Safeguarding the Sector

Discussion Paper

Systemic Risks Facing Australian Not-for-Profits

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Insights Based on Personal Observations and Experience.

Executive Summary

The Australian not-for-profit (NFP) sector is a pillar of civic life, service delivery, advocacy, and social impact. However, it is increasingly exposed to complex systemic risks that threaten its stability, effectiveness, and long-term relevance. These risks are not isolated to individual organisations - they are sector-wide challenges that require coordinated, collective responses.

This paper is not a research paper, but rather a paper based on personal observations and experience. The paper explores ten systemic risks currently facing the Australian NFP sector and presents practical strategies the sector can adopt collaboratively to mitigate these threats. Each risk is examined in terms of its origin, implications, and possible solutions, supported by real-world examples and sector insights.

These ten risks are:

1. Erosion of Public Trust
2. Government Policy and Regulatory Instability
3. Over-reliance on Short-term and Project-based Funding
4. Workforce and Volunteer Shortages
5. Mission Drift and Marketisation
6. Inequity in Funding and Influence
7. Failure to Collaborate Systemically
8. Digital and Data Capability Gaps
9. Climate and Environmental Disruption
10. Declining Civic and Democratic Engagement

While daunting, these risks also present an opportunity: to rethink, recalibrate and reassert the sector’s role as a fundamental public good. A sector that sees these risks clearly and responds with clarity, courage, and collaboration can emerge stronger and more impactful.

Table of Contents

Introduction

The Australian Not-for-Profit (NFP) sector is a vital thread in the nation's social, economic and cultural fabric. It spans a wide and diverse landscape, from small volunteer-run neighbourhood associations to national charities, from community health organisations to specialist services in aged care, disability, mental health, housing, education, and the environment. The sector is large (over 300,000 registered entities) and contributes significantly to employment, service delivery, innovation, and community cohesion. Yet despite its scale and importance, the sector is under increasing strain.

The COVID-19 pandemic, while now receding, exposed and exacerbated long-standing vulnerabilities in the sector. It also accelerated expectations around digital transformation, governance standards, impact measurement, and workforce conditions, without necessarily increasing the resources or time needed to meet them. In 2025, the sector is navigating a climate of volatility, uncertainty, complexity, ambiguity, and constraint.

More than ever, Australian NFPs are expected to do more (deliver services, innovate, respond to crisis, demonstrate impact, maintain compliance, and remain financially viable), all while holding true to mission, values, and community relationships. Yet they are doing so under growing pressure: public trust is not guaranteed, funding is fragmented and often short-term, workforce exhaustion is real, and the sector's ability to influence policy or shape its own future is being quietly eroded.

This paper is not a research paper, but rather a paper based on personal observations and experience. The paper aims to highlight and explore the **ten most significant systemic risks currently facing the Australian not-for-profit sector**. These risks are not simply internal management issues; they are structural challenges that threaten the whole not-for-profit sector. They cannot be solved by individual organisations acting in isolation. They require collective strategy, policy influence, sector stewardship, and cross-sectoral collaboration.

Each of the ten risks is presented with:

- A description of the nature of the risk;
- An explanation of its impact on the sector;
- The underlying causes or contributing factors; and
- A set of practical, sector-wide strategies that could mitigate or ameliorate the risk.

The risks identified include:

1. Erosion of Public Trust and Social Licence
2. Shrinking Government Support and Policy De-prioritisation
3. Structural Underfunding and Resource Insecurity
4. Sector Fragmentation and Loss of Collective Voice
5. Regulatory Overreach or Inconsistency
6. Crowding Out by For-Profits
7. Technological Disruption and Capacity Gaps
8. Climate Change and Disaster-Driven Demand Spikes
9. Workforce Exhaustion and Demographic Shifts
10. Loss of Sector Identity and Purpose

These risks are interconnected. For instance, underfunding limits the ability to invest in technology or workforce development. Fragmentation weakens the collective voice needed to secure better policy or regulatory outcomes. Crowding out by for-profits is partly a result of policy de-prioritisation and poor public understanding of the distinct role and value of NFPs.

The good news is that these risks are not inevitable. Nor is the sector powerless in the face of them. What is needed is a sector-wide mindset shift: from passive adaptation to active stewardship; from compliance to strategy; from isolated excellence to shared strength.

This paper is written for:

- **Boards of not-for-profit organisations**, who have a duty not just to govern individual entities, but to contribute to the health of the sector more broadly;
- **CEOs and executive teams**, who balance operational delivery with strategic leadership and advocacy;

- **Philanthropic organisations and donors**, whose funding decisions shape what is possible and whose advocacy can amplify sector voice;
- **Government departments**, whose policy settings and funding models can either enable or constrain sector impact; and
- **Businesses**, who partner with the NFP sector through corporate social responsibility, shared value initiatives, and strategic grant making.

Each of these stakeholders has a role to play in strengthening the sector's resilience. And each stand to benefit from a sector that is stable, strategic, and strong.

This is not a report about problems. It is a **call to stewardship**.

What follows is not a checklist, but a starting point for robust conversations within and across organisations about where the risks lie – and what can be done about them. It invites decision-makers to think bigger, act together, and recommit to the role of not-for-profits as essential, not incidental, to the public good.

Risk 1

Erosion of Public Trust and Social Licence

Overview

Trust is the currency of the not-for-profit sector. Unlike commercial entities, which trade in markets, or government departments, which draw legitimacy from public mandates, NFPs depend fundamentally on community confidence – in their intentions, integrity, and impact. When trust is strong, NFPs can mobilise donations, volunteers, goodwill, and influence. When trust falters, the effects ripple across the entire sector.

In recent years, a series of public scandals involving governance failures, misused funds, or toxic cultures have attracted media attention and public criticism. While these incidents represent a small fraction of the sector, they have an outsized effect on public perception. Australians increasingly question how much of their donation "actually goes to the cause." There is growing cynicism around executive salaries, "administrative costs," and whether NFPs are truly different from businesses.

The sector's social licence, its informal permission to operate and lead, is under strain.

Sector Impact

Loss of trust doesn't just affect individual organisations – it has sector-wide implications. When the public loses faith in the sector's integrity, the following effects are often observed:

- **Reduced donations and philanthropic giving**: Sceptical donors are less likely to give, or may shift their support to informal, direct giving (e.g. GoFundMe).
- **Volunteer disengagement**: Community members become less willing to give time and energy if they feel the cause is mismanaged.

- **Reputational contagion**: Negative press about one organisation can damage confidence in others, especially those in similar fields.
- **Government caution**: Funding bodies may become more risk-averse, introducing more oversight and red tape.
- **Loss of moral authority**: The sector becomes less able to influence public debate or mobilise communities if its credibility is questioned.

Ultimately, diminished trust weakens the sector's ability to deliver on its mission – regardless of operational excellence.

Contributing Factors

Several forces have contributed to this erosion of public trust:

1. **High-profile governance failures**: Media investigations into financial mismanagement, bullying, or dysfunctional boards attract public scrutiny.
2. **Misinformation and misunderstanding**: Persistent myths about "overheads," or the false idea that low salaries equal better impact, skew perceptions.
3. **Lack of sector-wide transparency standards**: Inconsistent approaches to annual reports, impact statements, and financial disclosures make it hard for the public to distinguish trustworthy organisations from the rest.
4. **Digital scrutiny and 'gotcha' journalism**: Social media amplifies controversies rapidly, and negative headlines spread faster than nuanced explanations.
5. **Silence from the sector**: Many NFPs shy away from public commentary or reputational risk management, allowing damaging narratives to go unchallenged.

Collective Strategies for Amelioration

No individual NFP can solve this risk alone. Restoring and protecting public trust requires a sector-wide effort. Possible strategies include:

- **Develop a national transparency and integrity charter**: Peak bodies or alliances of major NFPs could create a voluntary code covering governance, financial reporting, and impact disclosure.
- **Launch a sector-wide public awareness campaign**: Promote understanding of the true costs of delivering impact and explain why “admin” is essential.
- **Tell better stories, together**: Create platforms that showcase diverse and real-life examples of how NFPs make a difference – beyond statistics or fundraising appeals.
- **Respond to controversy with leadership, not silence**: When sector issues arise, coordinated responses from respected leaders can help restore credibility.
- **Invest in shared tools for public reporting**: Sector-wide templates or dashboards for impact reporting could build consistency and confidence.

Risk 2

Shrinking Government Support and Policy De-prioritisation

Overview

Government has historically been the single largest funder and enabler of the Australian not-for-profit sector. In areas like aged care, disability services, housing, employment, mental health, and family support, NFPs are deeply embedded as delivery partners for government-funded programs. Yet over the last decade, a quiet but powerful shift has taken place: government reliance on the sector has increased, but its policy recognition and resourcing of the sector has not kept pace.

There is mounting evidence that many governments – federal, state and local – have gradually de-prioritised the not-for-profit sector in policy frameworks. The language of “partnering” is used, but the practice often reflects a transactional, cost-minimising, compliance-heavy approach. Policy reforms and funding models increasingly treat NFPs as service contractors rather than values-aligned partners.

This erosion of strategic engagement presents a systemic risk. When the sector’s contributions are undervalued or taken for granted, its ability to shape its operating environment – and respond to emerging community needs – is significantly weakened.

Sector Impact

Shrinking government support is not simply a budget issue – it has strategic consequences that affect the sector’s future:

- **Short-term funding cycles**: Many organisations operate under annual or even shorter funding agreements, limiting their ability to invest in staff, infrastructure, or innovation.

- **Mission drift**: NFPs may feel pressured to chase available tenders that don't align well with their core purpose, just to remain viable.
- **Increased administrative burden**: Compliance expectations have grown without a corresponding increase in funding for back-office systems or governance capacity.
- **Loss of influence**: As sector voices are excluded from meaningful policy design processes, reforms risk being ill-informed or unworkable.
- **Reduced sector diversity**: Small and specialist NFPs are often shut out of competitive tendering environments, leading to consolidation or closure.

This dynamic undermines the sector's independence and ability to fulfil its role as a voice for communities, not just a delivery arm of government.

Contributing Factors

The declining policy priority given to the sector stems from several trends:

1. **Marketisation of human services**: NFPs are increasingly treated like private sector contractors, competing in quasi-markets introduced by schemes like the NDIS.
2. **Ideological shifts**: Prevailing policy narratives favour competition, efficiency, and output metrics over relationships, trust, and outcomes.
3. **Disconnection between departments**: Fragmented funding and policy silos create inconsistency and duplication in how NFPs are engaged and funded.
4. **Underinvestment in public sector capability**: Some government agencies have lost in-house expertise in partnering with community-led organisations, leading to risk-averse and overly bureaucratic approaches.
5. **Passive sector response**: In some cases, the sector has not mobilised quickly or clearly enough to protect its policy role and funding base.

Collective Strategies for Amelioration

Reversing this risk requires coordinated advocacy and a more confident, unified sector stance. The following strategies could support a stronger positioning of the NFP sector in government policy and funding decisions:

- **Develop and promote a sector 'value proposition'**: Build a compelling, data-informed narrative about the economic, social and civic contribution of the NFP sector, and share it widely with policymakers.
- **Advocate for longer-term, outcomes-based funding models**: Encourage governments to shift away from short-term program contracts and towards more relational, flexible partnerships focused on impact.
- **Strengthen sector engagement in policy processes**: Push for co-design principles and formal representation of NFPs in relevant government advisory structures.
- **Create shared advocacy platforms**: Invest in peak bodies or alliances that can coordinate and amplify sector messages across regions and causes.
- **Hold governments accountable for partnership principles**: Call out rhetoric–reality gaps when "partnership" is claimed but not practised, using media, submissions, and collaborative action.

Example in Practice

A promising example of this strategy is the community services sector's advocacy in Western Australia, which has led to the adoption of a **Delivering Community Services in Partnership Policy** that embeds long-term contracts, co-design principles, and indexation into government funding arrangements. This policy emerged from sustained joint work by peak bodies and forward-thinking public servants – demonstrating that sector-led policy engagement can work when coordinated and persistent.

Risk 3

Structural Underfunding and Resource Insecurity

Overview

Many Australian not-for-profits are caught in a paradox: their work addresses the nation's most pressing needs, yet the resources they rely on are perpetually fragile. This is not just about underfunding individual organisations - it's a **structural undercapitalisation** of the sector as a whole.

The vast majority of NFPs operate on shoestring budgets. Even well-established organisations often struggle to build reserves, invest in technology, or retain skilled staff. They are expected to deliver high-impact outcomes with low administrative margins, absorb community need that is constantly shifting, and remain agile - all while being chronically under-resourced.

This systemic fragility creates a sector-wide risk: as external shocks (e.g. economic downturns, pandemics, funding changes) increase in frequency and intensity, many organisations are ill-equipped to absorb the impact. The result is not just individual closures - it is a weakening of Australia's social infrastructure.

Sector Impact

Structural underfunding and insecure revenue have long-term effects that ripple far beyond any single organisation:

- **Talent drain**: Skilled professionals are lost to better-paid sectors, especially in leadership, technology, and finance.
- **Inability to innovate**: Organisations rarely have access to unrestricted funds needed to pilot new approaches or upgrade systems.

- **Lack of reserves**: Many NFPs operate with less than 3 months of operating cash, placing them at risk during funding gaps or emergencies.
- **Excessive reliance on philanthropy**: In some sectors, particularly community arts, organisations are increasingly dependent on one-off philanthropic funding that is uncertain and competitive.
- **Overburdened leadership**: Executives and Boards are often stuck in reactive fundraising or grant-seeking cycles, limiting strategic focus.

The combined effect is a sector that's highly committed - but perennially vulnerable.

Contributing Factors

Several drivers underpin this risk:

1. **Historical norms of low-cost delivery**: NFPs have been conditioned (and often incentivised) to keep overheads low - even when this is unsustainable or inefficient.
2. **Unrealistic funding expectations**: Many funders, including government, under-allocate resources for operational infrastructure, governance, and evaluation.
3. **Lack of financial diversification**: Many organisations are heavily reliant on a single funding stream - government contracts, a major donor, or one source of earned revenue.
4. **Small-scale fragmentation**: The sector's landscape includes tens of thousands of micro and small NFPs, many of which compete for limited funds without collaborative mechanisms or shared services.
5. **Insufficient access to capital**: Unlike businesses, NFPs cannot raise equity capital, and few have access to low-cost finance or social investment.

Collective Strategies for Amelioration

Addressing structural underfunding requires bold thinking, collective action, and a shift in funding and investment models. Key sector-wide strategies include:

- **Promote the "true cost" funding agenda**: Advocate to government, philanthropy, and corporate funders that program costs must include infrastructure, governance, evaluation, and staff development.
- **Invest in reserve-building and sustainability**: Encourage Boards to set reserve targets and embed this in financial strategy - not as surplus hoarding, but as a buffer for risk and change.
- **Build sector-wide financial capability**: Create peer-learning opportunities, tools, and training to help NFPs strengthen financial management, pricing, and modelling.
- **Innovate in funding models**: Explore social finance tools (e.g. low-interest loans, social impact bonds, blended capital) where appropriate, and lobby for investment funds targeted at NFP innovation.
- **Collaborate on shared services**: Pool back-office costs and infrastructure - especially among smaller organisations - to increase efficiency and free up resources.

Examples in Practice

In Victoria, the **Social Impact Investment Fund (SIIF)** pilot provides blended finance to community sector organisations ready to scale impact but lacking capital. This initiative not only supports innovative service models but also challenges the idea that NFPs must remain perpetually under-capitalised.

Meanwhile, national campaigns like **"Pay What It Takes"** are helping shift philanthropic norms by promoting the idea that unrestricted and overhead-inclusive funding is essential for effectiveness.

Risk 4

Fragmentation and Lack of Sector Coordination

Overview

The Australian not-for-profit sector is vast, diverse, and deeply committed. But that diversity - spread across tens of thousands of independent organisations - also creates a structural risk: **fragmentation**.

Fragmentation refers to the lack of coordination, shared strategy, or collective voice across organisations that often work on overlapping issues, serve the same communities, or pursue similar goals. This is not about competition in the marketplace - it's about a lack of unified power in influencing systems, funding decisions, and policy reform.

Without a coordinated approach, the sector as a whole lacks leverage. When thousands of voices speak independently, even passionately, they are too easy for government and funders to ignore.

Sector Impact

The consequences of fragmentation play out in multiple ways:

- **Policy marginalisation**: The NFP sector is rarely consulted as a unified stakeholder in federal, state, or local government policy discussions, despite delivering large portions of public services.
- **Duplicated effort**: Countless organisations develop similar programs, tools, or advocacy positions - often unknowingly - wasting scarce resources.
- **Funding inefficiencies**: Funders receive similar pitches from unconnected organisations and may fund parallel (or competing) efforts in the same geography.

- **Weak crisis response**: During emergencies like COVID-19 or natural disasters, the absence of shared infrastructure and coordination mechanisms delays response times and reduces effectiveness.
- **Low public profile**: The public sees individual charities but often has no sense of the sector as a unified force for social good or national resilience.

This systemic disconnection weakens the sector's ability to influence, collaborate, and lead.

Contributing Factors

Fragmentation is driven by a combination of historical, structural, and practical issues:

1. **Decentralised origins**: Most NFPs are local or issue-based, born from grassroots efforts, without a centralised body or federated governance.
2. **Funding competition**: Government and philanthropic models often pit organisations against each other for limited funds, disincentivising collaboration.
3. **Government cost savings through collaboration**: Where government encourages collaboration, it is often in the attempt to reduce the total funding spend, not as a strategy toward greater benefit from current spend.
4. **Lack of national coordination infrastructure**: While some subsectors (like disability or health) have peak bodies, many do not - or their peaks are under-resourced or seen as disconnected.
5. **Mission focus over ecosystem thinking**: NFPs tend to focus on service delivery rather than ecosystem-building or shared advocacy.
6. **Technological limitations**: Poor data-sharing and collaboration platforms reinforce silos, especially in regional areas.

Collective Strategies for Amelioration

Tackling fragmentation requires deliberate, well-funded efforts to build trust, coordination, and shared infrastructure. The sector must begin to act - when needed - as a collective system, not just a field of independent actors.

Recommended strategies include:

- **Strengthen peak bodies and coalitions**: Invest in national and regional peaks that can coordinate advocacy, data, and sector-wide priorities. These bodies must be inclusive and member-driven, not just representative in name.
- **Create common cause campaigns**: Build shared public campaigns (e.g. climate justice, housing affordability) that bring together diverse NFPs under a single banner. Shared narrative drives influence.
- **Develop national collaboration frameworks**: Pilot coordination models that enable joint policy work, funding proposals, and program design across multiple organisations.
- **Share platforms, data, and infrastructure**: Funders can incentivise shared service models, open data standards, and collaborative planning tools.
- **Shift funder expectations**: Advocate for funders to prefer (or require) consortia applications, coalition advocacy, or joint evaluation metrics.

Examples in Practice

The **EveryAGE Counts** campaign is a coordinated national effort to tackle ageism, driven by a coalition of ageing, health, human rights, and social service organisations. It exemplifies what's possible when a shared message and advocacy platform unite disparate players under one banner.

Similarly, in the aftermath of the 2019–2020 bushfires, the **Australian Disaster Resilience Network** emerged as a cross-sector effort to improve coordination between NFPs, community groups, and government responders - highlighting the urgent need for pre-built infrastructure before disaster strikes.

Risk 5

Encroachment of For-Profit Providers into Traditional NFP Domains

Overview

In recent years, the not-for-profit (NFP) sector has seen a steady encroachment of for-profit providers into domains traditionally served by community-led organisations. This shift is most visible in areas like aged care, disability services (notably via the NDIS), vocational training, early childhood education, and mental health support - sectors once dominated by mission-driven entities but now increasingly commercialised.

The systemic risk here is not simply the presence of competition. It's the erosion of **values-based service**, community accountability, and long-term trust - replaced by profit-oriented delivery models that may prioritise scale and efficiency over social outcomes, inclusion, and equity.

Sector Impact

The entry of for-profit providers into publicly funded human services reshapes the landscape in ways that undercut the strengths of the NFP model:

- **Mission drift and sector mimicry**: NFPs may feel pressure to adopt commercial behaviours, KPIs, and marketing tactics to remain competitive - risking a drift away from their values and local connections.
- **Loss of market share**: For-profits, with greater access to capital, tech, and infrastructure, can scale faster, enter new markets with ease, and undercut NFPs on price.

- **Shifting policy dynamics**: Government departments may become more focused on commissioning and contract compliance than on collaboration and community outcomes.
- **Public confusion**: Clients and donors may no longer distinguish between mission-led organisations and service vendors - weakening trust in the sector's unique role.

For NFPs, these trends create existential challenges. But for the sector as a whole, they signal a systemic dilution of purpose, voice, and influence.

Contributing Factors

This risk has not emerged in isolation. Several structural drivers have opened the door for for-profit expansion:

1. **Marketised funding models**: Schemes like the NDIS or My Aged Care are designed around choice and competition, not sector development or community strength.
2. **Procurement-based commissioning**: Large government tenders favour scale, standardisation, and compliance - often advantaging corporate providers over community ones.
3. **Capital access**: For-profits can attract investors, borrow for growth, and fund innovation in ways most NFPs cannot.
4. **Tech-driven efficiencies**: Many for-profits leverage digital tools, automation, and data analytics to drive cost reduction and client retention.
5. **Perception of professionalism**: Some policymakers and funders view for-profit providers as more 'modern' or 'accountable' than smaller NFPs, despite community evidence to the contrary.

Collective Strategies for Amelioration

To respond, the NFP sector must differentiate itself - not by mimicking corporate models, but by clarifying and elevating its core strengths: purpose, place, and people.

Key strategic responses include:

- **Assert values-based leadership**: Publicly champion the distinctiveness of NFP models - local accountability, reinvestment of surpluses, culturally competent services, and long-term commitment to social good.
- **Demonstrate impact beyond outputs**: Invest in outcome evaluation, storytelling, and longitudinal research to showcase the broader value of NFP-delivered services.
- **Build alliances across subsectors**: Where NFPs unite, they can develop shared branding, pooled advocacy, and regional service consortia that reduce duplication and increase influence.
- **Collaborate with ethical for-profits**: Not all commercial actors are extractive - some social enterprises and B Corps align well with NFP values. Joint ventures and public-private-community partnerships can be viable models if anchored in shared outcomes.
- **Push back on flawed commissioning**: Advocate for commissioning frameworks that recognise social return, local networks, and inclusive practice - not just price and volume.
- **Invest in capability**: Build internal capacity around digital tools, client experience, and adaptive governance to compete with for-profits on quality and professionalism without compromising purpose.

Example in Practice

In Victoria, the **Community Health sector** has long served as a values-led alternative to private general practice and allied health. Despite for-profit competition, these organisations have maintained strong community ties, culturally safe care, and wraparound service models that deliver demonstrable long-term impact - showing that scale and ethics can coexist when properly funded and supported.

Similarly, the **Social Traders network** promotes partnerships between government and certified social enterprises - many of which are NFPs - creating procurement pathways that favour mission-led business.

Risk 6

Uneven Technological Adoption and the Digital Divide

Overview

The increasing centrality of digital technology in every aspect of modern life - including service delivery, stakeholder engagement, governance, and funding - is creating systemic risk across the not-for-profit (NFP) sector. While some organisations have embraced digital transformation, others remain under-resourced and digitally immature, contributing to an uneven playing field.

This digital divide affects not only operational efficiency, but also inclusiveness, strategic agility, and public credibility. The sector risks becoming fragmented - split between digitally-enabled organisations able to scale and demonstrate value, and those falling further behind, unable to meet emerging expectations from funders, regulators, and clients.

Sector Impact

This risk manifests in multiple ways, including:

- **Operational inefficiencies**: Outdated systems lead to duplication of effort, poor data security, and manual processes that drain resources.
- **Reduced client access**: Many service users - particularly in rural areas, low-income communities, and among older populations - face digital exclusion. If services shift online without appropriate support, vulnerable people may be left behind.
- **Funding disadvantage**: Funders increasingly expect sophisticated reporting, real-time outcomes tracking, and online service options. Organisations without these capacities risk missing out on grants or contracts.
- **Governance blind spots**: Boards that lack digital literacy may fail to oversee cyber risks, approve adequate investments, or interrogate data-led decisions.

- **Sector credibility**: The broader sector can be perceived as “behind the times,” damaging public and philanthropic confidence, especially compared to agile for-profit competitors.

Left unaddressed, this uneven digital maturity compromises the sector’s ability to collaborate, advocate, and innovate effectively at a national level.

Contributing Factors

Several interlocking dynamics contribute to this risk:

1. **Limited core funding**: Most grants and government contracts do not fund IT systems, cyber security, or digital capability-building.
2. **High cost of transformation**: System upgrades, cloud migrations, CRM platforms, and staff training all require upfront investment with no immediate return.
3. **Digital skills gap**: Many NFPs - particularly in regional areas - struggle to attract or afford skilled ICT professionals, data analysts, or digital strategists.
4. **Board uncertainty**: Some governance bodies lack the digital confidence or foresight to prioritise tech as a strategic enabler.
5. **Mission over mechanics**: Organisations may see technology as an overhead rather than a core part of delivering impact - delaying investment in essential infrastructure.
6. **Community perception**: Investment in technology can be perceived by the broader community as ‘wasted money’, drawing money away from core services.

Collective Strategies for Amelioration

Addressing this risk requires a coordinated, sector-wide push to lift digital capability across the board - not just for a few well-funded players.

Key approaches include:

- **Sector-wide digital literacy initiatives**: Philanthropic collaboratives, such as Infoxchange's *Digital Transformation Hub*, can provide tools, training, and shared services to build capacity across small and mid-sized NFPs.

- **Shared infrastructure**: Consider pooled CRM systems, reporting dashboards, or cyber security services delivered via peak bodies or regional alliances. Economies of scale reduce cost and increase uptake.
- **Digital-first funding criteria**: Advocate for core funding models that recognise technology as essential infrastructure - not a luxury. Government grant frameworks should explicitly include digital transformation as an eligible cost.
- **Tech-volunteer partnerships**: Programs like *Digital Springboard* and *TechSoup* link skilled volunteers, training, and donated software with community organisations. These models can be scaled with appropriate support.
- **Board capability programs**: Peak bodies and philanthropy can co-design governance training modules focused on cyber risk, data use, and digital strategy - equipping boards to lead in this space.
- **Digital equity advocacy**: The sector must also advocate for equitable digital access for clients - including improved rural connectivity, affordable devices, and digital literacy training - ensuring services remain inclusive.

Example in Practice

The *Good Things Foundation* runs the national **Be Connected** program, empowering older Australians to get online safely and confidently. Delivered through thousands of local NFP partners, this initiative reduces digital exclusion at a community level - while also helping NFPs grow their own digital comfort.

Meanwhile, *Infoxchange*’s **Technology for Social Justice** work helps small NFPs assess their digital readiness and implement low-cost improvements - backed by philanthropic and government support.

Risk 7

Leadership Burnout and Executive Succession Gaps

Overview

Leadership is the engine room of any successful not-for-profit organisation. Yet, across Australia's NFP sector, executive leaders - particularly CEOs and senior managers - are reporting alarming levels of burnout, exhaustion, and disillusionment. Many are staying in their roles due to obligation, not motivation, with little support, minimal professional development, and unclear succession pathways. When these leaders eventually leave, many organisations are unprepared.

This risk is systemic - not isolated to individual organisations - because NFPs operate in high-pressure, high-stakes environments with thin margins and complex stakeholder dynamics. When senior leaders falter or exit suddenly, service continuity, workforce stability, and organisational strategy can all be jeopardised.

Sector Impact

Leadership burnout and lack of succession planning generate compounding risks:

- **Strategic drift**: Leaders experiencing burnout are often reactive, unable to invest time in strategic thinking or innovation. Vision and performance suffer.
- **Workforce instability**: Burnt-out leaders may unintentionally transmit stress to their teams, increasing turnover, disengagement, and internal conflict.
- **Talent drain**: The sector loses capable professionals who move to better-resourced roles in government or corporate settings.
- **Unplanned exits**: When a CEO leaves unexpectedly, Boards may scramble to manage recruitment and continuity - particularly if they lack sector-specific HR support.

- **Loss of trust**: Poor transitions, abrupt leadership changes, or internal dysfunction can erode funder and partner confidence.

Ultimately, this creates reputational and operational risk for the sector as a whole, reinforcing narratives that NFPs are fragile, unstable, or unsustainable.

Contributing Factors

Key contributors to this risk include:

1. **Under-resourced roles**: Many CEOs carry overwhelming responsibilities - fundraising, HR, governance, service delivery - with limited executive support.
2. **Board–CEO imbalance**: When Boards micromanage or disengage, they compound pressure on executive leadership.
3. **Isolation**: NFP leaders often work alone in their sector or region, with few safe spaces to share challenges or receive peer support.
4. **Unclear succession**: Most organisations lack documented succession plans, internal talent pipelines, or transitional support funding.
5. **Mission martyrdom**: A strong sense of purpose can lead to self-neglect and delayed exits, masking structural flaws until a crisis hits.

Collective Strategies for Amelioration

This risk demands cultural, structural, and practical shifts. Sector-wide efforts should focus on normalising leadership sustainability and building long-term executive resilience.

Key actions include:

- **Promote sustainable leadership models**: Boards must be encouraged (and trained) to share leadership load, clarify CEO expectations, and prioritise wellbeing. This includes investing in executive teams - not relying on a solo CEO.

- **Build a national NFP leadership pipeline**: Sector leaders, peak bodies, and philanthropists can co-design fellowships, secondments, and leadership development programs that prepare emerging executives and reduce risk when transitions occur.
- **Fund succession planning**: Major funders and government departments should include provisions for leadership transition planning and handover periods in their grants. Planned change costs less than emergency recruitment.
- **Peer networks and mentoring**: Expand facilitated CEO networks, regional leadership circles, and cross-sector mentoring programs. Shared experience reduces burnout and builds adaptive capacity.
- **Executive wellbeing as governance priority**: Boards must be accountable for the health and longevity of their leadership team. This means regular check-ins, structured leave, and executive coaching being routine - not the exception.

Example in Practice

The *Paul Ramsay Foundation* has invested in leadership development through the **Social Impact Leadership Australia (SILA)** program, a cross-sector initiative that builds resilience, networks, and strategic clarity for NFP CEOs across the country. Participants are supported with sabbaticals, coaching, and organisational development grants - positioning them for long-term effectiveness.

Similarly, state-based groups like the **Tasmanian Community Services CEO Network** offer peer support and collective advocacy, countering the isolation and intensity of leadership in small regional NFPs.

Risk 8

Policy Volatility and Unstable Funding Environments

Overview

Australian not-for-profits operate within complex webs of government funding, regulation, and public policy. Shifting policy priorities, changes in government, or departmental restructures can rapidly alter funding flows, eligibility criteria, service delivery models, and reporting obligations. When entire programs are defunded or restructured - often with little notice - organisations are left scrambling to adapt. Clients suffer, staff lose their jobs, and hard-won progress can be lost overnight.

This is not just an organisational issue. The broader NFP sector is placed in a permanent state of uncertainty, which discourages innovation, long-term planning, and investment in infrastructure or talent. It fosters a culture of scarcity, competition, and compliance over collaboration and impact.

Sector Impact

Policy and funding instability poses several systemic threats:

- **Strategic paralysis**: Organisations are reluctant to commit to long-term initiatives or workforce investments when funding is uncertain beyond 12 months.
- **Client risk**: Vulnerable populations - people with disabilities, at-risk youth, victims of domestic violence - can be left without continuity of care when programs are abruptly altered or terminated.
- **Talent retention**: Skilled staff leave for more stable sectors, increasing recruitment costs and undermining sector professionalism.
- **Lost innovation**: Pilots and place-based projects are often prematurely ended or forced to ‘scale up’ before proving sustainable.

- **Trust erosion**: Funders, Boards, and communities lose faith in the sector's ability to deliver consistent results when policies change mid-stream.

The sector becomes reactive, stretched thin, and forced into risk-averse behaviour that limits its potential.

Contributing Factors

Several conditions amplify this risk:

1. **Short-term funding cycles**: Many government grants are annual or biennial, with reapplication processes that favour administrative compliance over impact.
2. **Politicisation of social issues**: Key areas of work (e.g. climate, refugees, Indigenous justice) are subject to ideological shifts depending on government.
3. **Lack of co-design**: Policy is often designed without deep engagement with NFPs delivering services on the ground.
4. **Inconsistent reporting and metrics**: Funders require different KPIs, outputs, and evaluation methods - limiting transparency and reducing data comparability.
5. **Reactive budgeting processes**: Governments may 'cut and redirect' funding mid-year, based on economic pressures or political imperatives.

Collective Strategies for Amelioration

Reducing this risk requires unified advocacy, policy engagement, and cross-sector dialogue. NFPs must build influence not just as service providers, but as policy stakeholders and strategic partners.

Key actions include:

- **Advocate for longer-term contracts**: Peak bodies and alliances must continue lobbying for minimum three- to five-year contracts to enable stability and strategic investment.

- **Strengthen cross-sector coalitions**: Building coalitions of NFPs, academics, philanthropic funders, and business supporters to jointly advocate for policy reform adds credibility and influence.
- **Embed co-design principles**: Government departments should adopt frameworks that require early and meaningful involvement of NFPs in the design of programs and policies.
- **Push for standardised reporting frameworks**: Streamlining KPIs across similar program areas will reduce burden and increase data utility for both funders and organisations.
- **Encourage philanthropic bridge funding**: Foundations and corporate donors can play a stabilising role by funding between government contracts or during periods of transition.

Example in Practice

The *Community Council for Australia (CCA)* and *Justice Connect* have long championed sector sustainability through campaigns like “#FixFundraising” and national efforts to secure longer-term funding agreements. Their work in unifying sector voices around coherent policy asks has gained traction with Treasury and parliamentary committees.

Another promising initiative is the **NSW Social Impact Investment Policy**, which brings together government, NFPs, and private investors to collaboratively design and deliver social programs, ensuring shared outcomes and longer-term contracts.

Risk 9

Inequity in Access to Power, Resources and Voice

Overview

Despite being a sector rooted in values of equity, fairness and justice, Australia's not-for-profit sector does not always reflect those ideals in its own structures. The distribution of power, funding, influence, and access to decision-making is not even. Small and rural organisations are often overlooked. First Nations and culturally diverse organisations face structural and cultural barriers. Community-led and place-based work frequently receives less investment than large, urban, professionally run organisations.

This imbalance not only weakens the sector's legitimacy, but also impairs its impact. When resources are not equitably distributed - and voices not equally heard - communities lose out on services that are best tailored to their needs, and the sector loses insight into lived experience and local innovation.

Sector Impact

Inequities in power and resources have flow-on effects that are systemic:

- **Concentration of funding**: A handful of large, well-established organisations secure a disproportionate share of available government and philanthropic funding.
- **Underrepresentation in policymaking**: Voices from remote, grassroots, and culturally diverse communities are excluded from the rooms where decisions are made.
- **Duplication and inefficiency**: Larger providers sometimes enter communities with limited local knowledge, sidelining existing local organisations.
- **Loss of trust and cultural safety**: Communities are more likely to trust and engage with services led by people from within their own communities.

- **Burnout in underfunded organisations**: Small, place-based providers are stretched thin, expected to deliver on par with larger counterparts but without resources, staff or infrastructure.

These inequities erode the social capital the sector depends on, while making it harder for communities to participate meaningfully in designing and delivering solutions.

Contributing Factors

Several dynamics fuel this inequity:

1. **Grant design that favours scale and infrastructure**: Funding criteria often preference organisations with demonstrated 'capacity' - a metric that indirectly disadvantages grassroots organisations.
2. **Limited cultural competency in funding bodies**: Application processes, governance expectations, and due diligence checks can unwittingly exclude culturally diverse organisations.
3. **Lack of trust-based funding**: Highly prescriptive, project-based grants limit the ability of small organisations to shape delivery in ways that fit local needs.
4. **Tokenistic consultation**: Engagement with marginalised communities is often surface-level, insufficiently resourced, or conducted after decisions have already been made.
5. **Geographical bias**: Urban-based organisations are more likely to be seen, networked, and included in policy discussions.

Collective Strategies for Amelioration

To be credible and effective, the sector must hold itself to its own standards of inclusion and equity. Strategies to redress power and resource imbalances include:

- **Invest in grassroots leadership**: Governments and philanthropists should allocate funding specifically to support community-led organisations - especially those serving First Nations, migrant, and regional communities.

- **Adopt equity-weighted grant frameworks**: Funding bodies should build in criteria that favour under-resourced organisations, not penalise them.
- **Shift to trust-based philanthropy**: Multi-year, unrestricted grants enable smaller organisations to grow, innovate, and respond flexibly to community needs.
- **Strengthen place-based governance**: Ensure that communities have control over service design, delivery, and evaluation where it affects them directly.
- **Enable sector-wide mentoring and partnership**: Larger organisations can act as incubators or auspice partners for smaller community-based organisations, helping them access opportunities without absorbing their identity or leadership.

Examples in Practice

The *Paul Ramsay Foundation* has begun trialling **trust-based** and **placed-based funding** approaches, offering general operating support rather than tightly prescribed project funding. This model empowers organisations to make decisions based on what's most needed, and reduces time spent on administrative tasks.

The **Wiyabu Consortium** in Queensland demonstrates what's possible when First Nations organisations pool their expertise, assert local leadership, and negotiate directly with funders for control over health, family violence, and child protection service design.

At a systems level, the **Indigenous Voice to Parliament** - regardless of the referendum result - has elevated conversations around structural inclusion, cultural governance, and equitable representation in public decision-making. The NFP sector can take lessons from that.

Risk 10

Declining Civic and Democratic Engagement

Overview

At its heart, the not-for-profit (NFP) sector is a cornerstone of Australian civil society. It exists not just to deliver services, but to nurture connection, community voice, and democratic participation. However, a gradual erosion of civic and democratic engagement - manifesting in voter apathy, declining volunteerism, polarisation, and distrust in institutions - poses a growing systemic risk to the sector and the social contract it supports.

If communities become disengaged or distrustful, the NFP sector's ability to reflect public needs, advocate for reform, and mobilise collective action is weakened. The health of Australia's democracy and the health of its community sector are inextricably linked.

Sector Impact

A weakening civic fabric undermines many of the sector's critical functions:

- **Decline in active citizenship**: Volunteering, local organising, and community engagement efforts suffer as people feel less empowered or less motivated to contribute.
- **Shrinking donor base**: Individuals disengaged from broader civic life are less likely to give to community causes or participate in collective solutions.
- **Decreased trust in advocacy**: A more polarised or cynical public can view NFP advocacy efforts as partisan, irrelevant, or untrustworthy.
- **Reduced influence on public policy**: As governments respond to populist or politically expedient narratives, the sector's evidence-based advice may carry less weight.
- **Weaker social cohesion**: Communities become fragmented, reducing their ability to organise, deliberate, and respond to local challenges collectively.

This dynamic is cyclical - disengagement leads to institutional drift, which in turn reinforces further disengagement. The NFP sector is both impacted by and instrumental in reversing that decline.

Contributing Factors

Several social and structural shifts are accelerating this risk:

1. **Disinformation and polarisation**: Social media and populist politics have amplified mistrust, making it harder for community organisations to have reasoned, evidence-based dialogue.
2. **Economic pressures**: Rising cost-of-living and job insecurity have made people less available for volunteering, engagement, or giving.
3. **Political disillusionment**: Communities are increasingly frustrated by slow or opaque government decision-making, leading to cynicism.
4. **Reduced investment in civic infrastructure**: Funding for community centres, local libraries, and civic events has declined in many areas, especially rural and remote Australia.
5. **Lack of participatory opportunities**: Communities are rarely asked to co-create solutions - they are consulted but not empowered.

Collective Strategies for Amelioration

The not-for-profit sector has a unique opportunity - and responsibility - to rebuild civic engagement by fostering belonging, participation, and shared purpose. Sector-wide strategies include:

- **Promote participatory decision-making**: Encourage co-design, citizen juries, and community assemblies in both service planning and advocacy.
- **Invest in civic literacy**: Partner with schools, libraries, and media outlets to promote understanding of democratic processes, media literacy, and community leadership.

- **Reinvigorate volunteering**: Adapt volunteer models to suit modern lives - shorter commitments, remote options, and intergenerational models.
- **Support local journalism and storytelling**: Collaborate with local media to elevate community stories, counter disinformation, and amplify marginalised voices.
- **Create spaces for respectful dialogue**: Facilitate events and initiatives that bring together people across divides - rural and urban, political and cultural - to foster shared solutions.

Examples in Practice

The **Foundation for Rural and Regional Renewal (FRRR)** has championed local investment in small towns by funding community-led projects that strengthen social cohesion and re-engage communities in local governance and planning.

Organisations like **DemocracyCo** have led successful citizen jury and participatory budgeting models across Australia, offering evidence that deliberative democracy can rebuild trust and bridge divides.

The **Centre for Australian Progress** has invested in training programs that support grassroots leaders and organisers to build the skills - and confidence - to lead civic movements from within their communities.

A Call to Collective Leadership

The ten systemic risks outlined in this paper are not isolated threats. They are interlinked forces that, together, can either weaken or strengthen the long-term vitality of Australia's not-for-profit sector. These risks affect not just individual organisations, but the entire ecosystem, its reputation, sustainability, influence, and moral authority.

While many of the underlying pressures are external - economic uncertainty, technological change, government reform, and changing societal expectations - how the sector responds is well within our control. We are not powerless observers. As a sector, we can choose to operate with foresight, unity, and conviction.

This moment calls for leadership, not just at the level of individual boards and CEOs, but at the level of the system itself. We must move beyond organisational silos and collaborate as a sector with shared interest, shared voice, and shared accountability. It is no longer enough to focus solely on local operations or immediate service delivery while ignoring broader systemic risks.

Philanthropic funders and corporate partners must also play a role, not merely as passive supporters, but as active stewards of the sector's capacity, infrastructure, and long-term viability. Their funding priorities can help shape stronger governance, encourage innovation, and build the resilience needed to withstand future shocks.

Government, too, must partner differently with the NFP sector, not as a contractor or transaction manager, but as a strategic collaborator committed to investing in the sustainability and independence of civil society. This includes reforming procurement and funding practices to support flexibility, fairness, and core capability-building.

Most importantly, the sector itself must lead. We need to speak with a united voice on regulatory overreach, on the need for data and transparency reform, and on the central role of trusted, ethical, community-anchored organisations in public life. We need to back each other publicly and privately, because reputational damage to one organisation can reverberate across the whole sector.

The way forward requires action on multiple levels:

- **At the organisational level**: invest in leadership, strategy, risk management, digital capacity, and financial sustainability.
- **At the network level**: build alliances, share knowledge, advocate collectively, and coordinate responses to external threats.
- **At the sector level**: develop policy platforms, engage in national conversations, and lead public understanding of the sector's impact and value.

There is no single silver bullet. But if we do nothing, the risks outlined here will worsen, slowly at first, then suddenly. Trust will erode. Funding will narrow. Capability will shrink. Impact will stall.

The alternative is far more compelling: a not-for-profit sector that is future-fit, fiercely independent, proudly mission-driven, and deeply valued by the Australian community.

That future is still within reach - if we lead together.