

There's no “back to normal”. The five big issues facing NFPs in 2021

By Perpetual Private Insights

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Justice Connect works with people who are disproportionately affected by the complexity of the legal system. It provides its own expert advice and also works with legal firms, helping them wield their pro bono budget more effectively in the service of disadvantaged clients and communities.

It also offers a unique sector support service that amplifies the impact of the philanthropic dollar by providing legal advice and curating an always-evolving resource hub (www.nfplaw.org.au) of fact sheets, webinars, apps and tools to help NFPs manage the legal issues that bedevil any organisation - but especially resource poor and volunteer-run NFPs.

“Running an NFP is *more* complex than running a business,” says Sue Woodward, head of Justice Connect’s Not-for-profit Law program. “You’ve got core business legal issues – contracts, leases, employment – but on top of that are charity-specific issues - special tax laws, legal issues associated with managing volunteers and the dog’s breakfast of the current fundraising laws. There are often more and different stakeholders; volunteers, government funders, public donations, philanthropists. That’s a huge load for even the most well-resourced charities, let alone those we focus on most, the small ones powered by volunteers.”

2020 – managing stress and distress

Sue’s team in Justice Connect is uniquely placed to see the stressors in the NFP sector – and 2020 saw more stressors than most.

“Because of health risks and lockdowns many organisations had to stand down staff – but many were asking what does ‘standing down’ mean?” says Sue. “What are the rights and responsibilities of the organisation and its staff, and does that change when the staff are volunteers? Remember, these were organisations where the leaders couldn’t just pick up the phone and dial HR – they *are* HR.”

The team also dealt with situations that highlight the legal issues NFPs face and the vital role they played at the sharp edge of the health crisis.

“We had organisations whose contract with the government was based on personal visits to at-risk clients. How do they balance that legal requirement with government mandates that limit face to face interaction? We worked with organisations that provide in home care programs – organisations that just can’t flick the switch to digital and had to balance a duty of care to their staff and responsibility to their clients.”

Post pandemic issues.

For many NFPs, dealing with the aftermath of Covid is going to involve a set of choices likely to reshape the whole sector.

Sue Woodward’s experience spans Justice Connect’s NFP Law program and her own work on NFP boards. “So much has changed that many organisations will never get to say: “Things will soon be back to normal.” Some will face a question mark over their very existence.” says Sue.

Jane Magor is National Manager, Philanthropy and Non-Profit Services at Perpetual Private. “From speaking with boards and senior sector leaders, we know that strategy, sustainability and funding are primary concerns in 2021,” says Jane. “Many NFPs need to pivot their strategies

whilst the current landscape remains very uncertain. Some NFPs will also need to make some very difficult decisions about how they fund their mission and community programs while also investing in the new technology and infrastructure that is vital for long-term sustainability. The coming end of Jobkeeper makes that even more pressing – especially in an environment where support from many key supporters is somewhat uncertain.”

The role that philanthropists can play in assisting NFPs is more important than ever. Jane notes ‘We’re talking to a lot of philanthropists about supporting organisational capacity. That’s crucial, because over the long-term, a really well governed organisation will better interact with and support its communities. Examples could include providing funding for a Customer Relationship Management (CRM) system that can be used by both front-line workers and back office staff. Another example could be to fund a core salary or a consultant wage if specific skills are required by the organisation during a period of transition.”

The essence of strategy...

Sue Woodward and Perpetual’s Jane Magor agree there are five key issues NFP leaders will need to address in 2021. They are also issues that philanthropists need to consider as they shape their support to the social sector.

1. People

The past year has placed massive stresses on NFP people. To thrive in 2021, NFPs are going to have to put their people first – and that includes supporting CEOs and board members.

1. Service

A post-Covid world gives some organisations the opportunity to reshape their operations. Are there services that can be delivered via digital? What digital data governance implications do these shifts have? Are there activities that looked core but are now superfluous or delivered more effectively by others? What new activity can NFPs focus on that would be more useful to their clients and communities?

1. Organisational structure

“I think there’s a growing realisation at the top level of many NFPs that their organisational structures will have to change,” says Sue Woodward. “Do they get bigger – or smaller, do they need to merge – or even close? Board members and NFP execs know there are big decisions that need to be made – and soon.”

1. **Reserves**

Many social sector organisations will need to take a fresh look at their reserves. In 2021, some will be focused on rebuilding their reserves – others may be deploying that cash to fund the service change or organisational restructures required to make them sustainable.

1. **Strategy**

“Boards need to be bold”, says Sue Woodward. “To make the changes required many NFPS are going to have to rethink assumed strategies and reinvent their organisations. Many of the leaders I speak to are doing just that, looking beyond quick fixes to long-term strategic shifts that will help their clients for years to come.”

Help is at hand

To deal with these five big issues NFPs will need to communicate constantly with their key stakeholders – with government, with their clients and with each other. And they will need all the help they can get from philanthropists. Philanthropists who step up financially even though their own personal balance sheets may have been affected by Covid. And philanthropists who are ready to invest in supporting the long-term structural and capacity changes many NFPs need to undertake if they are to continue serving their communities successfully.

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