



**Rising to the
challenge:**
Philanthropy
Snapshot for 2024

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This snapshot looks at the environment that not-for-profit organisations and the communities they serve face in 2024. It summarises these needs and opportunities for philanthropists, so they can make informed decisions about their giving. This snapshot's findings are based on conversations with not-for-profit organisations, sector leaders and data collected through Perpetual's IMPACT Philanthropy Application Program (IPAP).

About IPAP

Each year, not-for-profit organisations (NFPs) are invited to apply for funding through IPAP. In December 2023 we received over 1,750 applications, with a total of more than \$165 million in funding requests from community organisations of all sizes across all sectors.

These applications give us a deep insight into the opportunities and challenges facing non-profit organisations today, and what they need from those who support them.

Some key challenges facing NFPs in 2024

Our analysis shows that 2024 will present similar challenges to the sector as 2023, in particular:

- inflation and increased costs of living, combined with rising demand for services
- shortages of both skilled workers and volunteers
- cyber security issues and the continuing effects of regulatory and government reforms.

Challenge 1

Increasing costs coupled with rising demand

Rising costs and inflation are making it increasingly difficult for NFPs to cover their operating costs and provide day-to-day operations. At the same time they are experiencing an increased demand for services.

A move towards operating costs

As the chart below shows, there has been an 8% increase in organisations seeking more funding for general operating costs compared with 2023. Interestingly, this coincides with a 5% decrease in investment in strategic development.

Possible explanations

For organisations that have undertaken a strategic planning process in the past 12-24 months, the next logical step is to increase operational investment to deliver on these strategic priorities. At the other extreme, many organisations appear to be compelled by circumstances to prioritise operating needs over strategic focus.

Many organisations are operating somewhere in-between, attempting to maintain focus on strategy whilst responding to immediate and increasing need.

This is demonstrated by a significant increase in requests received to amend the purpose of grants funded in the past two years. For many of these organisations, either their strategy has shifted, or their operational needs have changed, requiring the redirection of funds.

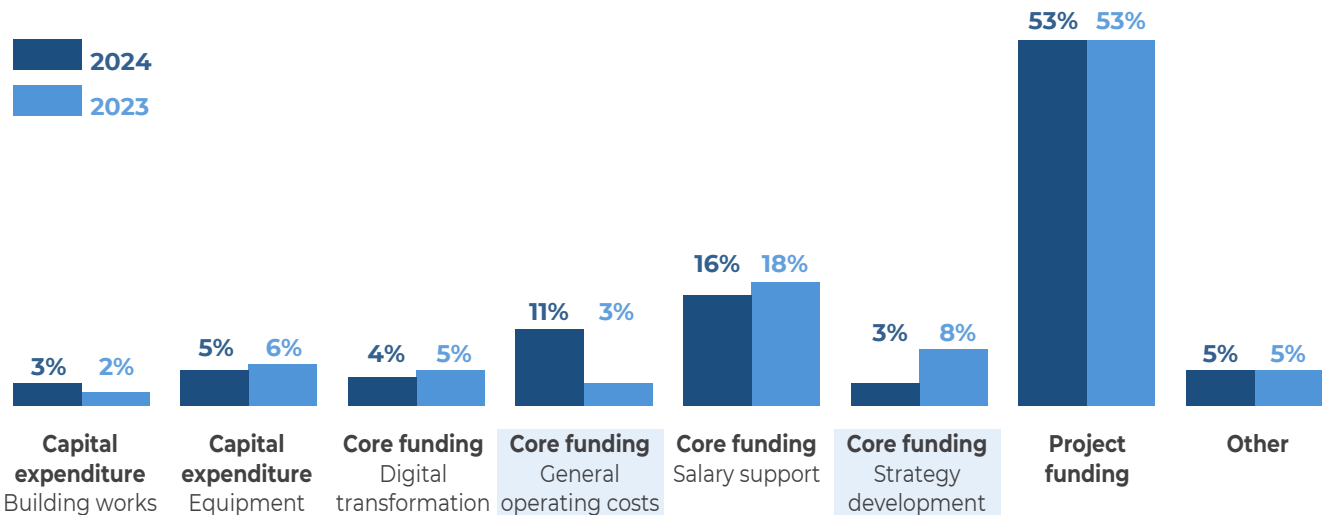
When considering this trend, it's worth remembering that IPAP is one of the few grant programs that allows NFPs to apply for funding to cover capacity support and operational costs. Business continuity and program consistency is a critical, and sometimes overlooked, aspect that generates a constant demand for funding.

Considerations for funders

When examining the effect of rising costs and demand, consider:

- what is your appetite to provide untied funding to organisations that have a strong strategic focus?
- is there a risk of resources being directed to funding areas without strategic consideration and if so, what impact will this have in delivering intended outcomes?

Not-for-profit funding requests



Source: Perpetual’s IMPACT Philanthropy Application Program data, December 2023

Challenge 2

Finding skilled staff and volunteers

The number of skilled volunteers making themselves available to NFPs has still not recovered to pre-pandemic levels. The difficulties of recruiting and retaining skilled staff, mean that simply getting the right people is a major challenge facing organisations.

As a result, we continue to see a high number of applications specifically requesting funding for professional, operational and fundraising salaries.

Competing with for-profits

In a market suffering from labour shortages, many are struggling to compete with the pay levels that for-profit organisations can offer.

Keeping skill levels high

The uncertainty of government funding, combined with a decrease in community and regular giving, have increased the need for organisations to attract and retain professional fundraisers.

Although often overlooked by funders, strengthening the fundraising profession in this way enables NFPs to:

- strategically secure the resources they need
- manage operational costs
- create long-term sustainability
- maintain focus on impact and mission.

Considerations for funders

In 2024, just 'keeping the lights on' will be a priority for some organisations, so building and investing in the capacity of NFPs – its people and resources – will be important to ensure that they can continue to deliver outcomes to the community.

Challenge 3

Regulatory and technical challenges

Instability

Regulatory reform and uncertain government funding continue to be major issues for organisations across all sectors. One effect is an increase in IPAP applications from smaller organisations operating in the National Disability Insurance Scheme (NDIS) space, seeking core funding to enable them to deliver essential services.

Rising threats

On the technical front, the majority of organisations cited the increasing sophistication and frequency of cyber threats as a key risk. Now more than ever, NFP boards should be considering their Digital Data Governance framework and regularly reviewing their processes, systems and policies. Some NFPs advised they partner with their CRM or technology providers to provide partial support in this area, however this is often limited for small and mid-size organisations.

Interestingly, requests to fund digital transformation have fallen to one of the lowest levels we've seen in years. This is possibly less because of a reduced need for this work, rather than the poor availability of the funding and skilled staff to implement these projects.

Considerations for funders

While largely beyond the control of NFPs, these are genuine challenges that can have sudden and large-scale effects. Enabling organisations to conduct contingency planning to prepare may be of value.

What can philanthropists do?

With all these challenges compounding, philanthropists can play a pivotal role in enabling organisations to overcome immediate challenges, build resilience, and adopt strategic thinking for long-term success.

The rigour of the IPAP process – and our strong relationships with NFPs and community sector leaders and stakeholders – means we can connect funders to charities that have a proven capability and are working in the areas you care about. So what practical steps can you take?

1 Building capacity for strategic thinking

A strong strategic plan enables organisations to be more active and forward-looking in their operations, so one approach is to provide funding for strategic thinking and planning.

This can include programs to help organisations develop strategic plans, assess community needs, and formulate proactive approaches to address challenges and create long term positive change. It also includes funding programs to measure and evaluate outcomes, which are vital to understand organisational impact.

2 Funding for general operating costs

As they grapple with the intricacies of the labour market, NFPs are making targeted funding applications for professional and operational salaries a key strategy. This enables them to compete with the for-profits and keep the talent they acquire. NFPs rely on not just the abilities of their people, but on their attitude and commitment to supporting their communities. These attributes are both hard to find and essential to success.

3 Giving what it takes

A key aspect of funding choices is carefully considering the full cost of projects, and defining realistic timeframes for when outcomes can be measured.

If it's not feasible to fund the whole cost of an initiative, be open to discussing the likely impacts and options with the organisation.

4 Short-term needs versus long-term investment

Longer-term funding enables organisations to be more strategic and effective, and helps them attract and hold onto the skilled staff they need. Short-term needs are often time-critical, so allowing some flexibility in your funding model will enable you to react to these needs.

A hybrid funding approach supporting both aspects continues to be effective in today's environment. When reviewing your philanthropic goals, it's worth considering how your short and long-term goals align with the needs and challenges of the community, both now and in the future.

5 Start a conversation

Contact the organisations you're interested in and ask them what kind of help would be most valuable to them right now. You can always ask our Philanthropy team to arrange these meetings for you.

6 Focus

Consider if your current grant making strategy still aligns with your passion areas, or if a new or different approach should be considered. This might include reducing the number of organisations that you support, and providing larger grants, to a select few that align with your values. Perpetual's Philanthropy Toolkit (perpetual.com.au/philanthropy-toolkit) is a great resource that philanthropists can use to help them with this process.

7 Talk with your family

If your family is involved in your philanthropy, now is the time to talk about the communities that need your help today. It might also be a good time to review their roles and responsibilities relating to your Foundation or Endowment, and what support or education they might need to help them make informed decisions, now and into the future.

How Perpetual data helps you give well

Perpetual assesses funding applications based on the quality of their governance and their outcomes. This is why we ask organisations to provide information and data on:

- how they manage resources
- the effectiveness of their mission delivery
- their understanding of the strategic environment
- how they mitigate risk.

Importantly, we encourage organisations to apply for funding for their greatest need, whether that's for programmatic support, equipment and infrastructure or capacity support, such as staff costs.

We probe not-for-profits about their strategy, leadership, outcomes and capability. This 'due diligence' gives us an unparalleled view of the issues these organisations are facing.

We use this information to give philanthropists the insight they need to answer their most important question: "How do I give well?"

Start the conversation

Our philanthropy team is available to discuss these IPAP insights, and how you can apply them to make your giving more personal and satisfying. Why not arrange a conversation today so you can give with maximum impact this financial year?

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