulting in staff burnout, low capacity to conduct activities, limited outcomes, and low efficiency – a phenomenon known as the ‘Starvation Cycle’.⁹⁹

⁹⁵ See Cortis, N., Lee, I., Powell, A., Simnett, R. and Reeve, R. (2015) *Australian Charities Report 2014*. Centre for Social Impact and Social Policy Research Centre, UNSW.

⁹⁶ See Gregory A.G. & Howard D. (2009) ‘The Non-profit Starvation Cycle’. *Stanford Social Innovation Review* and Eckhart-Queenan, J., Etzel, M and Prasad, S. (2016) ‘Pay-what-it-takes Philanthropy’. *Stanford Social Innovation Review*.

⁹⁷ Muir, K., et. al. (2020). *Pulse of the For Purpose Sector Final Report: Wave One*.

⁹⁸ Previously unpublished analysis from CSI *Pulse of the For-Purpose Sector Survey*. Surveyed August 2020.

⁹⁹ Gregory A.G. & Howard D. (2009) ‘The Non-profit Starvation Cycle’. *Stanford Social Innovation Review*

Further, incentives and pressure to innovate and improve productivity often comes from boards, which are under pressure from funders to demonstrate value for money and low overheads. Boards, however, may get little reward for improving productivity¹⁰⁰ — particularly under contractual arrangements that return any surplus to government, even if adequate funds are provided to cover costs in the first place (as noted above, they often are not). Funders are also sensitive to reputation risk, and it can be difficult to admit that programs they funded failed, particularly if they were outside of public norms. Thus, funders can be reluctant to invest in innovative initiatives.

Collaboration is also widely identified as a driver of innovation, but competitive government contracting presents a disincentive to taking it on. The benefits of collaboration are well established, particularly in tackling ‘wicked’ social challenges.¹⁰¹ It can also lead to productivity improvements through shared overhead costs, shared processes, learnings and research, and increased reach or broader service offerings for end beneficiaries.¹⁰² Over a period of 10 years, Productivity Commission and Royal Commission inquiries have repeatedly emphasised the need for great system integration and joined-up working between government and service providers. Inquiry recommendations also support competition and contestability as a driver of efficiency and innovation, and that government should act as ‘system stewards’ to facilitate this process.¹⁰³ However, competitive government contracting presents a barrier to charities collaborating. Some charities fear that sharing intellectual property could enable former partners to undercut them in bids. Collaboration is also a notoriously difficult task to achieve, costly, and requires skilled practitioners to achieve it, who are in limited supply.¹⁰⁴

The challenges to collaboration have also been exacerbated by COVID-19. A recent study of not-for-profit organisations identified that mergers, restructures and closures had slowed during the crisis, but were expected to increase during 2021 and potentially peak in 2022-23.¹⁰⁵ When surveyed in July 2020, just 3% of charities surveyed were currently undertaking a merger (down from 8% in 2016), and 21% were discussing mergers (down from 35% in 2016). This is likely because such collaborations take significant work from senior people within organisations, as well as financial and intellectual capital. While there is evidence of greater informal collaboration in some sectors – such as the effort that went into reducing homelessness at the peak of the pandemic – it is not clear that such efforts are sustainable.

Without changes to these dynamics – many of which are within the power of governments to influence – charities will continue to face difficulties in being as resilient and productive as they could be.

The business of public benefit

Charities do not operate in a normal market, selling products and allocating supply based on customer demand and willingness to pay. Rather, charities are in the business of public benefit. They look to provide material positive impact to society in response to public need – but for the most part, charities are at the whim of third-party funders, not customers, to pay for it. This puts charities in the precarious position of needing to respond to surging public demand, without responsive funding. This can lead to an inefficient allocation of resources – exacerbated through COVID-19 with spiked demand for charity services. We know that need for services went up during the COVID-19 pandemic, and is expected to continue to do so with JobKeeper finishing and JobSeeker payments reducing. For instance, three-quarters of surveyed not-for-profits reported increasing complexity of need amongst beneficiaries and

¹⁰⁰ Productivity Commission (2010) *Contribution of the Non-for-Profit Sector*

¹⁰¹ Australian Public Service Commission (2007), *Tackling wicked problems, a public policy perspective*

¹⁰² Carey, G., Weier, M., Barnes, E., & Muir, K. (2020). *Moving the conversation forward: A decade of reform recommendations for the community services sector*. Centre for Social Impact UNSW: Sydney

¹⁰³ See for example Carey, G. et. al. (2020). *Moving the conversation forward: A decade of reform recommendations for the community services sector*.

¹⁰⁴ Productivity Commission (2010) *Contribution of the Non-for-Profit Sector*, Chapter 13.

¹⁰⁵ Australian Institute of Company Directors (2020) *Not-for-Profit Governance and Performance Study 2020: The COVID-19 edition*

61% of workers reported an overall increase in demand compared to pre-COVID levels.¹⁰⁶ Even in areas where service delivery is more market-driven, such as in human services (NDIS, aged care, and childcare), there isn't always a viable market (e.g. thin markets) but there is still a public need.¹⁰⁷

3.3. The benefits of targeted investment in charities

Australian governments and the community at large derive significant benefits from the charity sector. Charities provide services that people, communities and government rely on. They deliver vital services on behalf of Federal and state governments and taxpayers, from disability services to early learning. We all benefit from their contributions to education, health care, sports and recreation, aged care, religion, arts and culture, animal protection, and environmental protection. As a community, we are especially reliant on charities during a crisis and to support a recovery, whether confronted by bushfires or financial turmoil. They are the social glue in our communities, and without them Australia's quality of life would be poorer on almost every dimension

As outlined in Chapter 1, charities' total economic contribution is equivalent to 8.5% of Australia's GDP, and they employ more than one in ten employees in Australia - 1.3 million people.¹⁰⁸ What's more, charity sector jobs are in industries that are expected to see strong growth over the next five years to 2025, including healthcare and social assistance, which has the greatest growth of any industry (14.2%), and education and training (10.8%).¹⁰⁹ These far outstrip expected growth in industries which frequently benefit from industry support such as mining (8.3%) and manufacturing (-0.7%). Indeed, analysis from the Grattan Institute suggests that targeted supports in response to the pandemic have not sufficiently focused on growth industries, and have also favoured male-dominated industries.¹¹⁰ An investment in charities will support employment and productivity gains in these growth sectors, and are likely to disproportionately benefit women, hardest hit by the pandemic.¹¹¹

Investing in charities is consistent with government's role of supporting the Australian community. It is also cost effective. On average, charities receive 47% of their funding from government, so ensuring this money is well spent and impactful is common sense.¹¹² Further, government relies on charities to deliver services efficiently and effectively on its behalf, across sectors including emergency relief, employment, education, health, disability services, and disaster preparedness. The effective delivery of these services will be all the more important as pandemic-related government supports unwind and demand for these services increase. There are also potential savings for government in productivity and innovation improvements in the charities that government contracts.

Emerging evidence also suggests that strong social networks and community organisations are critical factors in the recovery of communities from crises.¹¹³ This indicates a major role for charities in maintaining and improving Australia's resilience. As a sector, non-government organisations are seen as more often responding to the public interest,¹¹⁴ so they have high potential as organisations supporting community cohesion and resilience.

A strategic investment in the charity sector is consistent with the role government has long played in supporting industries who face specific barriers to productivity and success. Such investments are

¹⁰⁶ Cortis, N. & Blaxland, M. (2020) *Australia's community sector and COVID-19: Supporting communities through the crisis* ACOSS

¹⁰⁷ Carey, G. (2019) *Rethinking 'thin markets' in the NDIS: introducing the market capacity framework*, The Mandarin, 9 December 2019

¹⁰⁸ See: SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*; ACNC (2020) *Australian Charities Report 2018*; ABS (2019) 5206.0 *Australian National Accounts*.

¹⁰⁹ Australian Government, National Skills Commission (2021) *Industry Employment Outlook: Five years to November 2025*.

¹¹⁰ Wood, D. et. al. (2021) *Women's work: The impact of the COVID crisis on Australian women*. Grattan Institute

¹¹¹ Wood, D. et. al. (2021) *Women's work: The impact of the COVID crisis on Australian women*.

¹¹² ACNC (2020) *Australian Charities Report 2018*.

¹¹³ See, for example, Commonwealth of Australia (2020) *Report of the Royal Commission into National Natural Disaster Arrangements*

¹¹⁴ See Next25 (2021) *Next25 Navigator social research report 2021*. 40% of respondents believe that NGOs act in the public interest. While this is not high, it compares to 22% for politicians, 27% for the public service and 32% for business.



often justified on the premise that they help an industry overcome a market failure or through a period of transition but return great benefits to the Australian economy. Here we show those conditions exist in the charity sector, and that governments should invest strategically to aid the recovery, save and create jobs, and to ensure communities have the social capital to survive the next challenge.

4. What can government do to support charity resilience?

The response of governments across Australia to the COVID-19 pandemic has reinforced the critical role that government plays in building resilience for individuals, organisations and communities. Charities too, can play a role, but are vulnerable. Our previous reports identified six recommendations, under three themes, for how government can support charity resilience through the recovery. A year after the COVID-19 crisis began, we have revisited these recommendations to consider what we think governments need to do next.

Ensure financial viability of charities so they can continue their contribution

1. We called for a ‘ramp not a cliff’ for employment support in our first report, and were pleased that the Federal Government listened and extended JobKeeper until March 2021. However, as this report shows, many charities are still experiencing challenging circumstances arising from the COVID-19 crisis, and will continue to do so. **We call on government to continue to provide targeted support to charities facing long-run effects of the pandemic**, such as those in vulnerable sectors and geographies. These sectors continue to face higher costs and lower revenues, and jobs remain at risk. This should include ensuring that any supports provided to businesses are designed so that charities can benefit on an equal footing.
2. We reiterate our recommendation that **government maintain and, where needed, increase funding for government contracted services delivered by charities**. Service funding for charities should reflect the true cost of delivering services for impact and meeting increased service demand, particularly given the sensitivity of the sector to changes in government funding. Funding should take into account changes to charity cost structures, including compliance, regulation and Fair Work decisions on wage entitlements that affect service delivery charities. It should be sufficiently flexible to enable charities to respond to changing community needs without being constrained by arbitrary funding restrictions. SVA and CSI are working with partners in 2021 to better understand the problems charities are experiencing in this area.
3. We need governments to **make fundraising and philanthropy simpler to encourage increased giving**, and were encouraged to see long-overdue action on harmonising fundraising regulation agreed by the Council on Federal Financial Relations in December 2020.¹¹⁵ Ongoing attention by federal, state and territory governments will be needed to ensure this commitment is realised. Creating nationally consistent fundraising regulations will reduce the red tape burden on charities seeking to fundraise in a changed environment. There are also opportunities to provide better incentives for philanthropy to support the charity sector.

Build capability to improve impact

4. As this report shows, the future success of charities depends on their ability to invest in capability building and organisational transformation. **Setting up a one-off, time limited, Resilient Charities Fund** could help aid this transition without requiring ongoing government outlays. A more detailed proposal for such a fund is in the next section of this report.

¹¹⁵ Frydenberg, J; Seselja, Z (2020), *Easing the regulatory burden on charities*, Media release 15 December 2020

5. There is an ongoing need **for further research to better understand how to build back the charities sector so that they are funded for impact**. Understanding the financial viability and business models of charities and how this might be reshaped in the future to ensure charities don't just survive but are able to deliver the public good for which they exist. There is also an opportunity to invest in systems to enable charities to measure outcomes more effectively, which will help governments, philanthropists and charities prioritise more impactful approaches. Sector organisations have begun to undertake this research, but are limited by data and funding availability.

Decrease demand for charity crisis services

6. In our previous work we called on government to retain JobSeeker and other payments at a higher level (not revert to previous Newstart amounts) to mitigate the increase in service demand on charities, while also stimulating the broader economy. In setting only a small permanent increase, the government has missed a significant opportunity. We call on government to **make a meaningful increase to the permanent rate of JobSeeker**. The end to the supplement will increase demand for charity services – immediate financial support has been identified as the most pressing need for individuals approaching charities. The current permanent rate represents a real drop in incomes for the many Australians who are still unemployed, and is inadequate to meet basic living costs. A relatively small rise in social security spending would lift many people out of poverty and financial stress.¹¹⁶ It would also reduce long-term costs for both government and charities, given the far greater value for money provided by spending on preventing rather than solving significant social challenges.¹¹⁷

¹¹⁶ Phillips, B., & Narayanan, V (2021); *Financial Stress and Social Security Settings in Australia*; ANU Centre for Social Research and Methods, for Social Ventures Australia and the Brotherhood of St Laurence.

¹¹⁷ See for example, Teager, W., Fox, S. & Stafford, N. (2019) *How Australia can invest early and return more: A new look at the \$15b cost and opportunity*. Early Intervention Foundation, The Front Project and CoLab at the Telethon Kids Institute.

5. A Resilient Charities Fund

Charities are critical to Australia's economic and social recovery. Yet they face a unique set of challenges and constraints when compared to for-profit businesses, which have led them to their current position and will be barriers to their successful recovery. For charities to best support Australia's recovery, they need tailored support that recognises the needs and challenges they face, as well as the opportunities they present. A Resilient Charities Fund, focused on structural reform and collaboration, is a targeted initiative that would support Australia's society and economy.

The fund would drive charity sector reform by providing incentives and support for charities to develop more impactful and efficient ways to operate in a 'with-COVID' and 'post-COVID' environment.

Government should invest \$200-400 million in a one-off, time-limited fund to support charities to undertake strategic and operational transformation so they can continue to strengthen Australia's economy and society through and beyond the COVID-19 crisis. If structured appropriately, the Fund could potentially attract matching investment from philanthropy.

5.1. Priority areas for transformation

The Fund would be open to a range of types of transformation and industry restructuring that the charity sector may need to undertake. Based on the findings presented in this report, and other research and consultation across the sector, these could include combinations of:

Business sustainability and operating model adaption

- With 40% of organisations carrying less than six months of operating reserves, and organisations experiencing greater operational and financial constraints than before the pandemic, there is an increasing need to explore diverse financing options and improve financial management capability.¹¹⁸ Indeed, in late 2020, 47% of charities reported that reductions in revenues had hurt them 'a lot'¹¹⁹
- Further, many charities are identifying that their operational models are no longer sustainable. More than half of surveyed not-for-profits reported that significant changes were required to their service models as a result of COVID-19.¹²⁰ This pressure is exacerbated by other forces, such as increased requirements for client-centric service delivery, and increasingly complex needs of clients. Three-quarters of surveyed not-for-profits reported increasing complexity of need amongst beneficiaries and 61% of workers reported an overall increase in demand compared to pre-COVID levels¹²¹
- While most charities are efficient, operating on small margins, some could benefit from business process and system improvements. Resource constrained organisations often do not have time or resources to reflect on whether such improvements could enhance productivity and effectiveness, or to implement these improvements if they have up-front costs. Case studies show that changes in this area, if resourced appropriately, can improve the effectiveness of charities in pursuing their values and purposes¹²²

¹¹⁸ The Xfactor Collective (2020), *RESET 2020 National Impact+Need Research Study 2020 - Phase 2*. September 2020 survey

¹¹⁹ Previously unpublished analysis from *CSI Pulse of the For-Purpose Sector Survey*. Surveyed August 2020

¹²⁰ Infoboxchange (2020) *Digital Technology In The Not-For-Profit Sector*.

¹²¹ Cortis, N. & Blaxland, M. (2020) *Australia's community sector and COVID-19: Supporting communities through the crisis* ACOSS

¹²² Turnbull, G. (2016) *Process efficiencies help non-profits achieve more impact*. SVA Quarterly, 27 October 2016

- Addressing these challenges takes time and capacity that charities may struggle to access. Support from the Fund will help charities to do so, and thereby serve their community more effectively and sustainably.

Governance, collaboration and partnerships

- Some charities will need to review their overall approach to pursuing their charitable purpose in the wake of the crisis. This may require governance and leadership training for social impact,¹²³ and/or structural change to their legal and governance arrangements, including mergers and other consolidation options where appropriate, as well as opportunities for collaboration
- Collaboration is considered essential to shift the dial on some of our most pressing and complex social challenges, and can also lead to increased efficiencies, shared overhead costs, increased reach or broader service offerings, shared learnings and research¹²⁴
- The Fund could support exploration of opportunities right across the collaborative spectrum, from coordination, joint ventures and partnerships through to collective impact and mergers. Such changes may require considerable up-front investment, and tailored advice that the Fund could support.

Leadership development and workforce capability

- Leadership and workforce capability has a direct impact on organisational performance, outcomes and impact. The mental health and wellbeing of staff and volunteers has also been critically impacted by the pandemic, making it more important that organisations can train, engage, and retain staff effectively. Yet, despite a growing body of evidence highlighting its importance, there is significant underinvestment in not-for-profit capacity building and the professional development of not-for-profit staff, compared to the for-profit sector¹²⁵
- Research into not-for-profit leadership in Australia has highlighted that resource constraints – both time and financial – are the main barrier to not-for-profits investing in their people, even though building leadership capacity is a highly leveraged investment because it impacts the whole organisation¹²⁶
- This research has also identified the need for a range of capacity building supports and evidence supporting their effectiveness, including executive coaching, peer-based support networks, retreats, and tailored sabbaticals. Reviews or audits of organisations overall workforce and leadership capabilities could also be beneficial
- In addition to many existing programs, such as those facilitated by the Australian Scholarships Foundation,¹²⁷ the social sector has recognised these challenges with the recent launch of *Social Impact Leadership Australia* (SILA).¹²⁸ However, these program cannot address the scale of the challenge alone, and there is further need for support of mid-career professionals and other executives.¹²⁹ There is also a recognised need for training to address specific skills, such as in supporting those working with people with complex needs¹³⁰, and the pandemic is known to have

¹²³ Dass, S., Muir, S. & Rangan, V. K. *Nonprofit Boards: It Is Time to Lift Your Gaze and See the System* Harvard Business School Working Paper, No. 21-058, November 2020.

¹²⁴ See for example, Justice Connect (2018) *Working with other organisations*; and Australian Institute of Family Studies (2017) *Collective Impact, Evidence and implications for practice*

¹²⁵ See Muir, K., McKee, L., Moore, N., Walker, A., Wenzel, R., & Pinzone, F. (2019), *Leadership for Purpose: Investing in NFP Leadership & Capacity Development in Australia*, Report for Ian Potter Foundation, Sidney Myer Fund, The Myer Foundation, The Vincent Fairfax Family Foundation and The Paul Ramsey Foundation, Centre for Social Impact; and Carey, G. et. al (2020). *Moving the conversation forward: A decade of reform recommendations for the community services sector*.

¹²⁶ Muir, K., et. al (2019) *Leadership for Purpose: Investing in NFP Leadership & Capacity Development in Australia*

¹²⁷ The [Australian Scholarships Foundation](#) funds and facilitates scholarships for Australian not-for-profit (NFP) directors and staff to undertake education, training and mentoring programs that improve their ability to lead and manage their organisations.

¹²⁸ See [Social Impact Leadership Program](#) for further details

¹²⁹ Carey, G., et. al. (2020) *Moving the conversation forward: A decade of reform recommendations for the community services sector*.

¹³⁰ Carey, G., et. al. (2020) *Moving the conversation forward: A decade of reform recommendations for the community services sector*.

increased the number of clients presenting with such needs.¹³¹ Support from the Fund would complement SILA in enabling boards, executive leaders and staff to be prepared to undertake the kinds of transformational change outlined above, as well as develop the workforce capability needed for future service provision.

Technology and cyber security

- Technology provides a particularly striking example of an investment that would support charity efficiency and effectiveness, but which charities do not have the up-front resources to undertake. The pandemic has revealed a significant digital divide both across the charities sector, and amongst the communities that charities serve.¹³²
- For example, as of late 2020 only 46% of surveyed not-for-profits were using cloud-based systems, which posed major barriers to shifting to remote work during the crisis. Less than a third of not-for-profits had the systems and software needed for staff to work from home. Further, 49% of not-for-profits reported that funding and costs are the major barriers to making better use of technology.¹³³
- The pandemic also presents an opportunity for charities. Many have now been forced to digitise rapidly, with 85% reporting they needed to make changes to their IT.¹³⁴ This has presented opportunities to better engage with those in remote and regional Australia or with disabilities. We could now leverage that investment for greater changes still.
- In recognition of the opportunity, a philanthropically funded *Digital Transformation Hub* has recently launched,¹³⁵ but will not be able to service the extent of need in the sector. The Fund could leverage this initiative, supporting charities to transform their use of technology to make them more efficient and effective in supporting our communities and delivering services on behalf of government. It would also help them manage security risks, better balance service demand and capacity, and support digital inclusion.

Outcomes measurement and data analytics capability

- There is interest from government, philanthropy, and the social sector in improving the way that we measure outcomes and impact from social programs. A barrier to progress in this area is limited capability and resources for data collection and analysis, as well as the lack of comprehensive outcomes frameworks
- Only 44% of surveyed not-for-profits have systems that enable them to understand their impact.¹³⁶ Improving this capacity would provide an ongoing benefit to funders, including government, as well as service providers who would be able to better understand the impact of their work, and direct resources towards 'what works'.

¹³¹ Cortis, N. & Blaxland, M. (2020) *Australia's community sector and COVID-19: Supporting communities through the crisis* ACOSS

¹³² Charities Crisis Cabinet (2021) *Momentum needed to improve digital inclusion and digital transformation* Open letter to Prime Minister Scott Morrison, 4 March 2021

¹³³ Infoxchange (2020) *Digital technology in the not-for-profit sector*

¹³⁴ Infoxchange (2020) *Digital technology in the not-for-profit sector*

¹³⁵ Infoxchange (2021) *New technology hub to support not-for-profit digital transformation journey*, Media release 18 February 2021

¹³⁶ Infoxchange (2020) *Digital technology in the not-for-profit sector*.

Select case studies on funds to support not-for-profit innovation, productivity and resilience

A selection of case studies are outlined below of government and philanthropic funds which support innovation in the not-for-profit sector, in Australia and abroad. These include funds established in response to COVID-19, and others established in different contexts. They illustrate a history of governments domestically and abroad providing targeted, time-limited support to the charity sector to promote innovation, productivity and resilience, both in COVID and non-COVID contexts, using a combination of financial support and tailored advice. Further information on these and other funds is detailed in the Appendix.

New Zealand – Capability Investment Resource Funding (2012-15): NZ\$32 million fund to support a stronger, more adaptable and collaborative social sector to improve social outcomes. Support was provided across a multi-stage process, first ascertaining the needs of the organisations through an organisational capability assessment, then implementing a capability development plan.

International – Global Innovation Fund (ongoing): US\$200 million fund, convened by an alliance of international governments (including Australia), corporations and philanthropic organisations in 2014, to address major development challenges by investing in innovations with the potential for transformative and sustainable social impact in developing countries. Support goes 'beyond capital' by appointing advisors and consultants to address specific strategic issues. A 2019 evaluation found the Fund to be effective in supporting its fundees achieve their intended outcomes.

Ireland – Support Package For Community And Voluntary Organisations, Charities (2020): €50 million for two funds to support initiatives which will benefit the most disadvantaged groups in society, in response to COVID-19. Included a 'COVID-19 Stability Fund' providing cash relief to not-for-profits with reduced trading and/or fundraising income, and a 'Innovate Together Philanthropy Fund', with contributions from philanthropy, to support not-for-profits and social enterprises who increased, adapted or created a new innovative product or service in response to COVID-19.

Victorian Government - Boost Your Business Social Enterprise Capability Voucher Stream (2018-19): Vouchers of up to \$25,000, were provided on a co-contribution basis, with successful applicants contributing a minimum value of 20% towards the project value. Supported social enterprises access skills to maintain viability, sustainability and growth, with support from a panel of specialist professional advisors.

New South Wales Government – Social Sector Transformation Fund (2021): \$50 million fund providing grants of between \$20,000- \$200,000. Supports charities and not-for-profits working in health and social service to modernise their operations — with a focus on capacity building, better digital service delivery, remote working capabilities and improving business strategies — so they can remain efficient, effective and viable.

5.2. Delivering support effectively

Nature of support

The Charities Resilience Fund would offer an integrated package of support to charities who can demonstrate a need for organisational transformation. Support would be provided as a combination of:

- **Capability support:** the Fund would use a voucher model to enable charities to access professional support aligned to the transformation need of the charity.¹³⁷ This support will enable them to generate the maximum possible value from the funds provided
 - vouchers could be redeemed from an approved panel of suppliers
 - the approved panel of suppliers should be composed of entities with specialist knowledge of supporting charities that are transitioning; priority should go to organisations oriented towards community benefit (e.g. charities, not-for-profit organisations, social enterprises, B-Corporations). For-profit service providers with demonstrated sector expertise could be

¹³⁷ See, for example, two existing voucher schemes featured in the Appendix, the *Victorian Government - Boost Your Business Social Enterprise Capability Voucher Stream*, and the *Impact Investing Australia - Impact Investment Ready Growth Grant*

considered for participation, especially if they are willing to provide support on a pro bono or low bono basis

- in many cases, those best-positioned to provide tailored support to a charity will be sector advisory organisations, many of which are charities themselves. These organisations should be prioritised for inclusion in the supplier panel. This will support building sector-wide capability
- **Cash:** direct grants to implement the change identified via the capability support. This might be required for investments in technology (including technology that can be shared by multiple charities) and other capital expenditure; for enabling staff time and capacity to implement reform; or to cover the up-front costs of change in governance or operational approaches.

Support from the Fund would not be intended to provide working capital or cashflow support, or to subsidise day-to-day operations. Instead, it recognises the legal and operational constraints that charities face in being able to invest their usual funding streams into capability development.

The Fund would complement, rather than duplicate, other government support for charities. Current Federal Government support to date has been focused on maintaining cashflow (Cashflow Boost), employment (JobKeeper wage subsidy), and managing immediate COVID-related demand increases (additional funding for emergency relief and mental health services). Much of this assistance has now ceased, as governments and charities alike focus on recovery.

There are currently only very limited incentives for charities to genuinely collaborate to drive structural change across the sector, as current funding arrangements often place them in direct competition. This means that even when charities pursue transformative approaches, they may do so in ‘silos’. To mitigate this challenge, charities would be encouraged to make joint bids for funding to maximise collaboration, reduce duplication and generate transformational change across sub-sectors.

Additionally, those administering the Fund could be resourced to provide ‘match-making’ services and facilitate other forms of collaboration between charities and other organisations (not-for-profit, business and philanthropy). They could also provide early-stage support to help charities identify the kinds of transformation most suited to their circumstances, so funding is well-targeted.¹³⁸ This could generate additional efficiencies across the sector, and improve sector-wide capability and capacity.

Leveraging additional sources of funds

There is considerable interest from philanthropists and the business community in supporting the structural transformation of charities and not-for-profits. A government investment has the potential to leverage significant additional support from such sources, whether as a co-investment in the Fund, pro bono provision of advisory and other services, options for matched support, or parallel funding structures that streamline the process for charities and not-for-profits. There is precedent for such cross-sector collaborations.¹³⁹ The Fund should be established in a way that ensures these co-contributions can be easily facilitated to ensure maximum leverage of government funds.

Operations and governance

All charities registered with the Australian Charities and Not-for-profits Commission (ACNC) or Office of the Registrar of Indigenous Corporations (ORIC) would be eligible to apply for support for the Fund.¹⁴⁰ Government should not attempt to differentiate between charities by sector or category, as

¹³⁸ For example, the New Zealand Government’s *Capability Investment Resource* funding, which aimed to increase sector collaboration to improve social outcomes, used a multi-stage funding process to identify where support was most needed, to maximise the value of investment. So too did the Ford Foundation’s *BUILD* initiative. See Appendix for case studies.

¹³⁹ For example, the *Global Innovation Fund* which supports scalable social innovations, attracts investment from numerous governments including Australia, and philanthropists including the Omidyar network. Ireland also established a *co-contribution innovation fund* for charities in the wake of COVID. See Appendix for case studies.

¹⁴⁰ Note that some Aboriginal Community Controlled Organisations which are charities may be registered with ORIC but not yet with the ACNC. The Fund should be available to these charities.

they have all qualified as charities on the basis of their charitable purpose in line with current legislation.

Assessment criteria would be established, and include recognition of different needs of charities of different types, sizes and sophistication. Charities would need to demonstrate that they are seeking support for strategic change in their organisation, not subsidising business-as-usual operations.

The Fund would be best administered at arms-length to government to ensure its independence, and to tap into relevant expertise across the philanthropic, business, and not-for-profit sectors. There are a number of potential models that could be considered, including the establishment of a new entity or the outsourcing of administration to an appropriate external body.¹⁴¹ Preliminary soundings indicate that a substantial level of independence would be required to leverage philanthropic and other external support for the Fund.

In recognition of the importance of self-determination for Aboriginal and Torres Strait Islander communities, and the importance of supporting Aboriginal Community Controlled Organisations (ACCOs), a portion of the Fund should be dedicated to specifically supporting Aboriginal and Torres Strait Islander charities. The arrangements for these funds should be co-designed with relevant communities.

Costings

A Fund of \$200 - \$400m could support 4,000-8,000 charities to transform their operations. This is a quarter of all charities that employ people in Australia. Depending on the size and scope of the charity, they could receive between \$10,000 and \$250,000 in cash and capability support. Contributions from corporate or philanthropic sources to the Fund could further increase the size and reach of the Fund's impact. Phasing of the funding could be flexible depending on budget constraints and fund size but would be time-limited.

Indicative scale of support for charity transformation from a fund of \$280m

Charity size	Support range	Average support value	Number of charities
Large	\$150-\$250K	\$200,000	500
Medium	\$50-\$100K	\$75,000	1,000
Small	\$10-\$50K	\$30,000	3,500
Total		\$56,000	5,000

To maximise overall value for money achieved by the grants, a further \$15-\$30 million would be required for operational costs to provide co-design support for applicants; facilitate collaboration between charities; and monitor and evaluate impact.

¹⁴¹ For example, Impact Investing Australia currently administers the *Impact Investing Sector Readiness Fund* on behalf of the Australian Government Department of Social Services. Grant decisions are made by independent panels of experts.

Appendix: Case studies of NFP support funds

Case studies on funds to support not-for-profit innovation, productivity, and resilience

A selection of case studies are outlined below of government and philanthropic funds which support innovation in the not-for-profit sector, in Australia and abroad. These include funds established in response to COVID-19, and others established in different contexts. The case studies highlight:

- There is a history of government and philanthropic support funds promoting innovation, productivity and resilience in the not-for-profit sector, both in COVID and non-COVID contexts
- These funds have broad objectives and priorities. Common themes include change management, financial management planning, operating model adaptation, and collaboration
- Both financial and non-financial supports are offered to grantees. Financial grants are generally tied to specific goals of the programs. Further, in Australia, both the Federal and Victorian Governments have supported organisations access specialist supports such as consultancies, as has New Zealand’s Capability and Adaptation Funds and the Trillium Foundation’s fund
- Some grants are offered with access to complementary advisory and specialist supports and networks. In some cases, this supports organisations diagnose their support needs (New Zealand’s Capability Investment Resource and the Ford Foundations BUILD Fund)
- Intermediaries are often engaged by government to run such funds
- There are some examples of government and philanthropy working together to establish and fund these initiatives, including Ireland’s Innovate Together Fund, and the Global Innovation Fund (UK).

Name of Fund	Outline
<i>COVID-related innovation funds from government for not-for-profits</i>	
<p>Capability Fund and Adaptation Fund 2020</p> <p><i>New Zealand</i></p>	<ul style="list-style-type: none"> • Objective: Two funds to support arts-sector organisations innovate in response to the challenges and opportunities presented by COVID-19 <ul style="list-style-type: none"> ○ Capability Fund (CF): To support organisations to address immediate organisational needs and to help stabilise and increase the sustainability of their businesses in response to the impacts of the COVID-19 environment ○ Adaptation Fund (AF): Support transformation or significant development of the business model and/or artistic practice of organisations to encourage new ways of working in response to the opportunities presented by COVID-19 • Funding: Grants up to NZD\$30,000 for the Capability Fund, and no specified limit for the Adaptation fund. Funded by an NZD\$25M package for Creative New Zealand. • Eligibility and priority areas: Grantees of the Arts Council of New Zealand. CF priorities include supporting staff well-being, risk management, scenario planning, business continuity, audience or community engagement, and financial planning. AF priorities include increasing digital literacy, the use of digital technologies, and the transformation of organisational models.

	<ul style="list-style-type: none"> ● Nature of support: Funding for consultancy fees, training costs, short term contracts or research costs. ● Impact: Program only recently concluded – no public evaluations available.
<p><u>Support Package For Community And Voluntary Organisations, Charities</u></p> <p>Ireland</p>	<ul style="list-style-type: none"> ● Objective: Two funds to support initiatives which will benefit the most disadvantaged groups in society, in response to COVID-19 <ul style="list-style-type: none"> ○ €5 million towards a 'Innovate Together Philanthropy Fund', with further contributions from philanthropy (€0.6m), to support not-for-profits and social enterprises who increased, adapted or created a new innovative product or service in response to COVID ○ €45 million 'COVID-19 Stability Fund' providing cash relief to not-for-profits with reduced trading and/or fundraising income ● Funding: The Innovate Together Fund provided grants up to €200,000 and was also administered by an intermediary. The Stability Fund provided cash grants with no specified limit and was administered by an intermediary. ● Eligibility: Irish charities and social enterprises supporting those experiencing disadvantage. ● Nature of support: Funding ● Impact: Program only recently concluded – no public evaluations available.
<p><u>Social Sector Transformation Fund</u></p> <p>New South Wales, Australia</p>	<ul style="list-style-type: none"> ● Objective: Support charities and not-for-profits working in health and social service to modernise their operations — with a focus on capacity building, better digital service delivery, remote working capabilities and improving business strategies — so they can remain efficient, effective and viable. ● Funding: \$50M fund providing grants and advisory services through a combination of: <ul style="list-style-type: none"> ○ Direct grant payments of between \$20,000 - \$40,000 – paid directly to all eligible service providers with ongoing contracts with Department of Communities and Justice, or NSW Health ○ Open Grants application – competitive funding round for \$20,000- \$200,000 ○ Consulting and advisory services – eligible organisations can also access consultancy or advisory services at no cost, from a panel of providers ● Eligibility: For direct grants, organisations must have ongoing contracts to the departments outlined above. For open grants, organisations must be registered with the ACNC, have revenue <\$5M p.a., and provide services in NSW. ● Nature of support: Funding and advisory services. ● Impact: Program is soon to be launched.
<p><i>COVID-related innovation funds from philanthropic organisations for not-for-profits</i></p>	
<p><u>Trillium Foundation Resilient Communities Fund</u></p> <p>Ontario, Canada</p>	<ul style="list-style-type: none"> ● Objective: Support non-profit sector to <i>recover and rebuild from impacts</i> emerging from COVID-19 so that they can effectively meet the needs of communities in the medium to longer term ● Funding: Unknown fund size, grants: CAD\$5,000-150,000 (1-year terms) ● Eligibility and priority areas: Any Ontario based not-for-profit, whose operations were disrupted by COVID-19. Grant can be put towards <ul style="list-style-type: none"> ○ Upskilling workforce and readiness for change

	<ul style="list-style-type: none"> ○ Innovative financing ○ New/adapted service delivery ○ New equipment or spaces, and ○ Non-profit collaboration <ul style="list-style-type: none"> ● Nature of support: Only financial support. Grantees can use the funding to pay for external support services to help them innovate, such as consultants, contractors, or SMEs. Funds can also be put towards capital equipment related to the innovation project, such as repairs or renovations ● Impact: Program is ongoing.
<p><u>McConnell Foundation Social Innovation Fund — Organizational Rebuilding</u></p> <p>Canada</p>	<ul style="list-style-type: none"> ● Objective: To help charities and non-profits <i>prepare for or implement significant organisational change</i> so that they can better serve their communities during and following the pandemic. This fund was created alongside an Emergency Response Fund to assist with immediate needs and is an additional granting stream in McConnell's existing Social Innovation Fund (SIF). ● Funding: Unknown fund size, grants: unspecified (2-3-year terms, for SIF) ● Eligibility and priority areas: Existing grantees only. Grant can be put towards planning or implementing organisational change. The scope of grants is very broad, but could cover digital service delivery, governance and mergers and acquisitions, new business models, risk management, staff upskilling, or data capability improvement ● Nature of support: Financial and non-financial support. Grantees can use the funding to pay for external support or capital equipment required for organisational change. Grantees may also be given access to technical and peer support through the larger Social Innovation Fund, including access to Innoweave and the Social Innovation Learning Program (SILP) <ul style="list-style-type: none"> ○ Innoweave provides access to information resources and a network of coaches who can support organisations in implementing social innovation approaches ○ SILP is an 18-month program that invites organisational leaders who are developing or scaling social innovation approaches to regular group retreats to provide knowledge, share learnings, and foster partnerships and collaboration ● Impact: Program recently concluded – no public evaluations available.
<p><i>Other innovation funds from philanthropic organisations and/or government, for purpose-driven organisations</i></p>	
<p><u>Global Innovation Fund</u></p> <p>International - UK-based</p>	<ul style="list-style-type: none"> ● Objective: Funded by an alliance of international governments (including Australia), corporations and philanthropic organisations in 2014, to address major development challenges by investing in <i>innovations with the potential for transformative and sustainable social impact</i> in developing countries. ● Funding: USD\$200m fund, capital sizes: USD\$50k - \$15m (funding provided in many forms, including grants, equity, debt, hybrid capital etc.). Types of support included capital as well as specialist advisory support ● Eligibility and priority areas: Open to any organisation (including for-profits) with a social innovation that benefits people living on \$5 per day or less, is grounded in evidence and has a clear pathway to scale ● Nature of support: Support goes 'beyond capital' by engaging closely with the portfolio companies and organisations directly or where needed, appointing advisors and consultants to address specific strategic issues including the use of data and knowledge

	<p>products, evidence generation, impact measurement and beneficiary/customer feedback and analytics</p> <ul style="list-style-type: none"> ● Impact: A 2019 evaluation found the Fund was bold, innovative and unique, and that its investments were progressing towards the achievement of their intended outcomes.¹⁴²
<p><u>Ford Foundation Building Institutions and Networks (BUILD)</u> <i>International - US-based</i></p>	<ul style="list-style-type: none"> ● Objective: To strengthen social justice organisations by building their long-term capacity and sustainability ● Funding: \$1B USD fund for up to 300 social justice organisations globally, 5-year length ● Eligibility and priority areas: Existing grantees only, which cover a spectrum of critical functions and capabilities — from grassroots mobilising to policy analysis to strategic litigation. All of them stand to benefit from sustained efforts to strengthen their organisational core ● Nature of support: Flexible funding to innovate, learn, take risks, and develop their work for the long term. All recipients first undergo two kinds of assessment: a facilitated organisational assessment called the Organizational Mapping Tool, and an in-depth analysis of their finances. Both help organisations better understand and prioritise their needs in key areas like strategy, leadership, finances, and systems. Each organisation then receives additional funding to develop and implement an institutional strengthening plan ● Impact: A 2018 evaluation found BUILD’s combination of flexible funding and technical assistance showed great promise as a transformative approach. The emphasis on institutional strengthening was found to enable grantees to work more intentionally and strategically.¹⁴³
<p><u>Impact Investing Australia - Impact Investment Ready Growth Grant</u> <i>Australia</i></p>	<ul style="list-style-type: none"> ● Partnership: Administered by Impact Investing Australia. Seed funded by the National Australia Bank, then funded by the Australian Government’s Social Services Sector Readiness Fund ● Objective: Provides support to for-purpose businesses looking to secure new social impact investments, to expand their impact ● Funding: The government backed version of the fund launched in 2018 was \$7M over three years, providing grants of up to \$140,000 ● Eligibility and priority areas: Impact businesses and mission-driven organisations with grants for business, financial, legal and other capacity building support ● Nature of support: Grantees use the funding to pay for external support services ● Impact: Program is ongoing.
<p><u>Boost Your Business Social Enterprise Capability Voucher Stream</u> <i>Victoria, Australia</i></p>	<ul style="list-style-type: none"> ● Objective: Support social enterprises access skills to maintain viability, sustainability and growth ● Funding: Vouchers of up to \$25,000, provided on a co-contribution basis, with successful applicants contributing a minimum value of 20% towards the project value. Recipients are eligible for up to two vouchers, for different projects. ● Eligibility and priority areas: Victorian social enterprises. Grants can be put towards: <ul style="list-style-type: none"> ○ Business process and systems improvements ○ Business transformation ○ Financial management planning

¹⁴² IPE Triple Line (2019) *Independent evaluation of the Global Innovation Fund: Final evaluation report*

¹⁴³ NIRAS (2019) *Initial trend analysis report: BUILD developmental evaluation*

	<ul style="list-style-type: none"> ○ Industry standards implementation & certification ○ Tender guidance ● Nature of support: Vouchers must be used in exchange for services, advice or expertise provided by Registered Service Providers, deemed by the Victorian Government. Grantees use the funding to pay for external support services to achieve the organisation's long-term goals. Funding cannot be for 'business as usual' activities ● Impact: Not published.
<p><u>Capability Investment Resource Funding</u> New Zealand (2012-15)</p>	<ul style="list-style-type: none"> ● Objective: Support a stronger, more adaptable and more collaborative social sector to improve social outcomes. It was expected that the resource would support more 'collective impact and collaborations in recognition that large-scale social development will come from improving cross-sector coordination and sharing a collective vision, rather than isolated interventions from individual organisations' ● Funding: NZ\$32M over four years ● Eligibility and priority areas: Not-for-profit organisations funded by the government. Collectives or collaborations were encouraged to apply ● Nature of support: Support was provided across a multi-stage stage funding process to maximise the value of investment, by first ascertaining the needs of the organisations. Phases included: (1) Organisational Capability Self-Assessment and Organisational Capability Development Plan, (2) Organisational Capability Development Plan, and (3) Implementation of a Capability Development Plan ● Impact: Not published.

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