**Not-for-Profit Sector**

**Development Blueprint**

**Issues Paper**

**Blueprint Expert Reference Group**



The Blueprint Expert Reference Group acknowledges the Traditional Owners of the Country throughout Australia and their continuing connection to land, waters and community.

We pay our respects to their Cultures, Country and Elders past and present.

**Contents**

[1. About this paper 4](#_Toc149125492)

[1.1. Background 4](#_Toc149125493)

[1.2. Blueprint scope 4](#_Toc149125494)

[1.3. Context 5](#_Toc149125495)

[1.4. How to contribute 6](#_Toc149125496)

[2. The not-for-profit sector in Australia 8](#_Toc149125497)

[**2.1.** **Questions** 11](#_Toc149125498)

[3. Measurement, outcomes and quality of services 12](#_Toc149125499)

[**3.1.** **Questions** 16](#_Toc149125500)

[4. Policy, advocacy, communications and engagement 17](#_Toc149125501)

[**4.1.** **Questions** 19](#_Toc149125502)

[5. Philanthropy and volunteering 20](#_Toc149125503)

[**5.1.** **Questions** 22](#_Toc149125504)

[6. Governance, organisation and legal environment 23](#_Toc149125505)

[**6.1.** **Questions** 25](#_Toc149125506)

[7. Leadership and staff development 26](#_Toc149125507)

[**7.1.** **Questions** 28](#_Toc149125508)

[8. Government funding, contracting and tendering 29](#_Toc149125509)

[**8.1.** **Questions** 31](#_Toc149125510)

[9. Information Technology, communication and marketing 32](#_Toc149125511)

[**9.1.** **Questions** 33](#_Toc149125512)

[10. Leveraging assets and social finance 34](#_Toc149125513)

[**10.1.** **Questions** 36](#_Toc149125514)

[Appendix I: List of questions 38](#_Toc149125515)

[Appendix II: BERG members and paper contributors 41](#_Toc149125516)

[References 43](#_Toc149125517)

1. About this paper

The purpose of this paper is to invite your feedback on the principles and priorities of a national blueprint for Australia’s not‑for‑profit (NFP) sector. The NFP Sector Development Blueprint aims to establish a 10‑year vision and priorities for action to realise this vision. This paper is accompanied by a 2 page summary vision document, which sets out early thinking about the qualities and priorities of the future sector for your consideration.

## Background

Ahead of the 2022 Federal Election, then Shadow Assistant Minister for Treasury and Shadow Assistant Minister for Charities indicated that a NFP Sector Expert Reference Panel would be established to guide development of the NFP Blueprint to ensure a strong future for Australian charities. The 2022–23 October budget provided the *Development of the Not-for-Profit (NFP) Sector Development Blueprint (*the Blueprint) *and doubling philanthropic giving by 2030* measure, designed to meet the Government’s election commitment of supporting a:

1. Blueprint to provide a roadmap for government reforms and sector‑led initiatives to boost the sector’s capacity to support and reconnect Australian communities; and
2. Review of Philanthropy to understand trends in philanthropic giving in Australia, the underlying drivers of these trends, and to identify opportunities and obstacles to increasing such giving. The Productivity Commission has been tasked with delivering an inquiry into philanthropy by May 2024.

The Blueprint Expert Reference Group (BERG) was established in December 2022. Guided by its terms of reference, the BERG ‘will deliver advice to the government including the development of a fully consulted Blueprint charting out a better future for the Australian NFP and charities sector. The Blueprint will be used to develop a suite of sector-led workable and effective options for reform to strengthen social capital and a vibrant sector’.

This paper has been produced by the BERG[[1]](#footnote-2) to invite public feedback and support talking with a wide cross-section of the NFP sector on the Blueprint’s development.

## Blueprint scope

The NFP sector is large, with past estimates suggesting there are around 600,000 NFP organisations in Australia (Productivity Commission 2010)[[2]](#footnote-3). According to data from the Australian Taxation Office (ATO) and Australian Charities and Not-for-Profits Commission (ACNC) Charities Report 9th Edition, 2023 there are approximately:

* 600,000 NFPs in Australia
* 225,000 NFPs with registered Australian Business Numbers
* 60,000 charities registered with the ACNC.

Of the 225,000 NFPs with registered Australian Business Numbers around 157,000 are not registered charities.

In line with the Blueprint terms of reference, this paper focuses on the 60,000 charities that are regulated through the ACNC. While charities are not representative of the full NFP sector, many societal and operating issues affecting charities are relevant to NFPs more broadly. Where available, we have included evidence about trends that affect the wider NFP sector. This paper invites responses from diverse perspectives to best inform the priorities of the Blueprint.

This paper invites thinking about actions for the future of the sector, taking into account current conditions and past learning. The Blueprint will complement other relevant strategies and frameworks, including the [*National Agreement on Closing the Gap*](https://www.closingthegap.gov.au/national-agreement) and [*National Strategy for Volunteering 2023-2033*](https://volunteeringstrategy.org.au/)*,* as well as findings and recommendations from the current Productivity Commission Inquiry into Philanthropy. In addition, the Australian Government has also committed to [*a* *stronger, more diverse and independent community sector*](https://engage.dss.gov.au/a-stronger-more-diverse-and-independent-community-sector/). To inform a package of recommendations to government with regard to this commitment, the Department of Social Services (DSS) is currently exploring opportunities to better support Australian communities through the design and administration of grants to the community sector, including more meaningful working partnerships and options for greater innovation. The focus areas of this work overlap – with a specific focus on the community sector – with some areas set out in this issues paper.

## Context

Australia’s NFP sector contributes deeply to the social, civic, economic, cultural and environmental dimensions of life in Australia. Many thousands of small NFP organisations are run by and for community members to meet community needs, while larger organisations bridge gaps and aggregate support for people and issues beyond the local sphere. At both these micro and macro levels, NFP organisations represent and contribute significantly to our nation’s common wealth and common good (Chambers 2014). There is also a wide range of government agendas and policies that cannot be fulfilled without the support of a strong and effective NFP sector. Additionally, there are many layers of government – federal, state and territory and local – that intersect with the NFP and charities sector and have different roles and responsibilities in relation to legislation and regulation, funding and service delivery.

In all its breadth and diversity, the NFP sector is responding to major forces that are shaping the future. Australia’s ageing population is changing our society’s needs, the shape of our industries and our tax bases. Growth in automation and digital transformation affects how people connect with each other, how we access and use services, how these services are designed and delivered, and how people give. Climate change requires us to transition to different ways of working and living, preparing for and responding to increasingly frequent extreme weather events and more gradual effects such as coastal erosion, and supporting people and communities unequally affected. Australia’s diversity is growing, with the most recent Census showing more than half Australians have a multicultural background. There has been a steady overall decline in religious affiliation, as well as an increase in diversity of religious affiliation, in Australia over the last 50 years (Australian Bureau of Statistics 2022). Across all sectors, we are having deeper conversations about the importance of self‑determination, diversity, and belonging to improve fairness and support our collective ability to thrive.

In preparing this paper, we are conscious of the many ways in which people and organisations have been invited to contribute to past inquiries about the NFP sector, related frameworks such as the new *National Strategy for Volunteering*, and current government-led reform consultations relevant to parts of the sector. In keeping with the principle of ‘collect once, use often’ (Productivity Commission 2010), this paper and the wider Blueprint development process takes as its starting point what we understand from past consultations and from recent research. Submissions made to the [*Stronger, More Diverse and Independent Community Sector*](https://engage.dss.gov.au/a-stronger-more-diverse-and-independent-community-sector/a-stronger-more-diverse-and-independent-community-sector-issues-paper/) consultation will be considered as part of the Blueprint’s development. While we welcome new responses to the issues and evidence presented here, we hope this approach makes good use of knowledge people and organisations have already generously shared, and treads lightly on the time of those who wish to contribute.

## How to contribute

The Blueprint Expert Reference Group (BERG) now seeks input to develop a blueprint that makes holistic recommendations on priorities for sector‑led actions and government reform to ensure a strong and effective NFP sector over the coming decade. Given the BERG’s experience draws heavily from the community services sector, this public consultation phase is critical to inform a Blueprint that is meaningful to the broader NFP sector. Your views will help shape an understanding of what the Australian community and NFP organisations want for the NFP sector (a vision), what we want them to achieve (outcomes) and what should be prioritised to achieve these (priority actions and reforms).

This paper has been organised around a series of topics, based on the Blueprint terms of reference and early discussions by the BERG. Each section is followed by a set of questions, which are then summarised in Appendix I. We welcome your responses to any of these questions and the questions in the 2 page summary vision document, as well as other matters of priority you want to highlight.

Submissions to this and the 2 page summary vision document can be made via the [DSS Engage](https://engage.dss.gov.au/) platform[[3]](#footnote-4). These will be synthesised by the BERG’s expert advisors and form part of the next stage of BERG deliberations and action in developing the Blueprint. Submissions are open until 20 December 2023.

1. The not-for-profit sector in Australia

A well-functioning Australia needs a strong NFP sector. In a period of social and environmental disruption, when we are participating less in our communities (O’Donnell et al. 2023), the sector plays a central role in enabling a fair, inclusive, vibrant and prosperous society. From lacing up for a Parkrun to getting an emergency bed and hot meal, hosting a community radio show, regenerating bushland, sharing culture, enjoying a festival, or accessing quality care at home, every day, millions of people contribute to and draw on Australia’s NFP sector.

From community and consumer-led organisations responding locally to people’s needs, to providing international aid, and the scientific contributions of our tertiary institutions, the sector is a vital source of connectedness, knowledge and help, and a central part of Australia’s innovation system. Aboriginal and Torres Strait Islander Community Controlled organisations and organising protect and are part of the world’s longest living culture, and provide holistic models of care for people and country. For many people from multicultural backgrounds – particularly those new to Australia and in emerging communities – local ethnic, religious and multicultural organisations play an essential role in the journey to building connection, community and maximising their ability to contribute fully to the Australian nation.

More than 1.4 million people, or 10.5% of Australia’s working population, work for an Australian charity. These organisations also fulfil their missions with the help of 3.2 million volunteers (ACNC 2023). Australians of all ages, backgrounds cultures, and abilities use services provided by this sector. The sector contributes 4.8% of Australia’s Gross Value Added, making it similar in size to the retail sector (ACNC 2017).

Community organisations and ways of organising have existed on this continent for over 60,000 years. With various roots in First Nations’ practices, Australia’s colonial history of supporting people experiencing poverty, faith-based practices, community development and social movements, Australia’s NFP sector is very diverse in its purposes, values and structures. More than 65% of registered charities are small organisations[[4]](#footnote-5), with 50% of charities run entirely by volunteers (ACNC 2023). Faith‑based charities represent more than one quarter of ACNC registered charities (ACNC 2023).

The ACNC classifies a charity’s size based on its annual revenue (ACNC 2023):

* Small charities are those with annual revenue under $500,000
* Medium charities are those with annual revenue of $500,000 or more, but under $3 million
* Large charities are those with annual revenue of $3 million or more.

This report detailed that:

* more than 65% of registered charities are small organisations
* half of charities are run entirely by volunteers
* faith-based charities represent more than 25% of ACNC registered charities
* one third of charities are extra small, with annual revenue of less than $50,000.

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| Small charities - annual revenue of under $250,000 Medium charities - annual revenue of $250,000 or more but under $1 million Large charities - annual revenue of 1$ million or more A third of charities are small, with revenue of less than $50,000 Adapted from ACNC Charities Report 9th edition 2023  Adapted from ACNC Charities Report 9th Edition, 2023 |

Giving expression to the goals and values of many communities and groups (Lyons 2001), the sector is embedded in community networks, and creates places and spaces in which people connect with each other, and come together to meet their shared needs and fulfil common purposes (Leigh and Terrell 2020). These connections support people’s wellbeing and strengthen our democracy. In addition to its diversity of purposes, different organisations within the NFP sector serve different functions, from community convening, to advocacy, service delivery, supporting other NFP organisations, and more. The sector is a direct contributor to social inclusion, which creates at least $12.7 billion annually through higher productivity and better employment and health outcomes (Commonwealth of Australia 2023b). Like other institutions, the Australian charities sector also has some legacies of damage to people, families and communities.

Related to broader social and economic trends, the NFP sector is experiencing profound changes to its operating environment which present both new challenges and opportunities for strengthening the sector and its contributions. These include:

* a significant reduction in the number of people volunteering for charities (ACNC 2023), and changed patterns in the way in which people volunteer
* growth in peer-to-peer support, or mutual aid, and community activities enabled by digital platforms, and changed ways of giving which sometimes bypass charities
* agreements that have been reached between Aboriginal and Torres Strait Islander people and governments on the future of policy and service delivery for First Nations people. The National Agreement on Closing the Gap recognises that “community-controlled services are better for Aboriginal and Torres Strait Islander people, achieve better results, employ more Aboriginal and Torres Strait Islander people and are often preferred over mainstream services.” Through the Agreement, governments across the country have committed to increase the proportion of services delivered by Aboriginal and Torres Strait Islander organisations, particularly community-controlled organisations. The Agreement also commits that the future of policy and services for Aboriginal and Torres Strait Islander people will be shaped in partnership with Aboriginal and Torres Strait Islander people, supporting self-determination
* a growing emphasis on personalisation of care, and related transfer of funding to people who use services rather than to service providers
* new ways of partnering across sectors and working with governments to deliver policy and programs that serve communities
* the rise of automation and Artificial Intelligence (AI) in service design and delivery, communications and fundraising
* growing financial burdens and reduced availability of insurances related both to the effects of climate change and changing standards of working with and within communities
* the growing need for preventative planning to minimise harm and coordinate responses to environmental shocks; and
* increasing interest from governments and philanthropy in funding outcomes rather than activities.

Relationships between the NFP sector and governments are critical in both enabling and limiting the sector’s work and the outcomes it achieves. Public policies affect societal demands to which the NFP sector responds. Similarly, regulatory conditions, taxation policies, and funding arrangements across all levels of Australian government influence NFP activity. Some 51% of charitable sector revenue comes from government grants and contracts, although only 45% of charities receive government funding (ACNC 2023), with this pattern relatively stable over time. Smaller charities in, for example, multicultural communities and services, are less able to access government grants due to their size, structure, capacity and ability to demonstrate capacity in a way that meets government criteria[[5]](#footnote-6).

Relationships between governments and the sector also affect whether and how NFPs can advocate for the people and communities they serve or argue for systemic change, and how government work can benefit from the expertise and networks the sector holds.

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| **Questions**What is your vision or aspiration for the NFP sector over the next 10 years?What core values and considerations should guide a 10‑year vision for Australia’s NFP sector?What core themes for action should be prioritised in realising this vision?  What will be the consequences of no action on these? |

1. Measurement, outcomes and quality of services

The NFP sector is a major provider of social, cultural and environmental services across Australia. The ACNC currently categorises 857 program areas in which Australian charities operate. Service needs and the ways in which services are designed and delivered are changing. These changes include:

* increasing diversity and complexity of people’s needs
* the household and community costs of moving to greater ecological sustainability that will not be equal for all
* changes to services design and delivery brought about through digital technologies, automation of services and personalisation of services (Commonwealth of Australia, 2023a).

NFP organisations are leaders in services design and provision, often historically created by affected communities and consumers to respond to needs not met by markets or governments (for example, in early learning, community arts, services for new and emerging migrant communities, and disability services). Driven by the creation of public and community benefit rather than private profit, NFP service models are often grounded in community connections and guided by high duties of care.

With the advance of government outsourcing and related establishment of quasi-markets[[6]](#footnote-7) like the National Disability Insurance Scheme (NDIS), charitable organisations also play a substantial role in offering government services resourced through competitive contracts. Market logics guiding these approaches have previously stressed the importance of consumer choice, such as in consumer directed care reforms in aged care (Moore 2021), although both the realisation of choice and its assumed benefits have been mixed (Carey et al. 2020; Considine 2001). Consumer protections may also not be evident in these settings.

Subsequent reforms in service design, now becoming increasingly adopted across a range of service areas, emphasise the value of voice and control to improve outcomes for people who use services and their communities. For example, Priority Reform Two of the National Agreement on Closing the Gap commits to building the community‑controlled sector for services in support of better outcomes through self‑determination (Commonwealth of Australia, Department of Prime Minister and Cabinet 2020). Authentically codesigned and community-led services can also be more effective in engaging and addressing the needs of culturally and linguistically diverse people in Australia (Chauhan et al. 2021) and people with disability because the people in these communities have the experience and networks to know what their communities need, what they aspire to and what works. These shifts are leading to some changes in services and who owns and delivers them. Aboriginal and Torres Strait Islander community-led commissioning models involve mechanisms whereby Aboriginal and Torres Strait Islander communities determine priorities and funding allocations. These models can deliver more responsive outcomes for Aboriginal and Torres Strait Islander communities.

There is also a growing process within the child and family sector to transfer resources and services to the community-controlled sector. For example, in partnership with SNAICC, Life Without Barriers has committed to transfer its out of home services for Aboriginal and Torres Strait Islander children to Aboriginal and Torres Strait Islander community control within 10 years (SNAICC and Life Without Barriers 2021).

Forward trends in the (public and private) services system have significant implications for charities and NFPs, with some of these trends potentially in tension with each other, and with past influences that have shaped the sector. A growing focus on designing services with or by people who use them and new ways of partnering with governments to deliver policies and programs in some ways calls on the histories of those sector organisations which have traditionally been community formed and member‑led. This trend is potentially in tension with an emphasis on corporate conceptions of professionalisation within the sector, which has been driven by government outsourcing and the dominance of corporate governance norms in NFP regulation.

Changing needs of people and communities resulting from major forces such as climate change are compounding some forms of exclusion and stimulating demand for new types of services (for example, in disaster preparedness and mitigation), creating new patterns of demand, and driving demand for NFP services from parts of the community which have not historically accessed them. Digital service delivery and the growing role of automation within industries in which NFPs operate affect how services are designed and delivered. This raises significant concerns related to the accessibility and responsiveness of automated services to people’s specific contexts and needs, and issues of digital exclusion discussed in Section 9. At the same time, some NFP organisations are looking to the possibilities of digital transformation to innovate to prevent and respond to social and environmental issues, and improve their services. For example, to help people get off the ‘referral roundabout’ and improve intake services, Justice Connect with the University of Melbourne has created a natural language AI processing model that diagnoses the kinds of legal problems people need help with. Justice Connect is now freely licensing its model to other community legal service organisations to support service efficiencies and effectiveness (Justice Connect 2023).

Over the last 30 years, there have been moves towards resourcing services based on the effectiveness of their outcomes rather than the costs of their activities. In its early phase, the move to outcomes-based approaches to funding was linked to government outsourcing as part of practices of new public management (Considine 2001). This led to the creation of commissioning arrangements in, for example, the employment services sector, in which NFPs compete with for profits to deliver services. These early efforts have highlighted both the negative effects of financially incentivising particular outcomes – for example, driving ‘parking’ and ‘creaming’ of employment services clients rather than helping them secure ongoing work (Considine 2001) – and the distinct role of NFP providers in assisting people labelled ‘hardest to help’ under this funding approach.

The outcomes agenda has now further evolved. It reflects a desire for greater social returns from services paid for by ‘upstream purchasers’, such as taxpayers and philanthropists. It is also driven by those arguing for improved quality and consideration of newer service and organising models that meet emerging needs and/or overcome the limitations of existing approaches. As discussed in Section 10, the outcomes agenda also aligns with cross-sector efforts to leverage financial and other resources in the creation of goods and supports.

Identifying and measuring outcomes has value when done well. Being outcomes‑oriented and clear about the effects NFP organisations are seeking to achieve can contribute to learning that stimulates stronger prevention and better responses to societal issues, as well as supporting NFP organisational cultures of continuous improvement. Identifying and evaluating outcomes can be done in ways that involve or are co-created with communities and people who use NFP services, and which are culturally appropriate.

While there are potential benefits to greater outcomes-orientation, any comprehensive move to funding services and other NFP activity based on outcomes raises a range of issues.

Outcomes-based funding is not fit for all purposes. It can constrain good responses or be hard to apply in preventative work, such as disaster-risk-reduction efforts. It can also be of limited benefit in contexts where rapid response to community needs is required.

Measurement outcomes creates new costs in operations and service delivery. Given existing service costs are rarely fully met by funders (Cortis and Blaxland 2022; Social Ventures Australia and Centre for Social Impact 2022), this poses a significant challenge for the sector, given that measuring outcomes is usually expected in addition to existing ways funders assess value.

Outcomes measurement requires new skills and organisational systems. These differ from and sometimes run counter to historical outputs-focused reporting approaches. New skills and systems needed are not broadly accessible to NFP organisations (Gilchrist 2020) and measurement expectations from funders are often not uniform. Resources such as the [Social Impact Toolbox](https://www.socialimpacttoolbox.com/) created at University of Technology Sydney and the [Community Services Outcomes Tree](https://communityservicesoutcomestree.com/) created at Swinburne University of Technology aim to improve the sector’s access to knowledge and tools that support this work but cannot meet the breadth of capacity needs. We found no current models of sector-led coordination to build capacity and reduce costs in outcomes measurement.

Some outcomes-based funding models currently being adopted by governments and philanthropy require clearly defined outcome metrics that reflect the desired impact of a service or intervention, with a proportion of payments tied to the achievement of these outcomes. While some metrics can be derived from data sets held by government, they may require new data collected by service providers, which can create an administrative burden in terms of tracking outcomes and additional training and analysis costs. Recent research finds only 38% of NFP organisations collect any kind of outcomes data, with larger organisations much more likely to do so (Institute of Community Directors Australia 2019). A significant additional challenge for NFP providers of these kinds of outcomes-based funding approaches is managing the financial uncertainty and risk that comes with having a proportion of payment contingent on performance, and the need to meet up front service costs when a proportion of funds are not paid until well after the service costs have been incurred, and if outcomes are not realised, are not paid at all. NFPs either need to bear this risk on their own balance sheet or seek to engage external finance or investors to cover up front costs in anticipation of a financial return if successful. This risk can be enhanced as some services and supports may take years to realise the outcomes sought.

Effective outcomes measurement based on the outcomes-based funding approaches described above also requires baseline data, with critical gaps in data noted in, for example, the recent release of Australia’s first wellbeing framework (Australian Government 2023). Access to data by communities and sector organisations – including that held by governments about them – is often limited (Farmer et al. 2023), with broader access to initiatives such as the federal government’s Multi-Agency Data Integration Project (MADIP) becoming increasingly important. Matters of data sovereignty – that is, who owns, manages and can use data and under what conditions – will become even more acute as the funding environment becomes more data‑driven[[7]](#footnote-8). Popular conventions of outcomes measurement which extract knowledge to compare people, programs and organisations are largely driven by Western science, leading to methods of evaluation and data usage that are not always culturally appropriate, and may do social harm (Chilisa and Bowman 2023).

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| **Questions**What core principles of service design and delivery might a sector Blueprint commit to?What good examples of codesign have you been involved in which could benefit sector practices?  Why do you think they have worked?What would an outcomes-focused approach look like in your area(s) of work?  What would be needed to move towards this and what unanticipated consequences should government and the sector consider?What role(s) should government play in helping NFPs become data capable and informed by evidence?Could common resources or platforms support the technical aspects of outcomes measurement?  What might these look like? |

1. Policy, advocacy, communications and engagement

As part of active civil society, a strong and independent not‑for‑profit sector is a cornerstone of pluralism, or diversity of voice and influence, in democratic societies (Phillips and Murray 2023). Advocacy by the NFP sector contributes to the nation’s democratic system and provides an important bridge between people, communities and governments. Advocacy to governments and the public by individual organisations, advocacy groups, peak bodies and sector networks is a critical part of the feedback loop and takes multiple forms:

* coordinated campaigning and representation in specific areas where change is needed (for example, the Raise the Rate campaign to increase income support);
* representation on government inquiries, advisory bodies and to parliamentary groups and bodies;
* creating and communicating long-term insights about societal problems and solutions through research; and
* providing real-time insights to governments in rapid response to community emergencies, such as relief needs during COVID‑19 lockdowns and the Black Summer bushfires, and negative consequences for citizens of government reforms.

NFPs are often conduits between communities and policy makers, because of the breadth and depth of their networks with people who are both affected by and responding to issues on the ground.

Under Priority Reform 1 of the Closing the Gap Agreement, partnership with the Aboriginal and Torres Strait Islander community-controlled sector goes beyond advocacy, and involves partnership and shared decision-making in policy. The provisions of shared decision-making specify that Aboriginal and Torres Strait Islander partners must have access to independent policy advice. However, the Productivity Commission found, in its draft review report on Closing the Gap, that this is not being achieved in practice (Productivity Commission, 2023a).

Some charities are advocates for the needs of citizens based on their community networks and services delivery experience, their research and policy capabilities, and media relations and campaigning skills. The NFP sector engages directly with local, regional, national and international issues affecting people, communities and ecosystems. Their long-term insights and real time data is an important asset for policy and service improvements, and for shifting public norms. As observed in the recent Royal Commission inquiry into the former Robodebt Scheme, government interaction with advocacy groups and peak bodies can provide an important layer of checks and balances in ensuring that the perspectives of people accessing government programs and services are involved in their design and implementation (Commonwealth of Australia 2023c). Yet, government willingness to engage with the NFP sector is not consistent and often transient.

Over the past decade, multiple inquiries into charitable regulation and activities have queried the rights to advocacy of the NFP sector. The way in which regulations related to political advocacy of charities have been interpreted or implemented have also caused some confusion and possible self-censorship within the sector (Maddison 2023). So called ‘gag clauses’ in government contracts have been purposefully used in the recent past to limit public dissent by charities contracted to provide services by the federal government, with 27% of community sector organisations recently reporting having contract conditions that explicitly preclude systemic advocacy (Cortis and Blaxland 2022). Recent introduction of state-based legislation to regulate public protest also has implications for the advocacy activities of charitable organisations (Phillips and Murray 2023). The [Stronger Charities Alliance](https://www.strongercharities.org.au/about-us/) – formerly, Hands Off Our Charities – was formed within the charity sector in 2017 specifically to respond to proposed bills that would have limited the advocacy of charities on topics of national significance and more broadly to support protection of the sector’s rights to advocate. A recent report initiated by the Alliance found that only 26% of Australian charities think federal and state and territory governments have a good understanding of their advocacy role (Maddison 2023). With regard to real-time models of advocacy through day-to-day communications, parts of the sector have greater routine access to governments than others, due to their service delivery contracts and formal representation on government bodies and working groups. Social media has also augmented traditional forms of organised advocacy, providing platforms through which citizens run direct action campaigns that may or may not involve NFPs.

A central element of effective advocacy is evidence. As discussed in Sections 6 and 8, a huge amount of information about the sector is extracted from it by regulators and procurers, and the outcomes agenda suggests even greater demand for such extraction. Yet – with the exception of ACNC data, which is publicly searchable and synthesised in annual charitable sector reports – very little is returned to the sector. Nor are the sector’s own professional research and evidence activities routinely resourced. Research and evaluation capacity is uneven across the sector, and there is untapped potential for the sector’s knowledge to contribute to forecasting for prevention of societal problems and innovating in responses to issues already upon us.

The sector represents a huge variety of interests and views, some in conflict with each other; this is an important condition of democracy. While the advocacy functions of charities and NFPs ideally contribute to Australia’s wellbeing and democracy, some practices by charities raises the questions of whether and how diverse citizen voices are mobilised through the sector, and the breadth of knowledge on which advocacy is based. Alongside government, some Australian charities have been complicit in damaging activities, such as the devastating effects of welfare colonialism for the Stolen Generations and harms to people documented in the Royal Commissions on Institutional Responses to Child Sexual Abuse and into Violence, Abuse, Neglect and Exploitation of People with Disability. Professionalisation of parts of the sector since the 1980s has somewhat reduced direct representation by people through community and consumer-led organisations (Lyons 2001). New commitments to community control of Aboriginal and Torres Strait Islander services, and efforts to cede leadership and/or involve people with direct experience of both societal problems and NFP responses discussed in Section 6 suggest possibilities for change.

While advisory networks involving charities exist within specific policy areas, there is currently no mechanism for sector-wide consultation or engagement between charities and the Australian Government. The ACNC’s role as a regulator does not extend to this intermediating function and past initiatives to support coordinated government interactions with the sector, such as the Office of the Not-for-Profit Sector (Murray 2018) and the 2010 National Compact have not withstood changes of government. Conversely, effective mechanisms for representation by the sector itself have waxed and waned. While there are long-standing and effective representative peaks and networks of peaks at sub-sector levels, these are often sparsely resourced, and the diversity of the sector seems to preclude the formation of a singular representative voice. Sector leaders also often reflect on the limited influence of the sector as a whole when compared with, for example, the business sector (Crosbie 2023).

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| **Questions**How can the role of advocacy by NFP organisations be better embedded and preserved in policy and legislation?What mechanisms are needed so that the expertise of the NFP sector is better used in designing policy and services?What could NFP organisations and networks be doing better to ensure their systematic advocacy directly involves the people and communities they serve?How could the assets of the sector – for example, the research expertise of larger organisations, including public universities – be better used to build the evidence base for systemic advocacy and reform? |

1. Philanthropy and volunteering

The NFP Blueprint is being developed concurrently with the Productivity Commission Review of Philanthropy and immediately subsequent to the development of the National Strategy for Volunteering 2022–2033. As detailed in Section 1.3, the Blueprint will draw on and seek to integrate where relevant with these activities and frameworks, guided by the specific contributions and interests of the NFP sector. Recognising the substantial contributions already made to these consultations, this section highlights select issues and questions particularly material to the future of the NFP sector.

Australians give in diverse ways, through both monetary giving and giving of time and talent. Financial giving is provided by individual donors, organisations such as trusts and foundations[[8]](#footnote-9) and via bequests. Data on financial giving in Australia is limited, with minimal insights on bequests and knowledge of donor giving largely confined to taxpayer behaviours (Productivity Commission 2023b). Financial donations and bequests are an important source of revenue for some NFPs. While concentrated among larger charities, with 10 charities attracting 17% or $2.35 billion of this revenue (ACNC 2023), donations are particularly important for smaller organisations (Productivity Commission 2023b). While financial giving has marginally increased over the past 4 years, there was an estimated reduction in giving of $3 billion during the height of the COVID-19 pandemic, and current cost of living pressures are affecting household giving (McCleod and McDonald 2023). The overall trend in financial giving in Australia suggests a pattern of fewer people giving more. At the same time, Australia is experiencing its largest intergenerational wealth transfer in history, which presents significant potential for the expansion of financial giving in this country.

Research on the destination of financial giving has historically demonstrated some mismatch between the interests of donors and the needs of the NFP sector (McGregor Lowndes et al. 2017). This raises questions about how philanthropic resources are equitably distributed to meet community needs. Recent data suggest some shifts, with people giving based on their increased awareness of particular issues, such as the health impacts of the pandemic, animal welfare issues during recent bushfires and the post-lockdown recovery needs of the arts sector (McCleod and McDonald 2023). These shifts suggest the value of raising public awareness not just of the importance of giving, but of where philanthropy is directed. Donor patterns, however, generally reflect complex motivations for giving, which are often driven by personal values and experiences, as well as religious, family and community connections (Productivity Commission 2023b). With regard to donors’ choices to give to particular charities, the most recent national research found that people gave to particular organisations based on their belief in the cause or the organisation itself, their respect for the work of the organisation, and their sympathy for the people helped (McGregor Lowndes et al. 2017). The advance of crowdfunding and other digital fundraising methods is also driving more direct forms of financial giving between people and to community causes, which often bypass both fundraising regulations (McGregor Lowndes 2023b) and NFPs, although some of these platforms are being created within the NFP sector as social enterprises[[9]](#footnote-10).

As part of the broader outcomes agenda, shifts toward strategic and outcomes-based philanthropy by some trusts and foundations are generating opportunities for broader partnership and access to non-financial resources by NFPs through the philanthropic sector. While developing from a relatively low base, an observable rise in the ‘democratisation’ of philanthropy – through community foundations, giving circles and new self-determined models that aim to redress some of the limits of traditional institutional philanthropy – is also supporting changed ways of giving to the NFP sector (Baker et al. 2016).

As previously outlined, volunteering makes a major contribution to the work of the NFP sector. Volunteering also positively affects those who do it, with life satisfaction significantly higher for people who formally volunteer compared with those who don’t (Biddle et al. 2022). Among people new to Australia and from culturally and linguistically diverse communities, volunteering has been shown to both broaden people’s local social networks and be a way they purposefully contribute to public good (Peucker 2022).

Rates of formal volunteeringhave been in decline in Australia for over a decade (ACNC 2023), while membership of voluntary associations has declined internationally since the 1990s (Painter and Paxton 2014). There was a sharp drop in volunteering during the height of the COVID-19 pandemic and related lockdowns. While there has been some upswing since then, formal volunteering rates are still well below pre‑pandemic levels (Biddle et al. 2022). These shifts reflect both cultural and material changes, as digital society affects the ways in which many people connect and help each other and their communities, while cost of living challenges and changes to workforce participation – particularly among women, young people and older people – affect people’s time for formal volunteering. Like philanthropy, volunteer interests and availability do not always match volunteering needs.

It is important to note that volunteering is a westernised concept, the application of which can lead to significant underestimation of the contributions of Indigenous peoples and culturally and linguistically diverse people to their communities (The Centre for Social Impact and Jumbunna Institute for Indigenous Education and Research 2022). Available research shows that informal volunteering – that is, volunteering undertaken directly between individuals and communities rather than through organisations – outstrips formal volunteering by nearly five to one (NRMA Insurance and PWC Australia 2022) and is disproportionately undertaken by women and by people born overseas (Biddle et al. 2022). Changing patterns of informal volunteering and mutual aid – some of which are enabled by digital platforms that provide new means of connections between helpers and causes – are affecting both the stock of formal volunteering and the extent to which volunteers are directing their efforts towards the work of NFPs. Similarly to patterns of financial giving, volunteering through formal organisations reflects personal choice. Young people, for example, are more likely to volunteer for animal welfare and health organisations than they are for aged care, arts, environmental and sporting organisations (Volunteering Australia 2023b).

The National Strategy for Volunteering 2023–2033 was codesigned by people within the volunteering ecosystem and sets out key aims for volunteering over the next decade. These include increasing the number of people volunteering and the overall amount of volunteering, with a particular focus on ensuring:

* volunteering is safe, inclusive, accessible, meaningful, and not exploitative
* the diversity and impact of volunteering is articulated and celebrated
* the conditions for volunteering to thrive.

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| **Questions**What policy and regulatory reforms would help increase giving to charities?How can the NFP sector further mobilise and access philanthropy in support of its work?How can philanthropic and volunteering resources be effectively targeted to community needs?How might the sector adapt to more direct forms of giving and volunteering?How should the NFP Blueprint support the goals and required reforms for the National Strategy for Volunteering? |

1. Governance, organisation and legal environment

The Australian NFP sector is well regulated by international standards to support both public accountability and healthy civil society. The diversity of the sector’s purposes, combined with Australia’s federated system means NFPs’ regulatory accountabilities sit across multiple levels of government. Since 2012, charities that meet the federal definition and register with the Australian Charities and Not‑for‑Profits Commission (ACNC) have been regulated by the ACNC, with all registered charities[[10]](#footnote-11) required to meet the ACNC Governance Standards. Charities conducting activities overseas must also meet external conduct standards. While there has been some disquiet about the ways in which its investigative powers have at times been implemented, the establishment of the ACNC has wide sector support, which was reinforced by the sector’s ‘hands off our Charities’ response to former government attempts to unwind these reforms (Murray 2018). Unlike the United States, the United Kingdom and Canada, Australia does not have a bespoke accounting standard for charities, which limits consistency in accounting, reporting and auditing.

Many of the areas in which charities work – for example, education, environment and health – are funded and regulated by a mix of federal and state bodies. Forms of incorporation across the sector are also variously regulated by the federal or state and territory governments (Murray 2018). Within jurisdictions, differing agencies may be involved in regulation. For example, within the Commonwealth, companies limited by guarantee are required to meet ACNC, Australian Tax Office and Australian Securities and Investments Commission requirements.

Past analysis of the ACNC register indicates the most common legal form of charities is the incorporated association (Murray 2018), which is typically regulated by states and territories as are charitable trusts, while the company limited by guarantee form is regulated by the federal government. Some charities are incorporated under specific legislation – such as the Corporations Aboriginal and Torres Strait Islander Act (2006) and acts of parliament through which public universities are legislated – with specific regulatory requirements. All charities are subject to additional regulatory requirements related to the groups of people they serve and the industries and jurisdictions in which they operate. Some activities common to many charities, such as fundraising and volunteer management, intersect with federal, state and sometimes local government regulations (Murray 2018). While reporting and regulatory compliance are important features of accountability to taxpayers, reducing red tape associated with the mosaic of regulatory requirements for NFPs has been a stated government commitment by major political parties for over 15 years. While some progress has been made – such as current efforts to fix fundraising[[11]](#footnote-12) – this remains an ongoing problem for many in the sector. For example, requirements for Working with Children/Vulnerable People checks remain fragmented and have significant implications for the sector, given its reliance on volunteers and the needs of people and communities it serves. It should be noted that compliance burdens experienced in the sector relate to contractual as well as regulatory requirements (McGregor Lowndes 2023a).

Effective governance of NFPs faces some challenges. With the large majority of NFP boards serviced by volunteers, substantial declines in the number of people routinely volunteering is a real problem. In some faith-based charities, reductions in membership as the population ages and as religious affiliation declines are limiting the membership base to which their services are accountable and from which their replacements are recruited. While the purposes of NFPs require a mix of deep knowledge/experience of the issues and communities they seek to serve as well as skills in organisational strategy and management, the laws that prescribe responsibilities of directors are guided by corporate conventions, and levels of knowledge of governance responsibilities among directors is mixed (Institute of Community Directors Australia 2019). Responsibilities of directors are also changing or being further enforced with reforms of particular services (for example, imposing civil penalties on directors for non-compliance issues recommended by the Aged Care Royal Commission). Despite increasing public recognition of the importance of diversity and representation in public and private governance, sector practice is not well understood here. Available research finds the diversity of Australia’s population remains under-reflected in NFP boards, particularly with regard to the involvement of people from culturally and linguistically diverse backgrounds, younger people, Aboriginal and Torres Strait Islander peoples, people with disabilities, and LGBTIQ people (Institute of Community Directors Australia 2019). Aboriginal and Torres Strait Islander community-controlled organisations are distinct from other NGOs, in that they are an expression of self-determination, and as such are accountable to communities in ways that other NGOS are not expected to be.

Deductible gift recipient (DGR) status is the main mechanism through which the federal Government incentivises Australian taxpayers to donate to charitable organisations. Australia is relatively unusual in its selective application of DGR status within the NFP sector (Murray 2018), with only half of Australian charities having DGR status (Productivity Commission 2023b). Australia also has a history of discretionary application of concessions such as public benevolent institution status by political leaders (McGregor Lowndes 2023a). This means the processes by which concessionary tax status are conferred are not always transparent to NFP organisations or taxpayers.

Under current requirements, charities report annually to the regulator. The ACNC maintains publicly searchable information drawn from this reporting in its Search for a Charity website function, produces substantial insights about the sector through analysis of sector data in resources such as its Australian Charities Report, and makes data sets available for further analysis. Data collected and shared by the regulator are informed by its governing legislation and, at present, focuses on data related to inputs, operations and activities of charitable organisations. This data is confined to charities only and not always granular enough to support analysis of sector sustainability issues. The return to the sector and wider community of sector insights by other regulators is limited.

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| **Questions**What might a regulatory framework for the sector that overcomes the complexity of our federation look like?Are currently available legal structures, governance standards and tax concessions fit for future purpose?  How might these be improved or changed?What does the sector need in its boards to be effective?How could regulatory data be better used and shared with the NFP sector and wider public to support future practice? |

1. Leadership and staff development

Australian charities employ nearly 11% of the workforce in Australia and also involve nearly 3.2 million volunteers, with 50% of charities currently operating with an entirely volunteer workforce (ACNC 2023). Across all stages of education, NFP organisations in the education sector also contribute to the development of Australia’s people, leadership and workforce.

While the diversity of the sector and its purposes demands a variety of leaders and leadership capabilities, the purpose-led nature of the sector and its typically combined governance and workforce profile of staff and volunteers requires novel skill sets. The changing societal needs, community expectations and operating conditions for NFPs detailed in this paper will require new capabilities and greater variety of people and lived experiences in the leadership work of the sector. Current leadership within the sector is positively perceived by the Australian public. According to the Australian Leadership Index (Wilson et al. 2023), charities rank well above national benchmarks in Australians’ perception of their leadership in relation to competence, integrity and contribution, and outrank government in public perceptions of their commitment to the common good. Research finds that nearly 90% of NFPs have reviewed their CEO’s performance, while around two thirds of NFPs have systems in place for reviewing board performance (Institute of Community Directors Australia 2019).

There is limited publicly available information on the characteristics of NFP leaders. At the level of overall workforce, some data suggests that NFPs are more inclusive employers than other sector counterparts. Research on social enterprise, for example, indicates substantially greater leadership in these organisations by women and high levels of workforce participation by people with disabilities (Castellas et al. 2017), while surveys of NFP leaders find the sector is being proactive in developing and implementing organisational diversity and inclusion strategies (Price Waterhouse Coopers 2022).

Constraints on the sector’s workforce affect its capacity to meet its own aspirations and meet the needs of communities. Eighty-three per cent of charities are not able to recruit all the volunteers they need (ACNC 2023). Critical staff shortages in industries in which the NFP sector operates are being experienced and are further predicted in the care and health industries, as well as the green economy (Commonwealth of Australia 2023a). NFPs are often competing with better-resourced sectors to attract and retain staff in industries such as human services, which have historically been under-valued and remunerated in part because of gendered perspectives on the value of care. Geographic factors can also affect the attraction and retention of staff in the sector. For example, NFP organisations servicing rural and remote communities compete with higher remuneration in other industries characterised by fly in fly out work. Conversely, in other industries in which the sector is well-represented, such as the cultural and creative sector, availability of decent work is often very limited or episodic (Commonwealth of Australia 2023b).

The fixed-term and project-based nature of much NFP funding affects the sector’s capacity to retain and develop its workforce. Alongside staff shortages, this creates conditions for lower quality work and worker vulnerability. It also affects employment standards in the sector, including investment in secure work and professional development. Underpayment of staff under various awards relevant to the work of charities is becoming increasingly publicly profiled. This practice, while often unintended, is reputationally damaging for the sector (Coggan 2021). The sector has relatively limited comprehensive engagement as a major employer with education providers, which limits its voice in how education and training for its workforce is designed. A substantial potential asset for the NFP sector is the growing trend in worker motivations towards work for purpose, with research showing an increasing drive among young people and people in mid-career to undertake work that is meaningful and makes a difference (Deloitte 2023). Attracting and retaining workers from diverse backgrounds and with direct experience of issues to which the sector responds is also important to the effectiveness of NFP activities and a rich source of workers.

Under-capitalisation of the sector due to both underfunding and growing demand has substantial implications for people who work and volunteer within it. While data for the whole of the sector are not available, available information suggests that, related to issues of quality and precarity detailed above, minimum workforce standards are not available to all paid members of the NFP workforce. At the same time, volunteers who contribute to the whole of the sector and provide the entire workforce of some 50% of charities, typically have little to no access to workplace development and support (Volunteering Australia 2023a).The 2022 Community Sector Report reported that an average of 15% of hours are worked above and beyond hours paid within this part of the NFP sector (Cortis and Blaxland 2022). Contract conditions continue to affect forward planning that affects staffing in the community sector, with 73% of fixed-term staffing linked to funding cycles and more than half of organisations surveyed reporting receiving less than 8 weeks’ notice of government contract renewals. Precarity for workers is similarly widespread in other industries in which the sector is strongly represented, including the cultural and creative sector and higher education.

The rise of AI and automation, alongside the changing nature of Australia’s industrial base, has significant implications for the composition, skills and activities of the workforce in multiple industries in which the NFP sector operates, including but not limited to human services, media, and environmental management. These changes will affect the skills needed of paid and volunteer NFP staff and leaders, the number and geography of workers, and their industrial rights. Changing demands for services and increasing emphases on codesign of services discussed in Section 3 also require new competencies among NFP leaders and workers. As already discussed, an increasing focus on outcomes and outcomes measurement and on codesign also require the sector to be able to develop and/or access new skills and ways of working.

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| **Questions**What should the priorities be for future leadership in the sector and developing the sector’s paid workforce and volunteers?What can the sector do to change understanding of the role of overheads in the value it creates for people, society and funders?How can we make employment opportunities attractive and build career pathways to develop the paid NFP workforce of the future?How might the sector make more of its ‘for purpose’ status to attract and retain paid and volunteer workers?How can the sector coordinate and resource its influence in workforce development with education providers and governments? |

1. Government funding, contracting and tendering

Government funding is a substantial, yet concentrated, source of revenue within the NFP sector. While more than 51% of NFP revenue comes from government, only 45% of the sector is in receipt of government funding (ACNC 2023). Government procurement and funding models vary across different parts of the sector, ranging from block funds to grants and contracts. Beyond monetary value, government procurement and funding approaches affect NFP organisational structures and activities and the collaborative capacity of the sector, as well as government-sector relations[[12]](#footnote-13).

As discussed in Section 3, Australia was an early adopter of government outsourcing and the use of competitive tendering to support service delivery. The original promise of greater innovation through improved services to citizens of these approaches has not been fully met and this is now giving rise to new outcomes-based funding models in some areas. These include models that shift focus to what is achieved (outcomes) rather than what is done (activity), and those that support community control and codesign in designing services and setting outcomes.

Full funding of both the direct and indirect costs of NFP service delivery is often not practised in government contracting and granting. Research conducted by the Productivity Commission during its 2010 review of the contributions of the NFP sector found the majority of government agencies reported making only partial contributions to the costs of service delivery of their major programs, with early expectations that competitive funding mechanisms would result in full-cost funding not fully realised (Productivity Commission 2010). More recent research found more than 60% of sector respondents reporting that government and philanthropy did not cover the full (direct and indirect) costs of activities they were funded to deliver, with some government agencies and programs explicitly capping funding of indirect costs as low as 7% (Blaxland and Cortis 2021; Social Ventures Australia and Centre for Social Impact 2022). These practices, combined with insufficient price indexation (Gilchrist and Feenan 2023) and welcomed wages correction through reform of industrial awards critical to the sector contribute to chronic underfunding, which affects the sector’s sustainability and capacity to innovate. Smaller organisations face relatively greater challenges in negotiating and managing government funding (SNAICC 2023) or miss out on funding altogether. These issues render some NFPs and the issues and people they serve vulnerable to changes in policy direction.

As discussed in Section 7, the short-term nature of many government contracts and grants programs, alongside often limited notice of their renewal, create significant problems for NFPs in ensuring continuity of quality services and supporting decent work and development of staff, volunteers and organisational capacity. These are all conditions required of good governance. While some federal programs are shifting to longer-term contracts, this is not consistent across departments and jurisdictions with which the sector is contractually engaged. Some short-term contracts may remain appropriate in some contexts; for example, immediate emergency relief.

While continuity of funding is important to those in the sector who work within existing services networks, some flexibility of funding better supports these organisations be responsive to the needs of their communities and clients. This is particularly apparent during periods of emergency – such as the COVID‑19 lockdowns, and recent floods and bushfires – but also relevant in more routine place-based activity and community-controlled services where NFPs are adjusting how and what they offer based on the input of people and communities they serve. There has also been some recent argument for more flexibility in government procurement to introduce innovation into systems through new providers. For example, Social Enterprise Australia has recently argued for direct participation of social enterprises in the employment services system on the basis of their capacity to support people most disadvantaged in the labour market (Social Enterprise Australia 2023).

The negative effects of competitive tendering on collaboration within the sector are regularly observed by practitioners and have been well-documented (Blaxland and Cortis 2021; Nevile 1999; SNAICC 2023). Limits to collaboration prevent organisations in the sector from:

* working together to serve people’s needs and/or improve prevention of social and environmental problems;
* achieving operational efficiencies by creating and using shared services; and
* limit data sharing and sharing of best practice knowledge and networks (Gilchrist and Butcher 2020).

There is a common narrative that the red tape burden on the NFP sector arises primarily from regulation. However, the available evidence suggests that compliance costs and risk transfer associated with government funding and procurement are a far greater burden on sector organisations that receive government funding (McBratney and McGregor Lowndes 2012) and considerable productivity gains could be achieved through better administration of grants and contracts (McGregor Lowndes 2023a). Among other issues, sector leaders observe mixed understanding among government procurers of NFP legal structures, obligations, and purposes which increases transaction costs of contract negotiations and compliance.

While there is arguably a shared interest between government and NFPs in producing benefits for communities through services provided, skills and systems for changes to procurement processes are needed to realise these. Outcomes-based funding requires new capabilities of both government and NFP organisations. In some contexts, they also require the involvement of other parties. Inclusion of outcomes in procurement processes must be accompanied by fair and transparent assessment of outcomes in those processes in order to ensure good value and remain consistent with competition policy. As discussed in Section 3, outcomes-based approaches require new skills and systems of NFPs. While such approaches may generate new value, outcomes measurement without reduction in other standards of compliance adds new costs to government funded or procured NFP activities, including service delivery.

Beyond direct purchasing of services from the sector, some governments in Australia are also looking at how to use their spending power to support social goals more generally. While not exclusive to the NFP sector – for example, the Indigenous Procurement Policy supports targeted purchasing from Indigenous-owned enterprises – some social procurement policies such as the Victorian Social Procurement Framework commit a proportion of public purchasing of goods and services through NFPs and social enterprises. Like other forms of outcomes-based contracting, social procurement requires new systems and capabilities of procurers and organisations in their supply chains.

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| **Questions**How should government improve the way it funds and contracts charities?How could government funding, tendering and contracting drive a good balance of collaboration and competition to support innovation in the NFP sector? |

1. Information Technology, communication and marketing

The increasing ways in which digital technologies and automation affect contemporary life means digital inclusion and data capability has never been more important for the NFP sector. Among other issues canvassed in this paper, these trends affect how organisations operate, how they communicate and connect, and how they access external resources. They also affect the external environments in which the sector exists, including the needs of the people and communities it serves. Digital technologies expand opportunities for creation, connection and consumption. Digital technologies can also facilitate and validate remote working, and thus provide new employment opportunities (for example, for people with disabilities). At the same time, they can increase exclusion, and drive new and ever-shifting challenges for organisations seeking to be sustainable and effective.

The digital capacity and capability of the NFP sector is low compared with other sectors although, as in other sectors, there was a big digital upswing at the height of the COVID-19 pandemic. Available research suggests the sector has not yet prepared for automated futures or the possibilities and demands of advanced data analytics, although sector investment in information technology and digital infrastructure and systems is improving (Farmer et al. 2023). The most recent Digital Technology in the NFP Sector report shows that the sector is increasingly prioritising having secure and reliable technology systems and building the digital capabilities of staff and volunteers. Yet, only 56% of survey respondents feel their people currently have the digital skills needed for their roles (Infoxchange 2022). Other research finds an unsurprising division between smaller and larger NFPs in this regard, with more than 88% of larger organisations investing in digital skills development, and less than half of smaller organisations doing the same (Price Waterhouse Coopers 2022).

With stewardship of sensitive member, client and donor data, and the need to manage the potential, human, financial and reputational damage of data breaches, cyber security is an increasing priority of NFPs. Recent high profile data breaches have affected some of Australia’s largest charities, including several universities. Despite this, across the sector, workforce cybersecurity skills continue to rank as relatively low priorities for organisational leaders (Price Waterhouse Coopers 2022) and lack of budget is a major reason why many NFPs do not have information security policies in place (Infoxchange 2022). This is a problem both for the sector itself, and where sector organisations interact across sectors as part of industry and service networks.

The relative inequities in digital systems and abilities, particularly between governments and the NFP sector, raise questions about who bears risks and costs where public services are provided by NFP organisations. In addition to the outcomes agenda, new mandates in digital delivery of government funded services – in, for example, the employment services system – demand new skills and new systems. These demands are rarely coordinated across government departments and portfolios.

As discussed in Section 5, changes to giving and volunteering are also increasingly mediated through digital technologies. Capacity for digital marketing and fundraising varies significantly across smaller and larger NFPs, with many larger organisations investing significantly in these capabilities (Crittal et al. 2017; McCleod and McDonald 2023). Episodic and micro-volunteering conducted online requires different volunteer engagement and management skills than traditional and routine face to face activity.

Noting that much of the work of the sector serves the needs of people and communities experiencing exclusion, the digital divide for individuals as well as organisations is material to a digitally-capable NFP sector. More than 2.5 million Australians have no access to the internet and there is a pronounced geographic divide in access to broadband across urban, rural and remote parts of the country, with people and organisations further away from metropolitan centres having less reliable, if any, digital communications infrastructure. The Australian Digital Inclusion Index also notes that digital exclusion – characterised by factors of internet access, affordability and ability – has many of the same demographic features of socio-economic exclusion more generally (Thomas et al. 2023). As services move increasingly online, this creates new challenges for NFPs in meeting the needs of their members, clients and communities.

The advent of hybrid delivery via telehealth and online service provision which was popularised during COVID-19 lockdowns, also creates new virtual-physical considerations for NFP organisations. For example, provision of confidential online counselling in open-plan workplaces or effective risk assessment with clients when conducting casework solely online require different assessment protocols, physical and virtual environments than those of the recent past. Universal accessibility design to ensure digital access and participation also requires sensitivity to differences of cultural, age and sensory experience, and of the way different people use services and technology.

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| **Questions**What standards of digital capability should the sector aim for and how might these be achieved?How might the sector aggregate support to maximise the digital capabilities of smaller organisations?What is needed and what is the sector’s role in advocating for digital inclusion and participation of citizens and communities?How can governments streamline digital systems requirements and support efficiencies for NFP providers? |

1. Leveraging assets and social finance

Alongside its knowledge, people, and community networks, the NFP sector is host to considerable and growing material and financial assets. In the 2021 ACNC reporting period, charities reported more than $422 billion in assets, an increase of nearly $31 billion from the previous reporting period (ACNC 2023). Yet, these assets are unevenly held across the sector, with a small number of large and very large organisations owning the bulk (ACNC 2023) and many organisations holding limited financial reserves. Indeed, the rise in net assets held is partially sheeted home to rising building values realising no additional resources for application to the entity itself. NFP assets are typically locked by regulatory requirements of NFP legal structures and their use may also be prescribed by organisational constitutions or conditions of philanthropic gifts.

The overall growth of sector assets raises a question of whether and how sector-level resources might be unlocked in support of a more financially resilient and operationally healthy sector[[13]](#footnote-14). Past efforts, such as the establishment of Community Sector Banking through Community 21 Limited in joint venture with Bendigo and Adelaide Banks, saw NFP organisations seek to harness the collective benefits of aggregating financial assets in support of sector capacity building. In the nascent context of social impact investing (SII), some sector-led models for leveraging assets both internal and external to the sector are being initiated. For example, Save the Children Impact Investment Fund has been established to leverage traditionally untapped capital in response to their goals for all children to receive a quality basic education, for no child to die of a preventable cause before their 5th birthday, and for violence against children to be no longer tolerated. The fund raises capital from investors and provides loans and equity investments to help grow start-ups and social enterprises that scale responses to the problems that Save the Children wants to eradicate.

The sector’s considerable physical assets also present opportunities to provide additional leadership in areas of societal priority. These possibilities include:

* contributing to decarbonisation through electrification and transition to renewable energy
* supporting place-based planetary health and climate resilience through revitalisation of green space and biodiversity
* promoting systemic advocacy in areas where governments may be reluctant to fund, or historically underfund
* community access to sheltered environments
* increased use of sector assets to support housing for all.

Of course, the realisation of such possibilities requires the will of those who hold assets and alignment with their charitable and strategic purposes and has cost implications. The assets profile of the sector is also changing due to declines in membership in associations and some faith-based charities, the suitability of current physical assets to shifting service needs, and the growing costs of insuring assets in particular locations.

Beyond the sector’s own assets, SII, which aims to use financial instruments that deliver both social and financial returns, is gaining attention as a means of leveraging capital from across sectors to support social outcomes, alongside and as part of the outcomes agenda. SII investments range from social impact bonds to payment by outcomes contracts, and layered or ‘blended’ financial products, which combine grants, loans and/or investments. A typical characteristic of many SII approaches is cross‑sectoral partnership to support effective investment for specified outcomes. The SII market remains modest in Australia and with the vast majority of current investments targeting environmental outcomes, but it is growing and broadening (Michaux et al. 2020). Government has played a role in stimulating this market and continues to do so with current initiatives such as the $100 million Outcomes Fund stipulated as part of the Entrenched Disadvantage package in the 2023–24 Federal Budget and currently being codesigned with states and territories. Growth in interest and practice of SII raises opportunities and challenges for NFPs. As discussed in other parts of this paper, the outcomes agenda to which SII is linked requires new capabilities and systems to support defining, measuring and tracking impacts. This is a responsibility of both investors and recipients.

Evidence of the effectiveness of SII is mixed, with some evaluative research finding strong social outcomes and program innovations delivered by specific social impact bonds (Coram et al. 2022), while others have found regressive outcomes (McHugh et al. 2013) and/or very limited evidence of new capital being invested in the NFP sector through these models (Del Giudice and Migliavacca 2019). More broadly, many current SII products are driven by finance rather than impact-first logics (Moran and Ward-Christie 2022) which are not fit for the needs, structures and financial realities of the majority of NFPs and do not overcome some of the reasons why this sector makes relatively limited use of external finance. New intermediaries such as Access: The Foundation for Social Investment in the UK have begun to emerge in response to identified limitations, providing more patient – or long term – capital and broader access to blended and grant finance than early SII products offered.

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| **Questions**Is greater knowledge sharing about the assets of the NFP sector needed?  If so, how might this be done and to what ends?What resourcing and regulatory support could be introduced or better used to allow NFPs make best use of their assets in support of operational sustainability and delivering on societal needs?What models of social finance best suit the needs of NFPs?  How can these be encouraged or scaled?What practical steps can the NFP sector take with governments, philanthropy and/or the private sector to redress underfunding and support innovation and financial health of the sector? |

Appendices

Appendix I: List of questions

2.1.1. What is your vision or aspiration for the NFP sector over the next 10 years?

2.1.2. What core values and considerations should guide a 10‑year vision for Australia’s NFP sector?

2.1.3. What core themes for action should be prioritised in realising this vision?   
What will be the consequences of no action on these?

3.1.1. What core principles of service design and delivery might a sector Blueprint commit to?

3.1.2. What good examples of codesign have you been involved in which could benefit sector practices?   
Why do you think they have worked?

3.1.3. What would an outcomes-focused approach look like in your area(s) of work? What would be needed to move towards this and what unanticipated consequences should government and the sector consider?

3.1.4. What role(s) should government play in helping NFPs become data capable and informed by evidence?

3.1.5. Could common resources or platforms support the technical aspects of outcomes measurement?   
What might these look like?

4.1.1. How can the role of advocacy by NFP organisations be better embedded and preserved in policy and legislation?

4.1.2. What mechanisms are needed so that the expertise of the NFP sector is better used in designing policy and services?

4.1.3. What could NFP organisations and networks be doing better to ensure their systematic advocacy directly involves the people and communities they serve?

4.1.4. How could the assets of the sector – for example, the research expertise of larger organisations, including public universities – be better used to build the evidence base for systemic advocacy and reform?

5.1.1. What policy and regulatory reforms would help increase giving to charities?

5.1.2. How can the NFP sector further mobilise and access philanthropy in support of its work?

5.1.3. How can philanthropic and volunteering resources be effectively targeted to community needs?

5.1.4. How might the sector adapt to more direct forms of giving and volunteering?

5.1.5. How should the Not‑for‑profit Blueprint support the goals and required reforms for the National Strategy for Volunteering?

6.1.1. What might a regulatory framework for the sector that overcomes the complexity of our federation look like?

6.1.2. Are currently available legal structures, governance standards and tax concessions fit for future purpose?   
How might these be improved or changed?

6.1.3. What does the sector need in its boards to be effective?

6.1.4. How could regulatory data be better used and shared with the NFP sector and wider public to support future practice?

7.1.1. What should the priorities be for future leadership in the sector and developing the sector’s paid workforce and volunteers?

7.1.2. What can the sector do to change understanding of the role of overheads in the value it creates for people, society and funders?

7.1.3. How can we make employment opportunities attractive and build career pathways to develop the paid NFP workforce of the future?

7.1.4. How might the sector make more of its ‘for purpose’ status to attract and retain paid and volunteer workers?

7.1.5. How can the sector coordinate and resource its influence in workforce development with education providers and governments?

8.1.1. How should government improve the way it funds and contracts charities?

8.1.2. How could government funding, tendering and contracting drive a good balance of collaboration and competition to support innovation in the NFP sector?

9.1.1. What standards of digital capability should the sector aim for and how might these be achieved?

9.1.2. How might the sector aggregate support to maximise the digital capabilities of smaller organisations?

9.1.3. What is needed and what is the sector’s role in advocating for digital inclusion and participation of citizens and communities?

9.1.4. How can governments streamline digital systems requirements and support efficiencies for NFP providers?

10.1.1. Is greater knowledge sharing about the assets of the NFP sector needed?   
If so, how might this be done and to what ends?

10.1.2. What resourcing and regulatory support could be introduced or better used to allow NFPs make best use of their assets in support of operational sustainability and delivering on societal needs?

10.1.3. What models of social finance best suit the needs of NFPs?   
How can these be encouraged or scaled?

10.1.4. What practical steps can the NFP sector take with governments, philanthropy and/or the private sector to redress underfunding and support innovation and financial health of the sector?

Appendix II: BERG members and paper contributors

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* Kasy Chambers, CEO Anglicare Australia
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1. See Appendix I for details of the BERG and contributors to this paper. [↑](#footnote-ref-2)
2. Figures about the size and composition of the full NFP sector are dated, which presents a substantial data gap. [↑](#footnote-ref-3)
3. Noting this paper is sector led and the consultation process is not DSS-owned. [↑](#footnote-ref-4)
4. The ACNC currently defines small charities as those with annual revenue under $500,000 and large charities as those with annual revenue of $3 million or more. The most recently published 9th edition of the Charities Report used the ACNC's previous thresholds, where small charities were defined as annual revenue of under $250,000, and large as $1 million or more. [↑](#footnote-ref-5)
5. This is an area of focus also prioritised in the *Stronger, more diverse and independent community sector* review process. [↑](#footnote-ref-6)
6. Quasi-markets are used in outsourcing care and welfare services delivery. They are constructed rather than natural markets, in which there is a separation between the consumers of the services (citizens) and the service purchaser (governments) (Carey et al. 2020). [↑](#footnote-ref-7)
7. The Yoorrook Justice Commission is the first inquiry, Royal Commission or truth-telling process to apply Indigenous Data Sovereignty principles to the collection, storage, handling and use of First People’s information. As the Commission observes, systemic injustice and lack of Indigenous data sovereignty are strongly linked, and undermine self-determination (Yoorrook Justice Commission n.d.) [↑](#footnote-ref-8)
8. Foundations are themselves typically charities. ACNC data shows that around 20% of Australian charities are grant-makers (ACNC 2023) [↑](#footnote-ref-9)
9. Social enterprises are organisations that exist to create public or community benefit, trade to fulfil their purpose and reinvest a substantial proportion of their profit or surplus in their mission. The large majority of social enterprises in Australia are incorporated as NFPs (Barraket et al. 2016) [↑](#footnote-ref-10)
10. Except basic religious charities. [↑](#footnote-ref-11)
11. After more than a decade of sector advocacy on the issue, federal, states and territory governments have committed to reconciling fundraising regulation around an agreed set of National Fundraising Principles. Implementation plans for each jurisdiction were due to be formalised in July 2023; this timeline has not been met. [↑](#footnote-ref-12)
12. As detailed in Section 1, the NFP Blueprint is being developed concurrently with the Australian Government’s commitment to a [*Stronger, more diverse and independent community sector*](https://engage.dss.gov.au/a-stronger-more-diverse-and-independent-community-sector/). This work involves creating recommendations to government on innovative approaches to grant funding that will support both short term and longer-term reform to the operation of community sector grants. The NFP Blueprint will draw on and seek to integrate where relevant with this activity. [↑](#footnote-ref-13)
13. Although property has enjoyed a significant increase in value in most markets, it should be noted the productive capacity of such assets has not grown in real terms. [↑](#footnote-ref-14)