UWA Centre for Public Value

NTCOSS
Northern Territory Council of Social Service

VALUE OF THE NOT-FOR-PROFIT SECTOR

2025

The Fourth Examination of the Economic Contribution of the Not-for-profit Human Services Sector in the Northern Territory

By David Gilchrist, Ben Perks & Thomas Emery

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Publication Information

This study was undertaken by the Centre for Public Value at the University of Western Australia and funded by the Northern Territory Council of Social Service. The Centre for Public Value at UWA is a multi-disciplinary academic group focusing on developing practical research outcomes that are intended to support Australia's human services sector which includes Not-for-profit and charitable organisations, policy makers, governments, and commentators. Such research outcomes are intended to be industry-ready—that is, they are tools and commentary that are based on high quality research while being focused on implementation and practical supports.

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Citation Information

Gilchrist, D.J., B. Perks & T. Emery. 2025. "Value of the Not-for-profit Sector 2025: The Fourth Examination of the Economic Contribution of the Not-for-profit Human Services Sector in the Northern Territory". A report developed by the Centre for Public Value, UWA Business School, for the Northern Territory Council of Social Service, Darwin, Australia.

Statement of interests

Professor David Gilchrist is Foundation Director of the Centre for Public Value at the University of Western Australia's Business School and is a professor of accounting at that institution. He has received funding from governments, peak bodies and individual organisations for various research projects predominantly related to the Not-for-profit human services sector, Not-for-profit accounting and financial reporting, sustainability and outcomes reporting, and policy and practice related to these areas. He has been a director of a number of human services organisations over past years and is currently a director of a policy-focused charity in the education area.

Mr Ben Perks is a research fellow of the Centre for Public Value in the University of Western Australia Business School. He has undertaken research across various topics focused on not-for-profit sustainability, public sector commissioning and procurement and the economics of human services. Most recently he has worked with the Department of Social Services working on such projects as the National Not-for-profit Blueprint.

Mr Thomas Emery is a Research Fellow of the Centre for Public Value in the University of Western Australia Business School. He has undertaken research related to the Not-for-profit human services sector, public policy and broader public finance areas including in relation to taxation policy and economic history. He is currently a director of the Magic Coat Foundation, a registered charity.

Key Points

This is the **fourth report** in the series. The last report was published in 2024

The Northern Territory charities sector grew by **14%** since the last report

There was an **increase** in the number of small- and medium-sized organisations and a **fall** in the number of large-sized charities

The **top 3 activities** remained human services, religion and faith-based spirituality and arts and culture

Charities in the NT delivered **2,750** programs of which 40% were delivered by NT-headquartered organisations

The charities sector employed **9.7%** of the NT workforce compared to mining & manufacturing (4.7%), construction (8.2%) & agriculture, forestry & fishing (1.6%)

Improper indexation rates have resulted in a funding gap of **5%**

Volunteering provided **$27.3m** in economic value add

Total income increased to **$1.7bn** representing growth of 5.4%

Profitability fell by **38.9%** Income increased by $92m while expenses increased by $177m

77.6% of charities failed to achieve a profit equal to or above CPI, up from 41% in 2021 – meaning they did not cover cost increases

Data availability remains problematic

Such data limitations mean that this report likely understates the contribution made by the sector

Industry Response

NTCOSS
Northern Territory
Council of Social Service

The Northern Territory Council of Social Service is pleased to be able to support the development of the latest Value of the Not-for-profit Sector report. Building on the three previous reports commissioned by NTCOSS, this report once again highlights the social and economic contribution made by the Territory's charities sector in spite of the significant financial and operational challenges it faces.

Once again, the sector faces challenges that threaten its financial sustainability and service delivery capacity. The sector's profitability—an important measure of the capacity of the sector to innovate, meet long term costs and invest in people and systems in response to policy change—has been poor with 46% generating a loss and a further 30% achieving an unsustainable profit level below 0.9%.

The need for government investment to stabilise the sector and make it financially sustainable is critical. This is to ensure the ongoing delivery of services and supports required by the community but also to reduce the cost to government in primary healthcare costs, amongst other costs, which are more expensive and less impactful than community services. Equally, in line with previous reports, the lack of comprehensive and timely data restricts our capacity to fully understand the impacts of poor funding and inappropriate resourcing policies.

The resilience of the sector is stark amongst the myriad impacts of funding limitations, poor indexation policy and workforce competition for staff with experience and capacity. Meeting these challenges is not just important for the Territory's sector. Indeed, some of the most vulnerable people and communities in the Territory rely on appropriate quality services and support provided by the sector to live their lives. These people bear the brunt of inappropriate policy decisions and a lack of resourcing.

Overall, the economic and social impact of the sector continues to be very significant with its contribution to Gross State Product being the equivalent to that of manufacturing, construction, accommodation and food services, and transport, postal and warehousing combined. Additionally, given the poor data resources, the achievements highlighted by this report are likely to reflect the low end of the total contribution of the Territory's not-for-profit sector.

We commend this report to the community of the Northern Territory.

Yours sincerely,

Sally Sievers
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NTCOSS acknowledge the Traditional Owners of country throughout the Northern Territory and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and emerging. Aboriginal sovereignty has not been ceded.

Contents

Executive Summary

The Northern Territory's not-for-profit (NFP) sector remains essential to the Territory's economy and social fabric. This report, the fourth in a series commissioned by the Northern Territory Council of Social Service (NTCOSS), analyses the sector's economic and social contributions, as well as its sustainability, drawing primarily on the 2022 ACNC Annual Information Statement (AIS) data, the most recent data collected by the regulator, but also considering other published data. It highlights emerging trends post-COVID-19 and in the context of the cost-of-living crisis, addressing critical challenges, and offering commentary to support the sector's long-term sustainability.

Sector Growth and Composition

The NT charity sector grew significantly, with 509 registered charities in 2022, up 14% from 2021. This growth primarily stemmed from small- and medium-sized organisations, indicating sector recovery and increased demand at the community level. However, a decline in large charities suggests restructuring, downsizing, or financial strain among bigger organisations.

Social Contribution

Charities collectively delivered 2,750 programs, with 40% (1,059) of those from charities headquartered in the Northern Territory. The top three activities remained human services, religion and faith-based spirituality (advancement of religion), and arts and culture, reflecting sustained community demand and cultural significance. An increase in total programs administered can be seen across every main activity with an 18% increase overall, alongside 68% of charities now delivering more than one program or service to the community.

Economic Contribution

Employment grew to 13,209 staff, representing 9.7% of NT's total workforce, while volunteer engagement increased to 12,593, strengthening the sector's reliance on community support and providing a value-add of $27.3 million.

Financial Sustainability

While total income increased to $1.7 billion (5.4% growth), financial pressures persist. Government grants declined as COVID-19 support tapered, now representing 53% of total revenue, with goods and services income rising to 35.5% of total revenue. However, profitability fell by 38.9%, with operating margins clustering close to breakeven, leaving 77.6% of charities below NT's 2023 CPI level and therefore not maintaining their resource capacity in real terms.

Preliminary Comments

This report aims to provide the results of an analysis of core operational and financial indicators of the Northern Territory not-for-profit (NFP) sector (the sector) as of December 2022. At the time of writing, this is the latest data available from the charities regulator, the Australian Charities and Not-for-profits Commission (ACNC). All registered charities, as part of their registry obligations, are required to report on program and financial information annually with exceptions given to small organisations and Indigenous corporations.

This report builds on the three previous reports in the series undertaken by the Centre for Public Value research team and commissioned by the Northern Territory Council of Social Service (NTCOSS) which were designed to evaluate the economic and social contribution, and sustainability status of the sector.[1] The three prior reports evaluated 2015 (Gilchrist and Knight, 2017), 2018 (Gilchrist and Emery, 2020) and 2021 (Gilchrist and Perks, 2024) ACNC Annual Information Statement (AIS) data.[2] This report focuses on the 2022 data collected and published by the ACNC.

This report presents an important opportunity to assess the sector's position as the Territory exited the COVID-19 pandemic and entered the high interest and inflationary environment from 2021. With that in mind, year-on-year trends will be presented where appropriate with the 2022 data included. Care should be taken when interpretating trend data across uneven time intervals.

The AIS data only captures a portion of the NFP sector—that of the subsector of charities. There are approximately 560 additional economically significant nonprofit organisations operating in the NT, with about 1,650 associations being registered under relevant NT legislation, and a further 450 social enterprises operating in the NT.[3] While charities do make up a small proportion of the NFP sector, they are a materially significant proportion that provide tangible insights for the wider sector.

These data challenges also indicate that the contribution made by the sector and reported herein is likely to be understated and that the economic and social contribution of the Territory's Nonprofit sector is vastly greater than the data suggests.

Please see the appendix for information pertaining to the data and methodology used. Should you have any queries, please contact the authors directly.

1 All reports of the Centre for Public Value are available here: https://www.uwa.edu.au/schools/research/centre-for-public-value/publications

2 Please see appendix 1 for information on the data and methodology

3 Social Enterprise Australia. (2022). Business for Good: The size and economic contribution of social enterprise in Australia. Lord Mayor's Charitable Foundation

Background and Context

The Northern Territory NFP sector is a significant and essential part of the Northern Territory's (NT) economic and social fabric. It is a sector defined by a diverse range of organisations which vary by size, complexity and mission. The sector operates across the full range of policy areas—from health, education and human services to sports, the arts and culture, and the environment. It is not unreasonable to suggest that every Territorian will benefit from the contribution of an NFP at some point in their lives.

The cost-of-living crisis has placed significant demand on the NFP sector. For instance, OzHarvest reported a 73% increase in demand for food assistance over the 6 months leading up to March 2023[4] while a third of people requesting emergency relief are citing cost-of-living pressures as the primary reason for request.[5] Alarmingly, individuals in full-time employment and dual-income families are seeking charitable support, many for the first time. Recent Census data shows that one in 20 Territorians are experiencing homelessness, almost 12 times the national average (ABS, 2021).[6]

Further, in 2024, food insecurity was experienced by around 40% of Territorians. Indeed, emergency relief charities have noted the significant demand increases across their services in the Northern Territory, with Foodbank reporting a 34 percent increase and St Vincent de Paul experiencing a 25 percent spike in emergency relief payment requests.[7] Finally, NTShelter states that unmet demand represents 39.3% of total demand for housing and homelessness services in the NT.[8]

This increased demand is putting significant pressure on NFPs and charities to meet community need. Not unlike other businesses, NFPs are also impacted by the high inflation environment and, as such, have seen significant increases in operating costs (i.e. fuel, energy, rent, supplies). However, this environment does not just impact their direct operating costs—NFPs struggle to recruit and retain appropriately trained and experienced staff due to the cost-of-living pressures which are forcing workers to seek alternative and better paid employment, especially given the human services sector is one of the lowest remunerated sectors in the Australian economy. This means that the sector is less able to maintain its service delivery much less increase it to meet latent demand.

Additionally, as more people struggle financially, fewer are able to donate to support these services, notwithstanding demand for human services continues to rise in the community.[9]

Nevertheless, the NFP sector remains both critical service delivery infrastructure and a critical economic engine room for the NT and Commonwealth governments. National commitments, such as the National Agreement on Closing the Gap, the National Disability Insurance Scheme and now the emerging priority to improve social cohesion and civic engagement all require a well-functioning and sustainable NFP sector to succeed. Therefore, the investment in support of the development of the sector is also a relevant consideration in the context of the National Nonprofit Development Blueprint (BERG, 2024).[10]

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4 https://www.news.com.au/finance/money/costs/ozharvest-australia-stark-costofliving-crisis-behind-40person-line/news-story/0710a891a76ac5d7131ec0a34ee8d854

5 Select Committee on Cost of Living. (2024). Chapter 5 – Supporting Australians through assistance for not-for-profits. Parliament of Australia. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Cost_of_Living/costofliving/Second_Interim_Report/Chapter_5_-_Supporting_Australians_through_assistance_for_not-for-profits

6 See: Estimating Homelessness: Census, 2021 | Australian Bureau of Statistics

7 See: Surge in families turning to charity ahead of Christmas as cost-of-living bites - ABC News

8 See: https://ntshelter.org.au/educational-resources

9 Davis, J. (2023). Charities struggle to survive rising costs, increasing demand, dwindling resources (April 2023). ABC News. https://www.abc.net.au/news/2023-04-22/charities-struggle-to-survive-amid-rising-costs-crisis/102222732

10 Available here: https://www.uwa.edu.au/schools/research/centre-for-public-value/publications

This is equally true for Territory specific strategies, such as the Domestic, Family and Sexual Violence Reduction Framework 2018 to 2028, NT Seniors Policy, Gender Equality Action Plan, and NT Community Housing Growth Strategy. As such, the role of government as a major funder and a coordinating partner for sector development includes the provision of capital and financial sustainability capacity in support of the sector in working toward these priorities.

The Government/ Not-for-profit relationship

The long-standing partnership between the government and the Not-for-Profit (NFP) sector in the Northern Territory has been instrumental in delivering complex and challenging services to Territorians. Recognised as a critical asset in service delivery, the NFP sector plays a vital role in addressing social needs, realising government policy objectives and advancing community outcomes. A strong collaborative relationship between the sector and government represents a key opportunity to achieve shared goals through partnership and innovation.

Data and Digital Planning

To date, the Digital Territory Strategy and the successive actions plans have not given adequate focus to investing and building the digital and data capabilities of the NFP sector (or non-government organisations) delivering service across the Territory (Northern Territory Government, 2018).[11] Therefore, the analysis and response to challenges to sector sustainability remains difficult, placing service users at risk and potentially reducing efficiency due to poor decision making undertaken by policy setters.

Subsequent planning processes should work in partnership with the not-for-profit sector to identify the digital and data capabilities that will best support higher quality services, clearer outcome measurement, greater efficiency via local decision making, and the creation of timely and robust data assets.

The collaborative development of functional, high-value data for evidence-based policymaking and evaluation presents a transformative opportunity for the government and the NFP sector. With appropriate investment by government and joint planning and execution, integrating this data into an approach mirroring the Northern Territory (NT) Coordinated Investment Framework (Australian Government & Northern Territory Government, 2023),[12] would allow the government and the NFP sector to strengthen their collective ability to measure service impact, allocate resources effectively, support local decision making and guide investment into areas of greatest need. Such government investment would ensure that integration supports sustainable service delivery, ensures positive returns on investment, increases real efficiency, increases transparency and facilitates the delivery of meaningful outcomes for communities through:

> **Mapping service needs and delivery data** to align investment with priority social outcomes, ensuring resources are directed to areas with the greatest demand and potential for impact;

> **Coordinating impact investments** across sectors and levels of government, avoiding duplication and ensuring efficient use of resources;

> **Generating valuable insights** to explore expansion of the Framework's principles and objectives to other areas of critical community service.

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11 Available here: https://digitalterritory.nt.gov.au/digital-government/strategies-and-guidance/digital-territory-strategy

12 See the Coordinated Investment Framework - https://rmo.nt.gov.au/__data/assets/pdf_file/0006/1206285/Coordinated-Investment-Framework-FINAL.pdf

It is essential to establish a clear set of priorities and measurable objectives for improving social and economic outcomes in the Territory. By aligning the development of data with these priorities, the government and the NFP sector can generate actionable insights that directly support outcome-focused planning, service delivery, and evaluation. This alignment ensures that data collection and analysis are driven by shared goals, enhancing transparency and accountability while fostering stronger partnerships across the sector.

Government actions that can support key actions to develop and integrate high-value data include:

- **Conducting a comprehensive stocktake** of existing data across government and the NFP sector to identify gaps and opportunities;
- **Establishing robust protocols for impact measurement, data sharing and access,** ensuring secure, ethical, and efficient use of public data while promoting collaboration between government and the sector;
- **Defining priority service areas and related data collection needs,** and agree on resource allocations to address critical gaps;
- **Including appropriate financial resources in government procurement contracts to ensure NFPs have the capacity to collect, analyse and report outcomes.** Such financial resources include the provision of capital necessary to establish systems and develop skills and capacities needed and to support the gathering, analysis and reporting of outcomes data.

By combining administrative and procurement data with other sources, such as the Australian Charities and Not-for-profits Commission (ACNC) dataset, this initiative would empower the sector to better communicate its contribution and value. This ensures that data-driven decisions are made with a deep understanding of community needs and service outcomes which will, in turn, build efficiency through local decision making.

It is essential to sustain the positive momentum in strengthening service capacity, design, and delivery, ensuring the best possible outcomes for all Territorians. At the same time, we must actively explore and seize every opportunity to build a dynamic, inclusive social sector that truly works for everyone in the Territory.

The Sector

The Northern Territory charities sector grew by 14% since the last report

There was an increase in the number of small- and medium-sized organisations and a fall in the number of large-sized charities

The remainder of this report focuses on reporting the results of our investigations relating to the nature of the charities sector in the Northern Territory, concentrating on changes from the 2015 to the 2022 AIS data collected and published by the ACNC, and considering those charities that have their headquarters in the Territory. Therefore, the social and economic contribution of all charities and NFPs operating in the NT is likely considerably higher than reported here. Better data would assist greatly in understanding this sector better, informing better funding policy. As discussed above, an improvement in data availability would improve policy makers, sector personnel's and the community's understanding of the sector's true contribution to the Territory and how it can be better supported.

SIZE AND COMPOSITION

Very small charities are the most common type raising concerns as to financial sustainability and capacity given the service demand reported above

The reduction in large and very large charities as a proportion of the charities population in the NT may be indicative of restructuring in reaction to financial pressure

There was a sizable increase in the number of charities operating and headquartered in the Northern Territory. A total of 508 registered charities were recorded, up 14% from 445 in 2021. The number of charities in 2022 surpasses the 450 high recorded in 2015. This may signal a recovery from the COVID-19 pandemic as well as increasing community need in the challenging economic environment in the years following.

Considering total charities by size as categorised by total income, Figure 1 provides further insight into the sector's expansion overall. It is clear that growth relates to marked increases in small- and medium-size charities. This change gives some credence to a revitalising of community-level organisations after sufficient recovery following the pandemic. Of course, some of this change will be caused by organisations previously being marginally below the next size bracket, increases in funding via quantity of services, and indexation causing them to be re-allocated to the higher size bracket.

Figure 1. Total Charities by Size 2015-2022

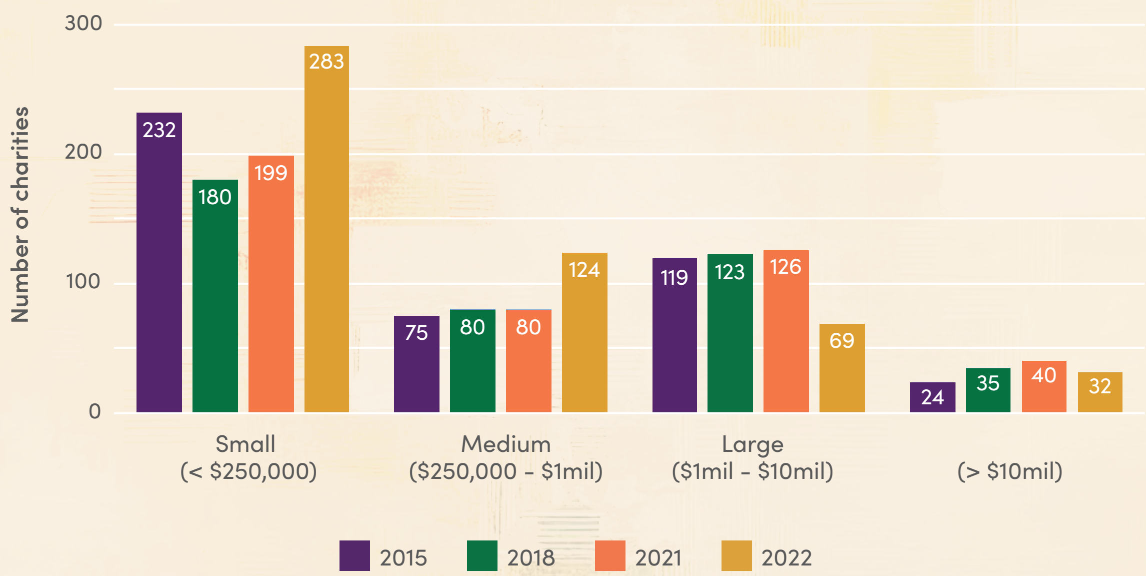
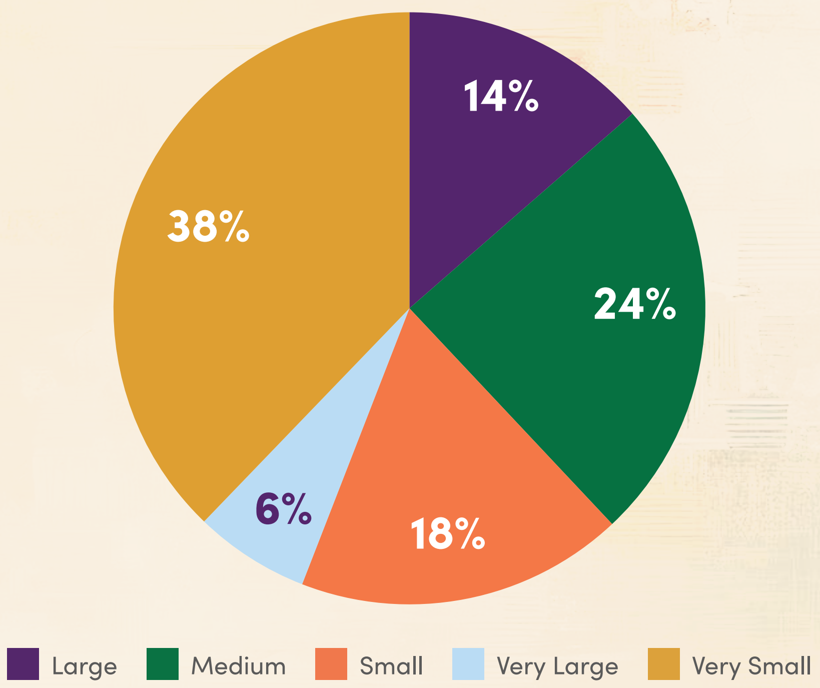


Figure 2. Charities by Size (2022)



Further demarcation shows that, consistent with previous years, very small charities are the most common charity size comprising 38% of the total population (Figure 2) raising concerns as to capacity and financial sustainability. The sizable year-on-year increase to the number of medium-sized charities has meant they now make up 24% of the sector. This further supports the notion that many large charities are downsizing or restructuring, given in 2021, large charities made up the majority at 37.3%.

Figure 3. Main Activity by Charity Size 2022

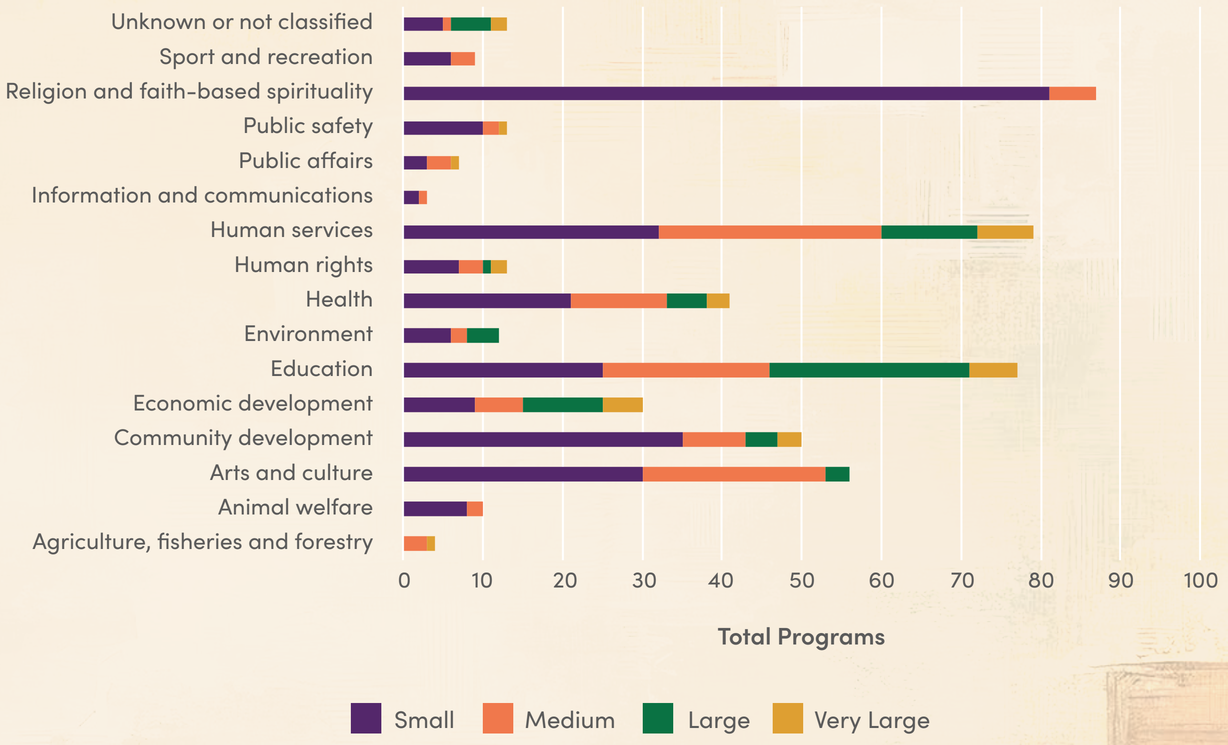


Figure 3 displays charity size by main activity type–the area a charity predominantly operates in–for 2022. It is noteworthy that a significant proportion of small and medium charities support welfare relief and other community-level services which aligns with the economic challenges being experienced currently. As community need becomes apparent it is intuitive that both a willingness to start-up smaller charities, and an incentive for government and other funders to provide additional resources to meet demand, would result in sizable growth in these areas.

Concerningly, the reduction in large and very large charities could be a sign of restructuring or essential downsizing efforts due to financial strain. Although bracket creep may explain some movement, it may be that these organisations struggled to adapt to the changing circumstances and were split, wound-up or reclassified.

Unfortunately, individual charity circumstances are not reported in the AIS data. Therefore, it is not possible to determine the exact reasoning for entry, or perhaps more importantly, deregistering of a charity. Patterns of merger, amalgamation and acquisition are unclear in the charity sector. It remains important to monitor these activities for the sake of sustainable and reliable service access and quality as rising costs continue to pressure operating budgets.

CHARITIES' SOCIAL CONTRIBUTION TO THE TERRITORY

WHAT DO NT CHARITIES DO?

Charities in the NT delivered 2,750 programs of which 40% were delivered by NT-headquartered organisations

The top 3 activities remained human services, religion and faith-based spirituality (advancement of religion) and arts and culture

Charities are essential to meeting the diverse needs of communities across the Northern Territory. This section highlights the variety of programs these organisations deliver and the populations they support. In total, charities operating in the NT delivered approximately 2,750 programs, with 1,113 programs (approx. 40%) delivered by charities headquartered in the Territory. There has been an increase of 214 programs delivered by NT headquartered charities alongside a relative increase in those provided by charities headquartered outside of the jurisdiction.

Nevertheless, the heavy reliance on interstate services underscores the importance of ensuring that regulations and standards are harmonised for those charities working interstate. Given the already additional costs of rural and remote service delivery, the NT government should investigate opportunities to reduce administrative and compliance burdens where feasible to ensure an enabling environment.

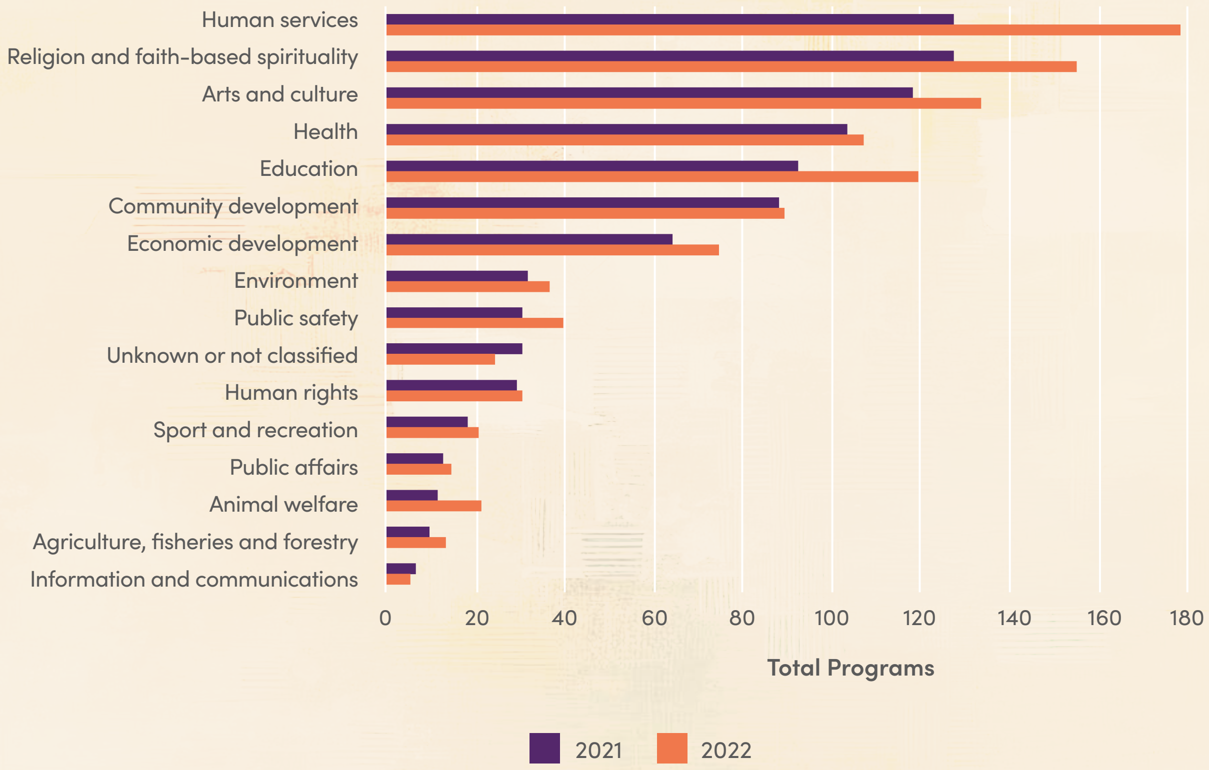
As described above, it is also likely that the sector's economic and social impact is likely underreported, as we can only focus primarily on charities registered and headquartered in the Northern Territory, leaving a gap in the broader contribution of interstate charities.

From 2020, the Australian Charities and Not-for-profits Commission changed the reporting format for charity activity classifications. The change aligned the Annual Information Statement with the OurCommunity CLASSIE classification system[13] for not-for-profit service areas. As such, there are now restrictions to the extent that we can analyse data across all reporting periods. Where necessary we have compared 2021 data with that of 2022 and, where possible, we have re-structured previous data to make it comparable and reported accordingly.

The top three activity types remain unchanged from 2015, 2018 and 2021 reporting – human services (14.1%), religion and faith-based spirituality (14.1%) and arts and culture (13.1%). Figure 4 displays the 2021 and 2022 spread of programs by activity type. An increase in total programs administered can be seen across every main activity with an 18% increase overall. Notably, there has been a significant increase of almost 60 new programs in human services.

13 See https://www.ourcommunity.com.au/classie#:~:text=CLASSIE%20is%20a%20landmark%20Our,for%20Australia%20and%20New%20Zealand.

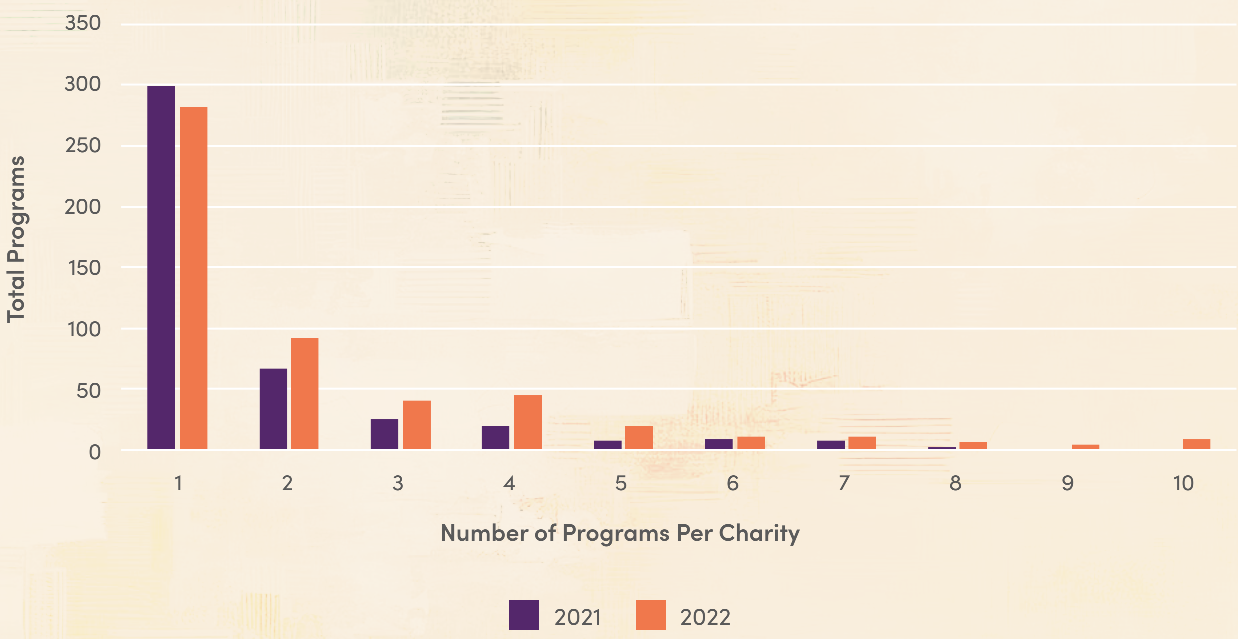
Figure 4. Programs by Main Activity 2021 & 2022



Turning to Figure 5, the distribution of distinct programs delivered by an individual charity has increased across all program number categories except for those delivering a single program. The number of charities delivering 2 to 5 programs has collectively increased by 68.4%. Taking into account the growth in total charities, this indicates a significant increase not only in charity activity, but a widening of the service mix in the NT–that is, the distinct types of services that charities deliver to the community. An increase in service mix (i.e. number of types of services delivered) suggests that there are more services available for NT communities and that these services are likely to reflect distinct needs. Considering the marked increase in human services programs particularly, the program type increase may be reflective of the growing demand for charity services as the cost-of-living crisis emerged in mid-2021. Further, charities are responding to the need to diversify their programs in response to: (1) observed service gaps in meeting community need; and (2) the increased pressure on financial sustainability and risk reduction provided by offering different services funded by a broader range of funders.

The data does not allow us to discern the extent of community need or its geographical quality but it is imperative that timely monitoring of charity activity is prioritised to better understand where gaps are and what services may need to receive extra support.

Figure 5. Number of Programs per Charity 2021-22



WHO DO NT CHARITIES SERVE?

The top three most frequently served communities are Aboriginal and Torres Strait Islander people, people in rural and remote communities and young people

Over 25% of the NT's charities serve more than 12 beneficiary categories

Charities can report up to 28 beneficiary types in their AIS submissions, reflecting the populations they serve. In line with changes to how program activity classifications are recorded, the ACNC now requires charities to report beneficiary categories at the program level rather than at the organisation level. This shift aligns, again, with the adoption of the CLASSIE classification system, which provides a standardised approach to identifying beneficiary groups.

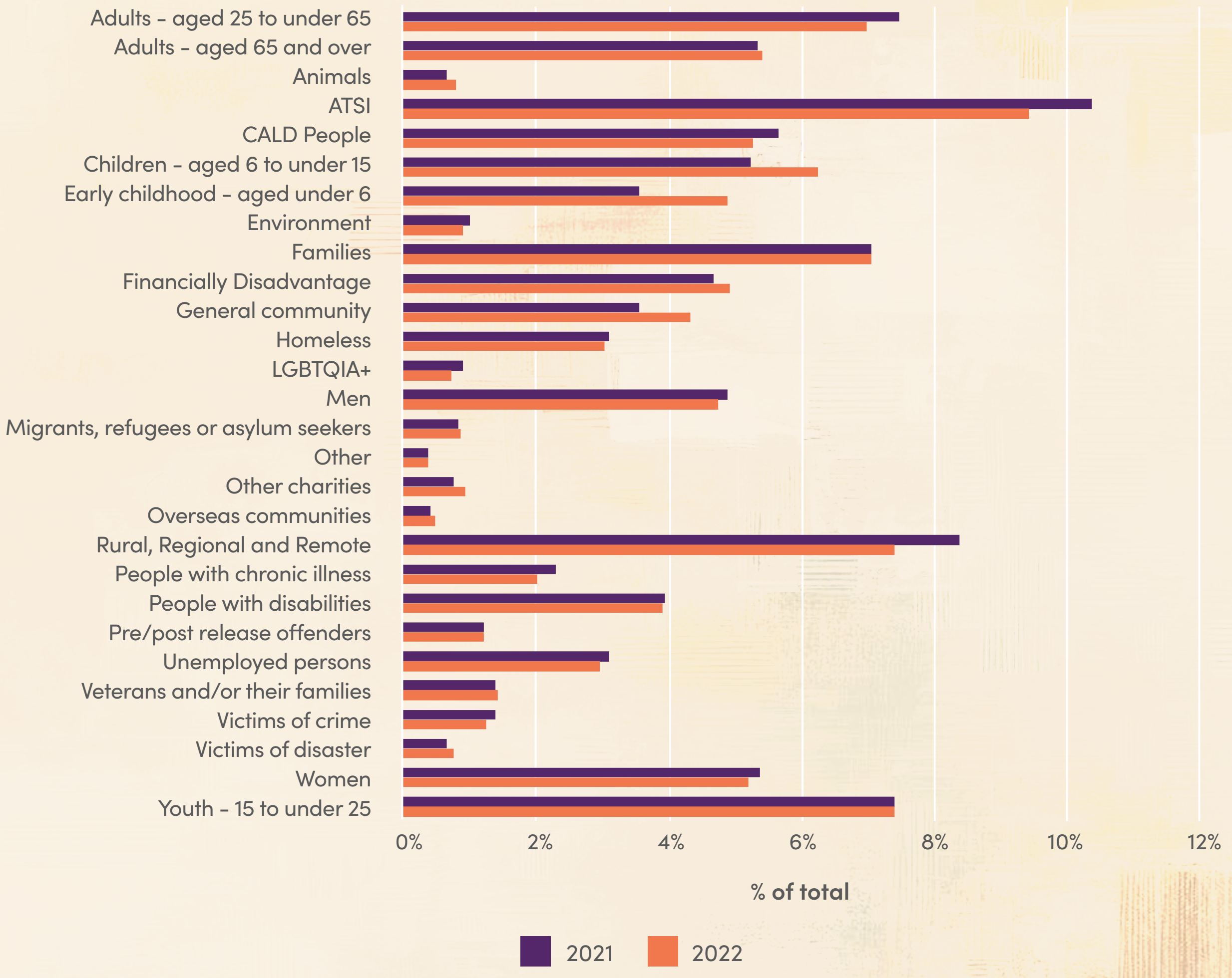
The most frequently reported beneficiary categories remain consistent with revised 2021 proportions, with Aboriginal and Torres Strait Islander people, people in rural and remote communities, and young people continuing to be the top three groups. As shown in Figure 6, many programs specifically target these populations, alongside broader groups such as families and adults aged 15 to 65.

When comparing all beneficiary categories to those reported in 2021, a steady trend can be observed across many categories. Small relative percentage point decreases have occurred for rural, regional and for cultural and linguistically diverse (CALD) communities. However, this is likely due to the absolute increase in programs being delivered, rather than a retraction in cohort-specific activities. Notable increases in programs focused on youth aged 15 to 25, early childhood education and care, and victims of crime (including domestic violence) are observable, likely reflecting these becoming more cemented as national priority areas over the period.

Several beneficiary categories have returned to or surpassed their 2015 levels as is shown in Figure 7. It remains unclear whether these shifts reflect a growing familiarity with program-level reporting, an expansion in beneficiary scope to meet funding requirements, recognition of evolving community need, or a growing focus on outcomes-based measurement. Again, the overall increase in programs being delivered would partially explain the increased service coverage.

Notably, the most reported beneficiary categories–Aboriginal and Torres Strait Islander people, financially disadvantaged people, families, people in rural, regional, and remote communities, adults aged over 65, CALD communities and youth aged 15 to 25 have all shown strong growth year-on-year of at least 10 percentage points. Consistent with the 2024 snapshot report, programs where the main beneficiary group is the LGBTQIA+ community, migrant, refugees or asylum seekers, or women, have yet to recover from the decline evident from 2015 to 2021.

Figure 6. Beneficiary % of Total Reported 2021 & 2022



This does not confirm a disparity in support since other programs would also benefit these groups. However, the unique challenges these cohorts experience suggest that monitoring specific need in these areas moving forward will be important.

Next, is the number of beneficiary categories reported per charity across all their programs. It is important to assess changes in the number of beneficiary categories reported per charity and we are able to undertake this analysis across the years 2015 to 2022. A contraction may indicate that charities are narrowing their focus to manage operational costs or align with funders' preferences. Alternatively, an expansion may signal increasing complexity in community needs or a broader recognition of beneficiary groups impacted. Figure 8 displays the distribution of beneficiary reporting, ranging from one to six or more types. At first glance, charities appear to be expanding the breadth of populations they report serving or are becoming more aware of the diversity of their beneficiaries.

However, the shift to program-level reporting in 2020 complicates interpretation, particularly given the apparent under-reporting in 2018. A closer analysis of the 2021 data reveals that over 25% of organisations reported serving more than 12 beneficiary categories, which may distort the true picture of service delivery and targeting in the community. Across all organisations, the median number of reported beneficiary categories is six, suggesting there is broadening in their targeting. This seems to have remained stable into 2022 and is consistent with the most common programs being delivered.

Figure 7. Beneficiary Categories 2015 to 2022

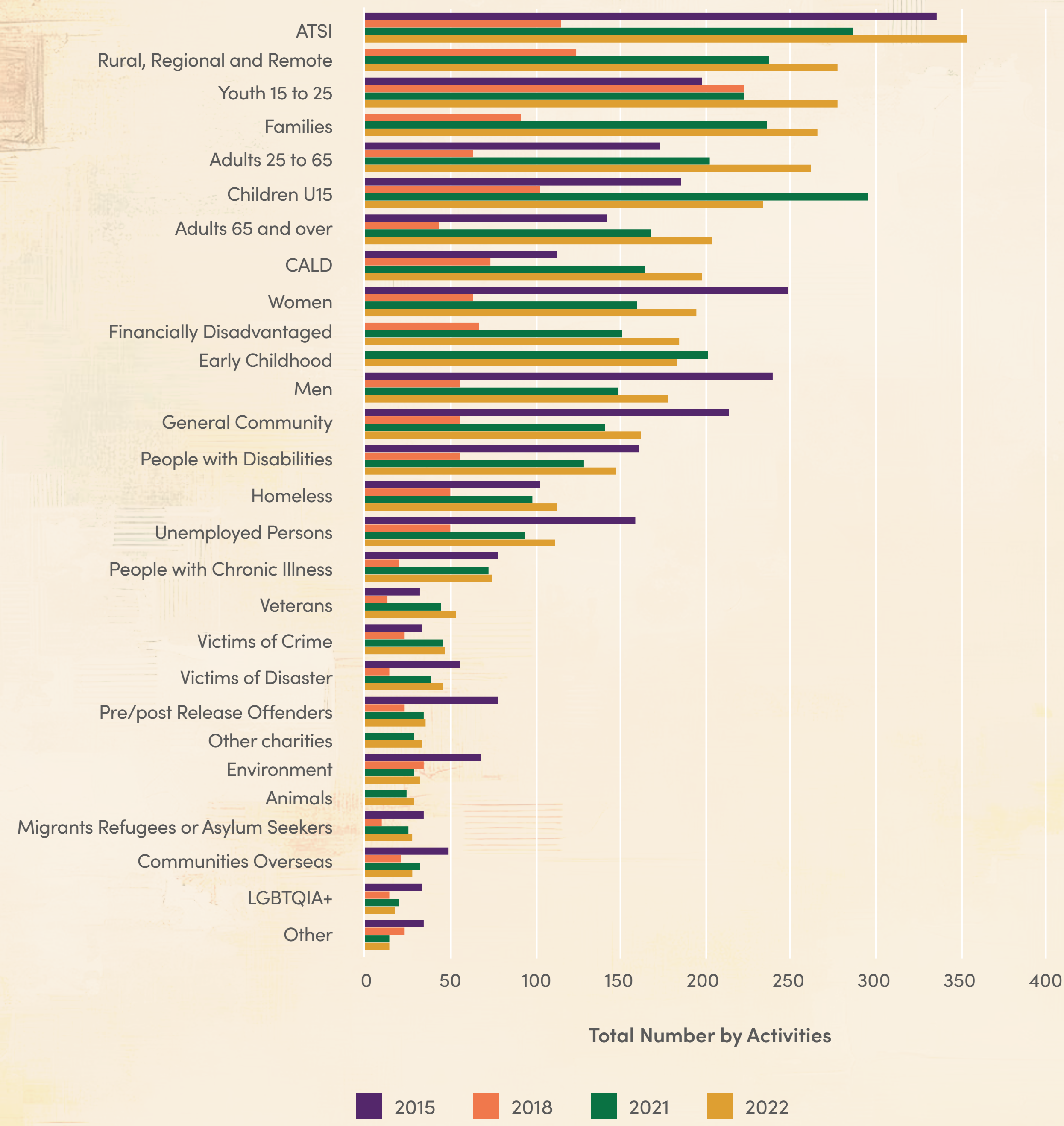
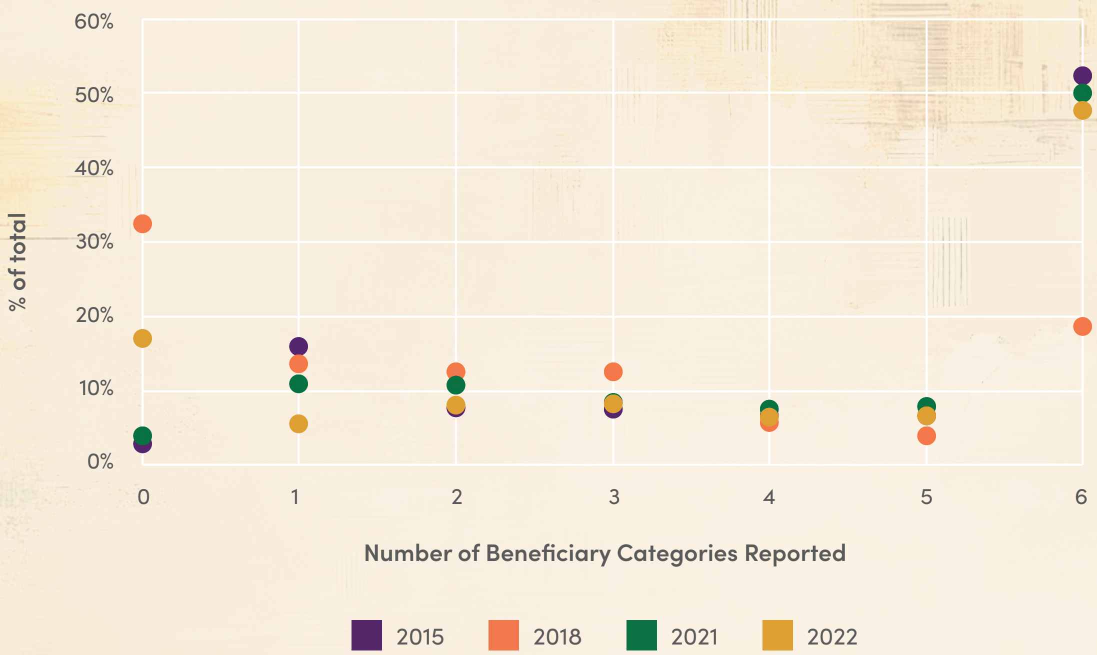


Figure 8. Beneficiary Groups by organisation 2015-2022



The data lacks sufficient detail to determine where service recipients are or what services they need specifically. Reviewing changes in beneficiary categories and activities may provide some insights into their needs and locations, or at least the response from charities. However, such analysis should be supplemented with community-level needs assessments, particularly among complex and vulnerable cohorts.

Additionally, some attention should be given to how funder preferences, particularly in government, are shaping the service mix and the targeted cohorts over the medium- to long-term, remembering that demand, in an economic sense, is established by funders and is not a function of need. The emerging emphasis on place-based initiatives through, for example, the Commonwealth Government's Tackling Entrenched Disadvantage package should centre discussions on co-design of programs, as well as more effective channels for community input to funding decisions[14,15]

14 Ball, S. & Rejon, R. (2024). Unlocking policy success: is codesign the key to achieving effective policy outcomes? *Policy Design and Practice*, 7(3): 251-264.

15 For information on the Entrenched Disadvantage package see - https://www.dss.gov.au/supporting-community-change/resource/entrenched-disadvantage-package

CHARITIES' ECONOMIC CONTRIBUTION TO THE TERRITORY

The sector employs 9.7% of the NT workforce

Sector contribution to Gross State Product is the equivalent to that of manufacturing, construction, accommodation and food services, and transport, postal and warehousing combined

The NFP sector significantly contributes to the NT economy through direct employment, stimulating local consumption, and generating income tax revenue. It supports ancillary industries like auditing and banking, creating demand for professional services and supports retail industries, including motor vehicle sales. By delivering outsourced government services, the sector reduces public costs, public risk and enhances health prevention, community engagement, and social outcomes. It also boosts workforce participation among service recipients and generates valuable goods and services through volunteer efforts.

While not capturing the value generated through all the avenues detailed above, the State Domestic Product (SDP)[16] figures provide some insight into the contribution of charities and not-for-profits. The SDP statistics for the 2021/22 financial year reported that the Health and Social Assistance and the Education and Training industries contributed $2.6 and $1.4 billion respectively to the NT economy.[17] A further $323 million was added by the Arts and Recreation Services sector.[18]

Collectively these industries contributed more than 13.4% of the Gross State Product, indicating their critical role in the NT economy. For comparison, this contribution is equivalent to that of manufacturing, construction, accommodation and food services, and transport, postal and warehousing combined. This is a clear demonstration of the significance of both traditional and community-oriented industries to the Northern Territory economy and why strategic planning and development of this sector is vital for NT prosperity.[19]

Employment is an important component of the sector's economic contribution, generating further private spending, tax revenue and investment. In 2022, Northern Territory charities employed 6,288 full-time, 2,890 part-time and 4,031 casual employees by head count, representing a total workforce of 13,209. With a Territory-wide workforce of 135,300 in 2022, this accounts for 9.7% of all employment in the NT. This amounts to an almost 1% increase from 2021. The sector's employment footprint is significant when compared to other major NT industries, such as mining and manufacturing (4.7%), construction (8.2%) and agriculture, forestry and fishing (1.6%).[20]

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16 State Domestic Product (SDP) is the total value of all goods and services produced in the Northern Territory in a financial year, whereas Gross Domestic Product (GDP) is the total value of goods and services produced by the nation. Gross State Product and SDP are used interchangeably.

17 NT Treasury. (2023). Budget 2023-24: Northern Territory Economy https://treasury.nt.gov.au/__data/assets/pdf_file/0005/1167728/Gross-State-Product-2023-24.

18 While nonprofit organisations do constitute most of these sectors, for-profit and public organisations do also operate in them. Further, these figures constitute direct and indirect value-add which includes activity in intermediary and related industries.

19 NT Treasury. (2023). Budget 2023-24: Northern Territory Economy. https://treasury.nt.gov.au/dtf/financial-management-group/previous-budget-papers

20 ABS. (2024). Labour Force, Australia. https://www.abs.gov.au/statistics/labour/employment-and-unemployment

SUSTAINABLE SERVICE PROVISION BEGINS IN THE COMMUNITY

Community need as a result of the economic context has increased need for community services

Targeted investment by the NT government in preventive and place-based programs will likely reduce costly reliance on crisis care and health services

The Northern Territory economy performed strongly in 2021-22 with Gross State Product growth of 4.7% but has experienced the same economic challenges as other states and territories. A high inflationary environment including interest rate rises has resulted in significant reductions in living standards and rises in operating costs for businesses. As a result, household consumption has been constrained; increasing at a modest 0.4% over the period as spending is reduced. Sheepish consumption and investment growth will pick up alongside the recovery of net exports but will contribute to a tight fiscal environment in the short-term.[21]

With limited capacity to increase revenue, the Territory government should consider optimising expenditure in the short- to medium-term by investing strategically into the community services sector. Targeted, immediate investment in preventive and place-based programs is seen to reduce costly reliance on crisis care and health services, easing pressure on these acute services while improving outcomes for service users (Impact Economics and Policy, 2023).

This aligns with the fiscal strategy of the Northern Territory Government to contain expenditure, maintain sustainability, and achieve net operating surpluses in the medium to long term.

EMPLOYMENT

NT charities employ a total of 13,209 employees

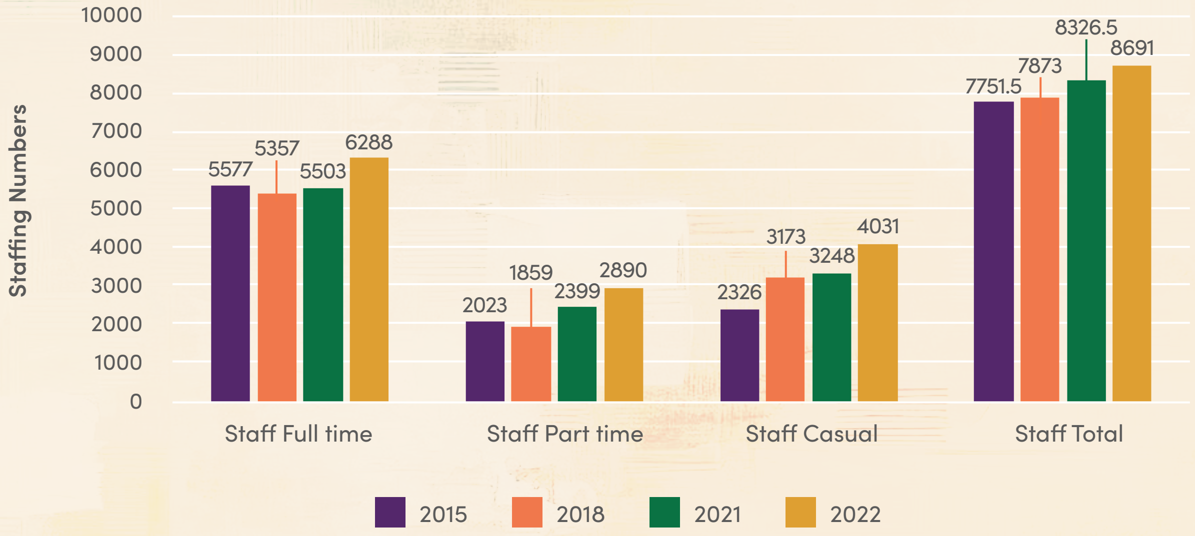
This is an increase of 4.4% from 2021

As mentioned above, Northern Territory charities employed 6,288 full-time, 2,890 part-time and 4,031 casual employees in 2022 (see Figure 9). This was a 4.4% increase from 2021, with that growth being shared between full-time (14.3%), part-time (20.5%), and casual (24.1%) staffing. An additional 785 full-time, 491 part-time and 783 casual staff were added to the sector's overall employment. It remains concerning that job quality is impacted negatively by an increase in casual employment opportunities increasing the challenge faced by charities in recruiting and retaining appropriately trained and experienced staff.

The top 3 largest employers by main activity were education, human services and economic development with a combined total of 8,095 employees. As in 2021, education was the major employer with 123 organisations having more than 10 staff and 38 organisations employing 100 or more people. Religion and faith-based spirituality had the most organisations with 10 or less or no paid staff, relying more on volunteers and grassroots support.

21 Northern Territory Treasury. (2023). Budget Paper No. 2: Budget Strategy and Outlook.

Figure 9. Employment by Contract Type 2015-2022



It is not possible to tell with the data available to what extent there has been movement across contract types. For example, whether casual staff had moved onto permanent contracts and then replaced with new casual staff.

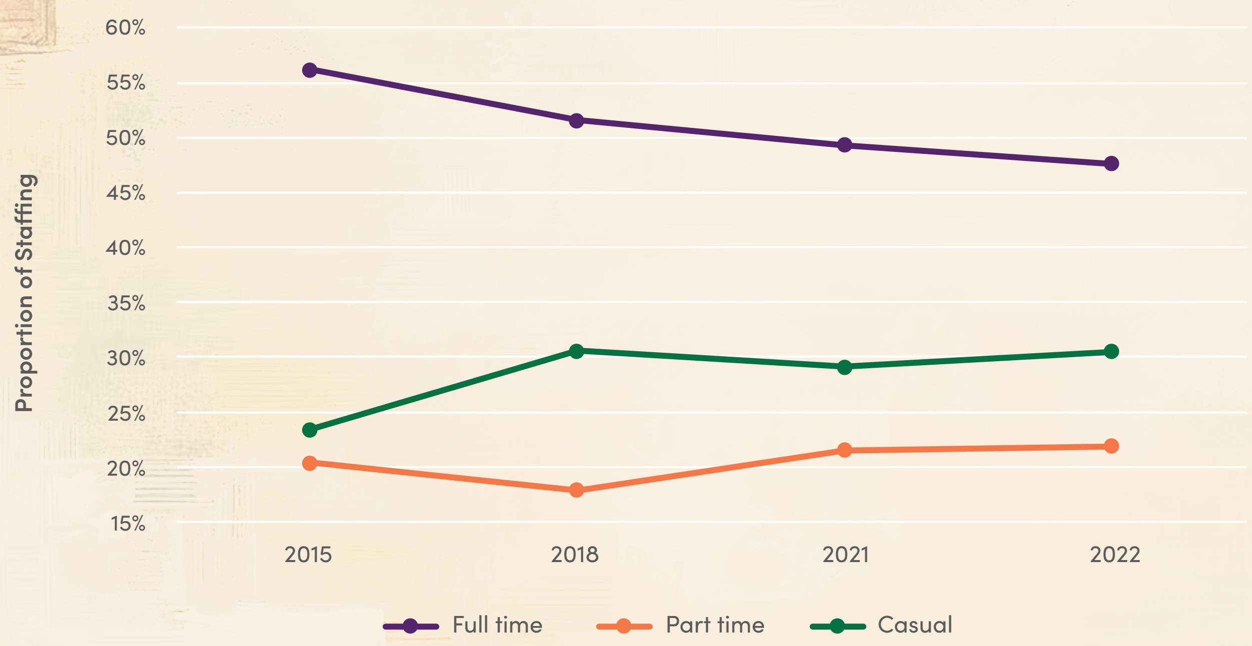
Considering the casual conversion rules introduced in October 2018 by the Fair Work Commission, there is an emphasis on the transition of workers to permanent contracts after the minimum tenure. Regardless of worker movement, the increase in permanent employment remains a welcoming trend. With the announcement of fixed-term contract changes, there may be an improvement in job security, albeit among those charities with relatively more stable revenue streams.[22]

Being mindful of the uneven intervals, Figure 10[23] illustrates the declining ratio of full-time employment contracts within the sector. From 2015, full-time employment as a proportion of total employment has declined from 56% to 48% with a relative increase of casual contracting as a proportion moving from 24% to 31% of total employment. This trend remains consistent with the growing evidence of low job quality among support and care workers and the declining retention rates of many organisations. It should be noted that current casual conversion requirements will likely be ineffectual if organisations cannot predict income over the medium term.

22 This is noting that charities have been granted exemption to fixed-contract changes when funding certainty is uncertain in line with legislative changes – see https://www.fairwork.gov.au/starting-employment/types-of-employees/fixed-term-contract-employees/additional-fixed-term-contract-exceptions#charities-and-others.

23 Note: the trend line is across an uneven interval. Interpretation should be 2015 to 2021 and then for the 12-month period between 2021 and 2022.

Figure 10. Proportion of Employment Contracts to Total Staffing 2015-2022



As with the stagnating proportion of part-time staff (remaining at 22% for 2021 and 2022), charities have adjusted to the flexible operational realities at the expense of low staff development and high turnover costs.[24]

As of 2022, the ACNC collects information on the number of charities' key management personnel and the total salaries expenses paid. There were 374 key management personnel across the sector reported in that year. Human services, education and health had the most key management personnel by main activity at 151, 61 and 53 respectively. Total salaries equalled $38.5 million, with the highest salary amounts by main activity reflecting the sectors listed above and reflects the professionalisation undergone in these areas.

Key management personnel per capita salary was $103,106. The upper bound by main activity was $202,400 in Education and the lower bound was $24,539 in Environment. As a comparison, the average salary for an MBA graduate in Australia is around $142,000 to $161,000 per annum.[25] However, there is an incentive to under report renumeration of nonprofit management staff given the often-misplaced scrutiny on salaries. The inclusion of this variable over potentially more insightful information is unfortunate and perpetuates a damaging myth about charity renumeration (Gilchrist and Perks, 2023a).[26]

24 ACOSS. (2023). Community services face staffing crisis due to chronic funding shortages. https://acoss.org.au/media_release/community-services-face-staffing-crisis-due-to-chronic-funding-shortages

25 See https://www.aib.edu.au/courses/online-mba/salary-expectations/#what_is_the_average_mba_salary

26 Gilchrist, D., & Perks, B. (2023). Myths and Bias Derailing Australian Human Services. Centre for Public Value UWA available at: https://www.uwa.edu.au/schools/research/centre-for-public-value/publications

VOLUNTEERING

The number of reported volunteers deployed in the NT increased by 13.6%

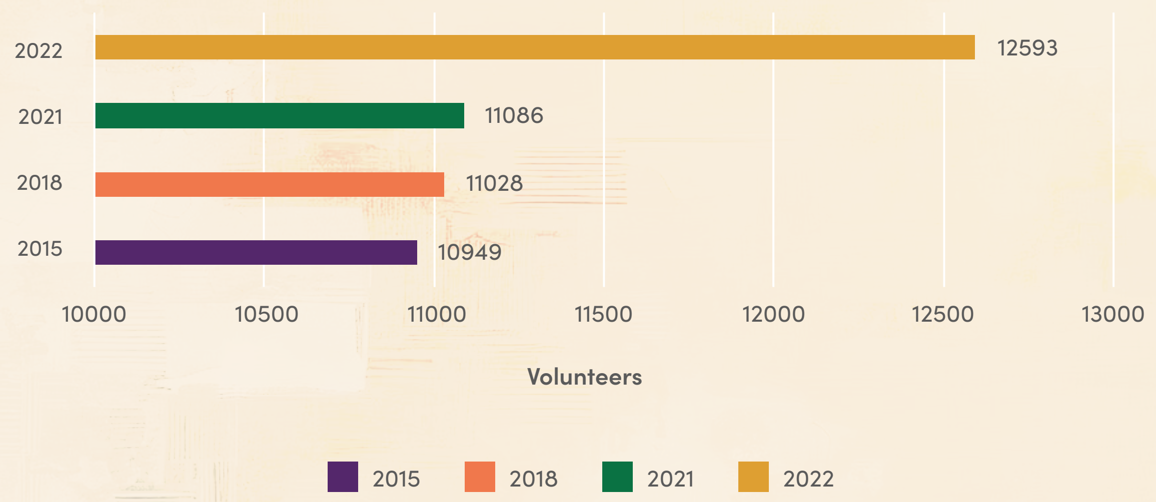
There is a clear increase in localised and community-centred activities

In addition to the significant economic value generated by employment within the sector, the substantial level of volunteering available to Northern Territory charities also plays a crucial role. This volunteer capacity contributes to achieving the sector's economic outcomes, such as generating savings for the government and providing increased engagement opportunities for community members. Equally important is that volunteer engagement fosters social cohesion, connectivity and belonging in NT communities.

In 2022, Northern Territory volunteering activity continues to increase despite broader engagement and retention challenges facing volunteerism (Volunteering Australia, 2023).[27] The total number of volunteers was 12,593, a 13.6% increase from the prior year. Religion and faith-based spirituality had the highest number of volunteers with 2,875, followed by human services with 2,047.

Of the 508 registered NT charities, 73.4% had at least one volunteer with 34.6% having 10 or more volunteers in their organisation.

Figure 11. Total Volunteers

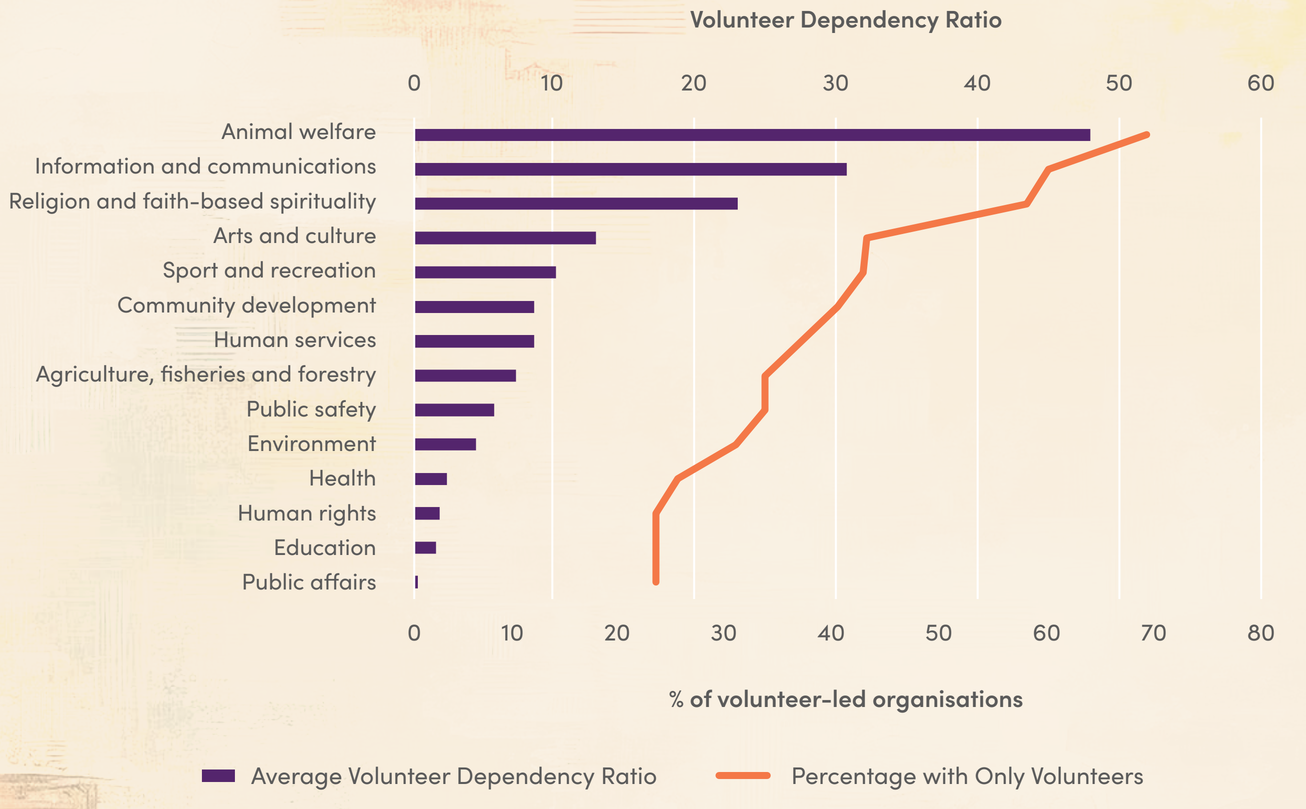


27 Volunteering Australia. (2023). The National Strategy for Volunteering. Volunteering Australia (Available here: https://volunteeringstrategy.org.au/wp-content/uploads/2024/01/National-Strategy-for-Volunteering-2023-2033.pdf

Organisations operating without any paid staff equalled 171 of the 508 NT charities. The overwhelming majority of these organisations were very small or small sized charities, highlighting the importance of volunteering for community-level and civic activities. The volunteer-led very small charities made up 26.6% of the sector, with all volunteer-led organisations constituting a third of the sector. From 2021, 12.4% more very small charities are volunteer led, with reductions being seen across all other charity sizes. However, most volunteers engaged with medium- to large-sized organisations, with about 30% supporting large charities.

Figure 12 shows the average volunteer dependency ratio by main activity–the ratio of volunteers to paid staff. Animal welfare had the highest proportion with a little over 70% of organisations having no paid staff and a volunteer ratio of 48 volunteers to each paid staff member. There is a clear concentration of volunteering in localised and community-centred activities which has strengthened since 2021. Importantly, even those categories with heavily professionalised workforces, such as human services and health, still rely considerably on volunteerism to operate. This is likely because community organisations, particularly smaller organisations, attract volunteers in order to operate sustainably. Ensuring continued growth of volunteering in the sector is essential to its vibrancy and sustainable operation.

Figure 12. Average Volunteer Dependency Ratio and Percentage of Volunteer-led Charities by Activity 2022



Financial Sustainability in the Not-for-profit sector

While net assets increased overall, there is some evidence that medium and small charities were operating with limited resource capacity

Profitability decreased overall by 38.9%

This section will discuss the financial sustainability of the sector using high-level reporting of income, expenses and a selection of asset and liability measurements. Additional information and analysis have been provided where possible.

Financial sustainability is vital for any organisation. However, in the context of not-for-profit and charitable service delivery, it is essential for the continuation of an organisation's charitable purpose and for reliability of services from the point of view of users. It involves balancing long-term stability and impact with the capacity to innovate and respond to changing community needs.

To ensure long-term sustainability and effectiveness, organisations must focus on several key priorities. Firstly, they should consistently generate a surplus to maintain financial stability, enabling reinvestment to respond to government policy changes, maintain and enhance efficiency, create innovation, and undertake effective evaluation. The ability to adapt to change is critical, ensuring organisations can manage shifts in policy, service delivery models, and evolving community needs.

Secondly, investing in the maintenance and improvement of operational assets is essential to ensure they remain fit-for-purpose while promoting financial resilience. Concurrently, efforts to develop workforce capabilities are vital, enhancing the skills and leadership capacity necessary to deliver high-quality services and address emerging challenges.

Thirdly, organisations must demonstrate accountability by providing funders and the community with transparent, timely reporting on outcomes and impact.

Finally, maintaining the flexibility to respond to emergencies with agility ensures organisations can effectively address crises and adapt to evolving service requirements.

FINANCIAL POSITION

Arts and Culture and Environment charities held the weakest financial position

A significant proportion of asset value increases are likely related to economic conditions such as real estate value increases

A not-for-profit's financial position can be assessed by the balance of its assets and liabilities as listed on an organisation's balance sheet (Gilchrist and Etheridge, 2020).[28] An organisation's resilience to financial shocks is largely determined by its ability to leverage things it owns to access extra money when needed.[29]

Common current assets include cash and inventory, while non-current assets can be property, equipment or vehicles. Current liabilities can be accounts payable or deferred revenue and non-current liabilities. These can be grant obligations, employee fringe benefits or long-term loans.

In 2022, NT headquartered charities reported total assets of $2.8 billion, $1.1 billion of which were current assets. Asset growth and entry of new organisations saw a 12.6% increase in total assets. Non-current asset values may have increased as a result of real estate value increases. In 2022, current liabilities increased slightly from the reported amount in 2021 to $447 million, a modest 2.1% increase. Total non-current liabilities saw a decline of 31.8% suggesting a reduction in long-term financial obligations. This could also be indicative of several trends including improved overall debt management or an increase in unrestricted funding. It does suggest that the selling of assets and downsizing of large charities may have occurred as inferred initially. The reduction may also indicate a further reduction in long-term funding opportunities. Figure 13 presents assets and liabilities by current and non-current classes.

Very large charities dominate financial resources, holding 58.4% of total assets and 63.8% of total liabilities. This reflects the operational scale of these charities. Large charities hold a further quarter of total assets and liabilities. Small charities hold only 2.5% of assets and 2.6% of liabilities which reflect their relatively small financial footprint and reliance on volunteers.

Arts and Culture, as well as Environment activity charities held the weakest financial position on average. Arts and Culture had high median liabilities compared to assets and reported a tight revenue-to-expense ratio increasing the risk of funding shortfalls.

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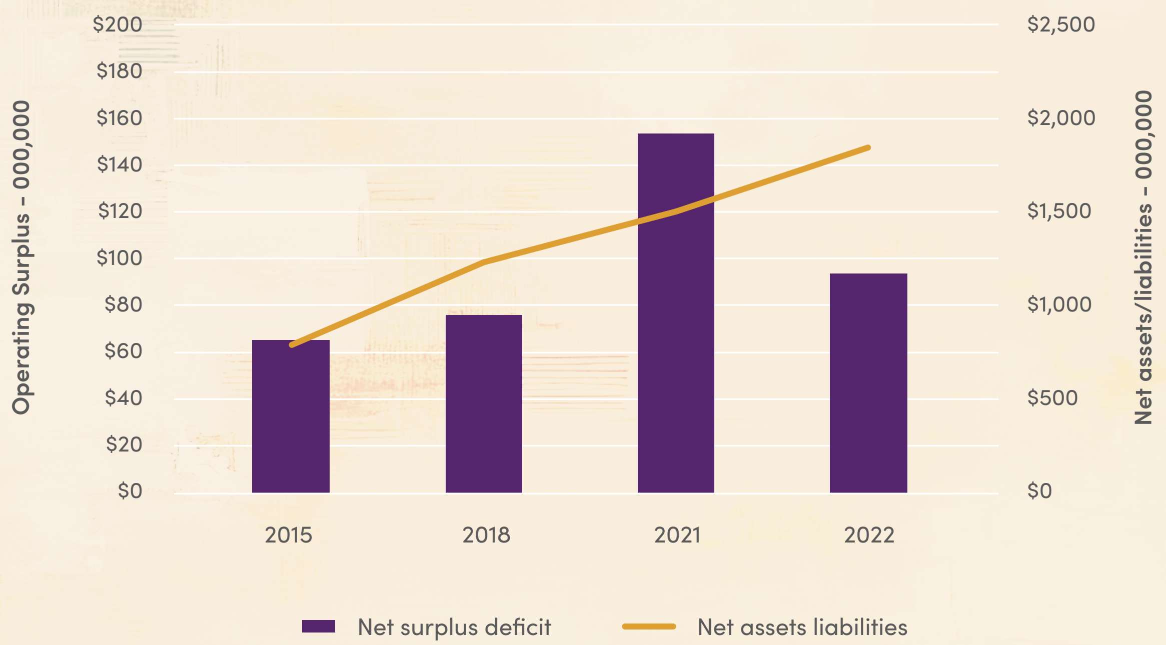
28 Available here: https://www.uwa.edu.au/schools/-/media/not-for-profits-uwa/nfp-finances/2020-cba-not-for-profit-balance-sheet.pdf

29 Financial resilience may be over-estimated as non-current assets provided by donors (e.g. philanthropy) can have usage restrictions which constrain how an organisation can use an asset, such as a building or vehicle. Issues may arise if an organisation experiences financial difficulties but cannot leverage assets in response.

Figure 13. Total Assets and Liabilities 2015-2022

There has been a steady increase in net assets as shown by the line trend in Figure 14 that has occurred against fluctuating operating surpluses. The steady growth of net assets from 2015 to 2021 suggests that NT charities have strengthened balance sheets over the period behind a marginal growth in operating surplus from 2015 and 2018 and a significant spike in 2021. The surplus spike is likely due to reduced operating expenses during COVID-19 due to service disruption across many service areas. Also, government financial support through business support payments and JobKeeper would have provided a short-term cash injection into charities. In 2022, there is a noticeable decline in surplus which indicates financial strain, despite overall strong net asset levels. The sharp reduction in surplus in the aggregate speaks to the inflationary and demand pressures experienced across the sector following the pandemic.

Figure 14. Profit vs Net Assets/Liabilities



PROFITABILITY

46% of charities reported a loss or broke even

A further 30% of charities reported a profit of between 0% and 0.9%

Profitability is essential for any organisation operating in a market economy, even those with a nonprofit or charitable purpose. Financial sustainability goes beyond mere solvency; it requires the ability to generate consistent surpluses that can be reinvested into staff, digital infrastructure, and innovation. These reinvestments are critical to achieving long-term efficiency and effectiveness, ensuring that charities can adapt to changing demands while improving service delivery. If a nonprofit does not make a profit, it cannot achieve financial sustainability.

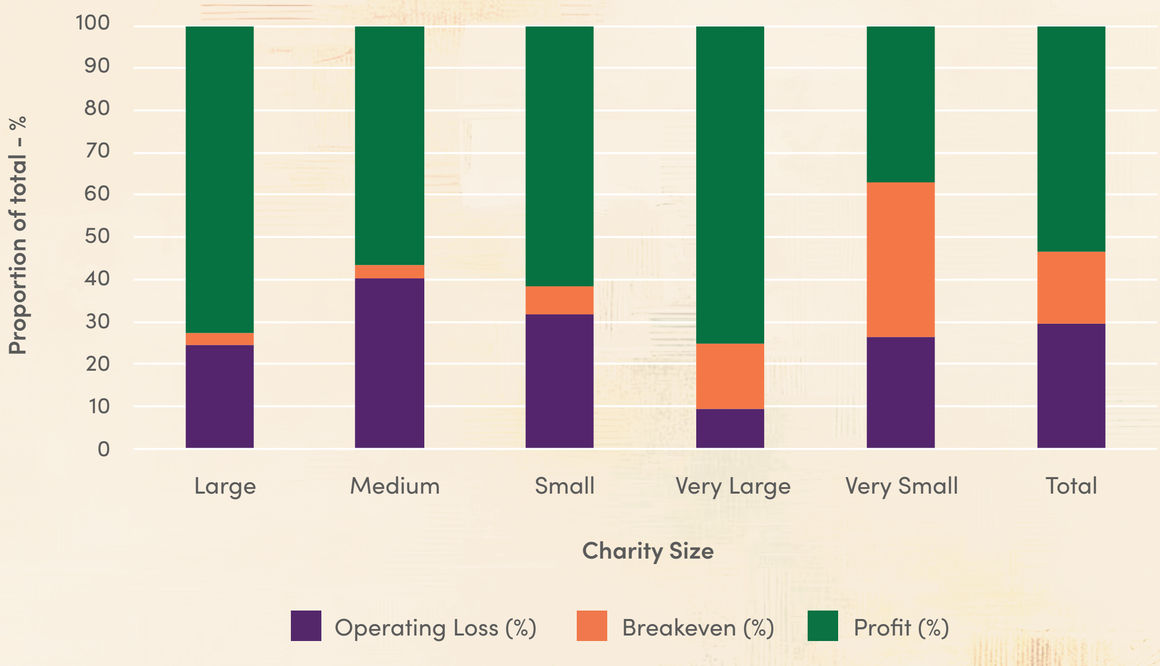
While operating losses present an obvious challenge, simply breaking even is often seen as aligning with the charitable mission by using resources for the betterment of communities and advancing organisational purpose. However, breaking even can carry different implications. It becomes difficult to discern whether an adequate surplus was reinvested to enhance services and operations or whether spending was reallocated to subdue challenges and avoidable costs caused by inadequate resourcing.

Regardless, understanding these financial dynamics is crucial for evaluating the sector's ability to operate effectively, maintain stability, and ensure resources are allocated toward meaningful, strategic improvements rather than short-term fixes. This section will examine the financial performance of charities, highlighting key metrics that reflect sustainability, reinvestment capacity, and operational resilience.

In the aggregate, sector profitability was $115 million down from $189 million in 2021 – a 38.9% decrease in profitability.

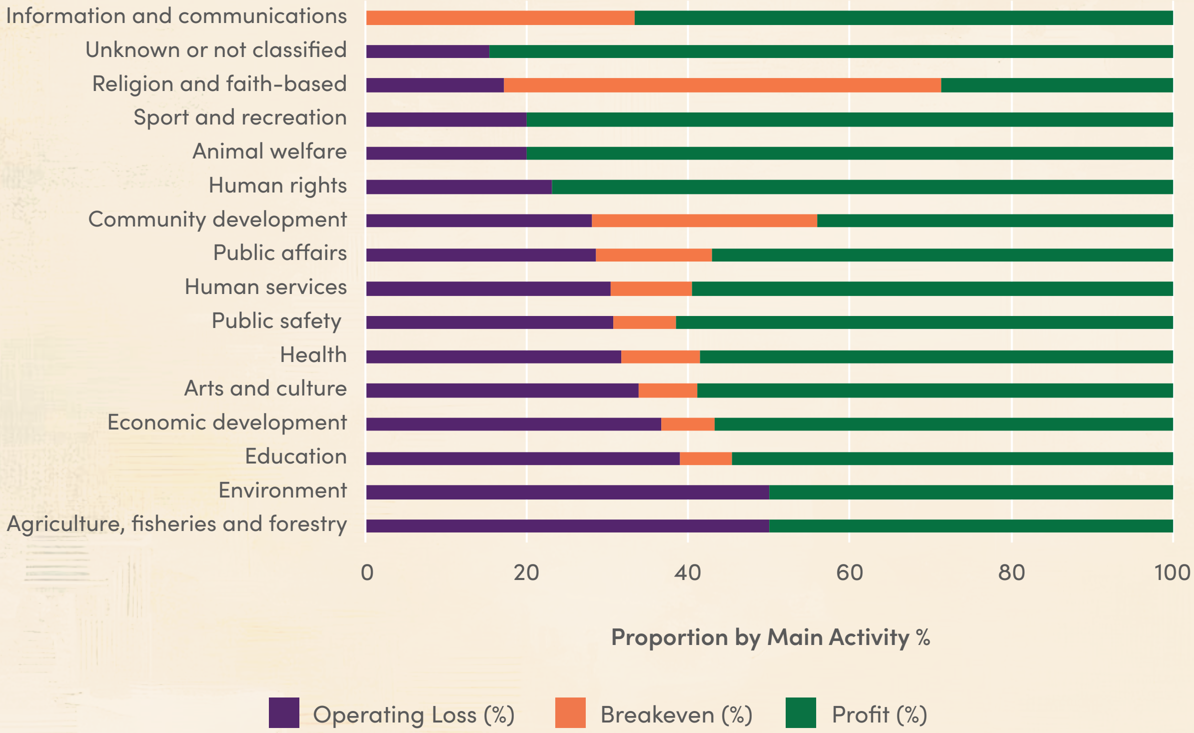
As stated above, such a marked decline intuitively aligns with the operating pressures facing charities nationally. Namely, the combination of high inflation, increased service demand and reduction in household donations. Profitability decreased relatively evenly across main categories while health, human service and community development were found to have profit reductions from 2021 of around 10% each with health being in deficit in 2022. Large-sized charities report the biggest decline by charity size, consistent with the suspected downsizing from 2021. Note, that with the net addition of around 50 new charities, identifying exact changes becomes difficult. Figure 15 shows that positive profit margins were concentrated by charity size, in large and very large charities, with just below 80% of the population having a positive profit margin. Small and medium sized charities reported proportionally more cases of operating loss and very small charities were over-represented in the breakeven group.

Figure 15. Profit Margin by Charity Size



Looking at individual charities for 2022, 29% reported a loss, 17% broke even and 53% reported a profit. Figure 16 illustrates the breakdown of charity margins by main activity area showing that operating loss ranges from 20% to 50% of whole sub-sectors. Interestingly, more than 30% of charities that undertake activities that might be said to be "more professionalised" (health, education and human services) reported a loss. Those charities that operate at the community level and that have high representation of volunteer-led organisations largely made a profit or broke even reflecting their smaller expense profile.

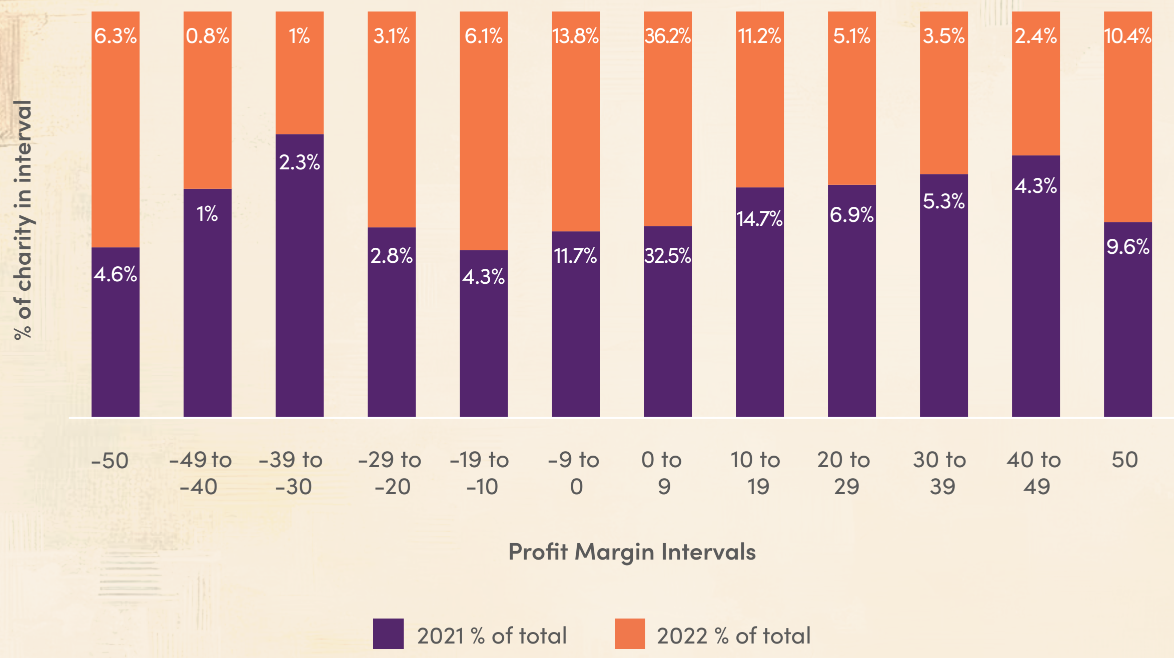
Figure 16. Proportion of Charities Reporting a Profit and Loss by Main Activity 2022



Although Figure 15 shows that majority of charities across the sector made a profit, it is important to next examine the extent of these profits. Figure 17 provides a profit distribution for all charities in the years 2021 and 2022.[30] The upper and lower bands are plus/minus a 50% margin and the percentages in each bar represent the proportions of charities that sit in that bin. What is immediately observable is the clustering around 0% to -10% between 2021 and 2022. Profit margins were slightly more polarised in 2021 with many charities either having a significant operating loss or a relatively large profit margin. The 2022 data shows that this has smoothed somewhat meaning that more charities now cluster around the breakeven to small positive margin area. This could be indicative of the suspected downsizing of larger charities during the period or the new entrants giving the middle of the distribution a little rise.

30 Due to high variability in the reporting information, profit margins were standardised, using the normalised z-score method, for improved comparison.

Figure 17. Surplus Margins -50% to 50%



This clustering is supported by Figure 18 which shows the distribution of charities reported results between the -10% and 10% margins. Notably, 30% of charities have reported a profit of 0 to 0.9% highlighting the tight financial margins and limited flexibility to absorb rising costs or invest sufficiently. Overall, there has been an improvement in operating profit with a patterned shift in charities reporting positive margins of upwards to 7.5%. This could indicate short-term funding boosts.

In general terms, 27.6% of charities either broke even or reported a loss in 2022. However, it is important to contextualise the profits reported by the remaining 72.4% of charities in real terms.

For example, when comparing the surplus to the Reserve Bank of Australia's target inflation rate of 2%, 66.5% of charities sit below the threshold. When compared to the Darwin's consumer price index in 2022/23 of 6.4%, the number of charities below the threshold increases to 77.6%. When compared to the inflationary high in 2022 of 7.1%, only 11% of charities sit above the threshold.[31] This indicates that while margins appear to be increasing, profits are declining in real terms. This has medium- to long-term implications on financial sustainability when coupled with broader under-funding suggesting that re-investment for sustainability will be a significant challenge for many charities in the Northern Territory.

31 ABS. (2024). Consumer Price Index, Australia. https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release

Figure 18. Reported Profit & Loss Interval -10 to 10%

POLARISATION OF PROFITABILITY OF THE COHORT

Despite data clustering as shown in Figure 18, there is still a clear trend from prior analyses of the sector of polarisation, with profit levels varying significantly from the breakeven point. The variability could be partially driven from inaccurate reporting in the information statement but the long-term polarisation suggests systemic and operational factors are driving the trend.

Using statistical tests of variance in data, the distribution of profit margins was found to exhibit significant disparity between charities. The skewness[32] was highly negative at -12.19 suggesting a distributional asymmetry with cluster points in the very low to negative margins and the moderate to high margins. Another measure of variance, kurtosis[33], was found to be very high and confirms the sharp peak in breakeven charities and the significance of the outliers above 6%.

These metrics confirm a diverged landscape. That is, there are two broad groups of charities in relation to reported profit margins. First are those with high positive profit margins and second are those with very low or negative profit margins, operating at a loss or with minimal financial viability.

The polarisation is not necessarily evidence of a divide between better and worse-performing organisations. Instead, it may reflect the varying impacts of external factors such as changes in funding structures based on service type, location, or client attributes. Alternatively, organisations offering complex, resource-intensive services face challenges in achieving profitability compared to those delivering less costly or more standardised services like those in education.

If nothing else, the finding of polarised profitability demands that charity operations be better understood to glean insight as to whether the appropriate charity profit margins are distinct from regulatory or funding barriers, emerging costs and pricing changes, or operating inefficiencies. High-quality costing and pricing data collection at the charity-level would support further understanding of the reported divergence and the trend toward clustering around very low to negative profit margins. This data would also provide greater analytical capacity with respect to prospective sector sustainability and stability—both of which are important to both service users and funders.

32 Skewness measures how unevenly data is distributed; a highly negative skew means most charities have small or negative profit margins, but a few have much larger losses, creating a long 'tail' on the negative side.

33 Kurtosis measures how concentrated data is around the average; extremely high kurtosis means most charities cluster very close to the mean, but there are also extreme outliers with unusually large deficits or surpluses.

INCOME

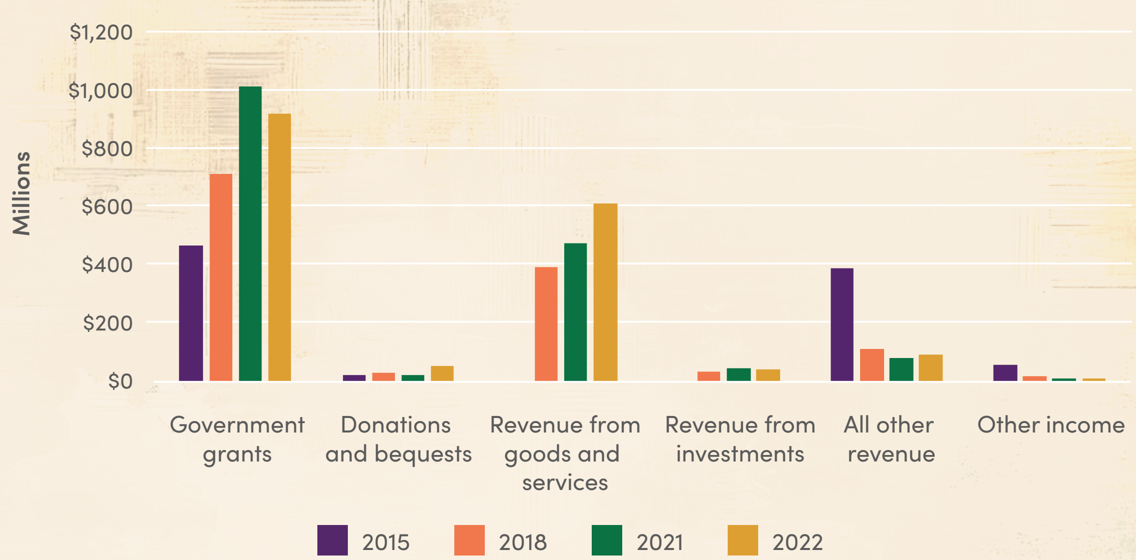
Total income for 2022 was $1.7b up by 5.4% form 2021

Government income sources contribution reduced from 62% in 2021 to 53% in 2022 so charities are generating more income from other sources

Charities rely on several key revenue streams to fund their activities, each contributing to financial sustainability in distinct ways. Self-generated revenue includes income earned through ordinary activities, such as fees for services, membership income, and the sale of goods. Government procurement funding includes remuneration arising from service contracts for delivering services such as child protection, health, or emergency services at all levels of government. This is included as "Government Grants" though government grants technically provide capital for asset purchases and investment. Donations and bequests represent voluntary cash, in-kind gifts, or support, reflecting community generosity and usually providing capital injections rather than operational in-flows. Revenue from investments can include interest or returns on financial assets, and lastly, other income encompasses earnings outside a charity's core activities, such as proceeds from asset sales.

Total income for 2022 was $1.7 billion, a 5.4% increase from 2021. The vast majority of which came from revenue sources rather other income generation activities. Figure 19 provides an overview of aggregate revenue and income by source from 2015 to 2022. Government grants remained the main source of charity revenue in 2022, constituting, 53% all total revenue. This declined from 62% in 2021. Such a drastic decrease is due in large part to government COVID-19 support payments being phased out. Revenue from the sale of goods and services continues to grow year-on-year, and now comprises 35.5% of total charity revenue. Positively, donations increased from $24.3 million to $55.6 million, more than doubling since 2021. This is surprising given broader trends of declining donation income. However, the increase appears to be concentrated in the education and religion and faith-based spirituality and be constituted of a few large donations rather than a broader increased giving trend within the community.

Figure 19. Income by Source 2015-2022



REVENUE DIVERSITY

As share of revenue provided by government reduces, charities rely more heavily on less reliable income streams such as donations and bequests

An analysis of revenue diversity using the Herfindahl-Hirschman Index (HHI)[34] reveals varying levels of concentration across charity sizes. Smaller organisations, such as very small and small charities, exhibit the highest revenue concentration (HHI = 0.82 and 0.55, respectively), relying heavily on donations and income from the sale of goods and services.

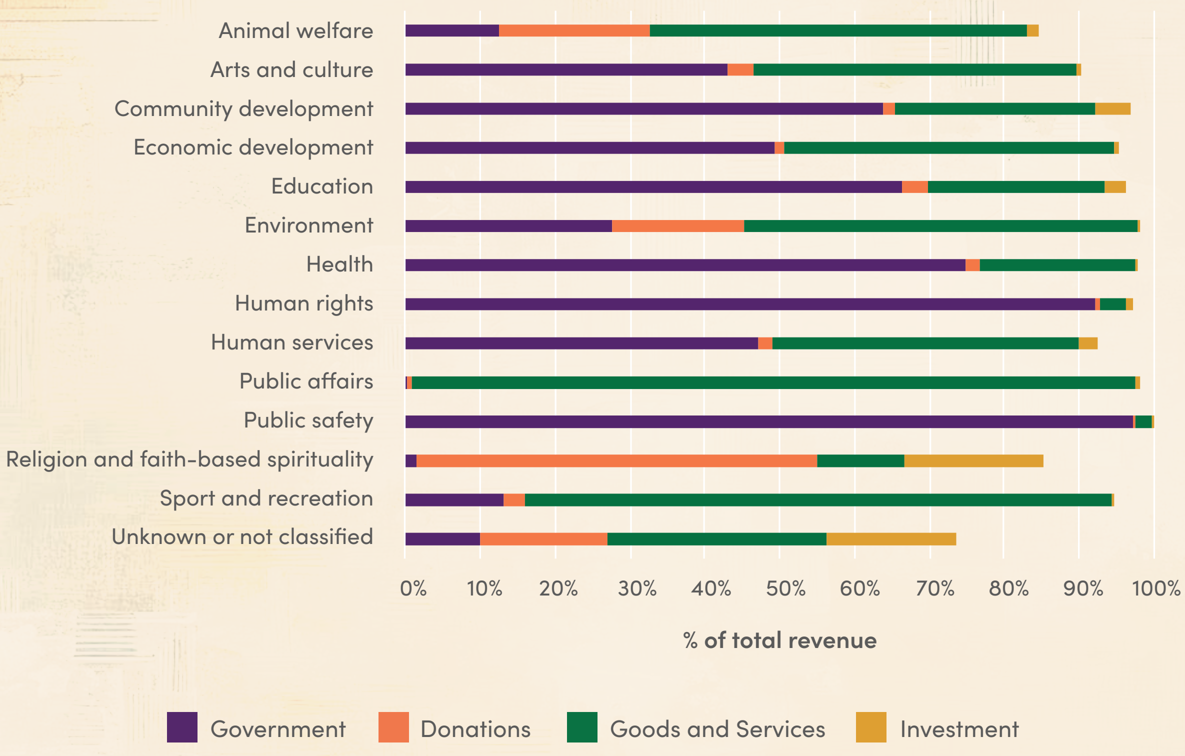
Medium-sized charities demonstrate greater diversity (HHI = 0.33), reflecting a more balanced distribution of revenue streams that provides resilience against financial shocks. Large and very large charities further improve this diversity (HHI = 0.25 and 0.19, respectively), drawing funding from a mix of government contracts, goods and services and donations. This diversified revenue base reduces financial risks but must be considered alongside the weakening balance of net-assets among these charities discussed above.

As mentioned, in the aggregate there is a heavy reliance on government funding, particularly in human services (HHI = 0.72), health (HHI = 0.69) and community development (HHI = 0.77). This reflects the relationship with government these sectors have and the public responsibility the government retains to fund these essential services appropriately. It also highlights the risk to governments should poor funding lead to a loss of sustainability. Promoting greater revenue diversity in these sectors would lower service vulnerability to policy changes and funding reduction but must be undertaken in tandem with opportunities to stabilise grant funding through longer contract durations.

While revenue diversification reduces dependency on single funding sources, it presents trade-offs that can limit scalability and operational stability. Charities with diversified revenue bases, such as those relying on community donations or income from the sale of goods and services, often face smaller and less predictable funding streams. This instability can create challenges in planning for growth, maintaining consistent and reliable service delivery, and investing in long-term improvements. Without access to larger, more predictable funding—such as government

34 The Herfindahl-Hirschman Index (HHI) is a measure of concentration used to evaluate the diversity of revenue streams across charities. In this context, the HHI is calculated as the sum of the squared revenue shares of all funding sources within an activity or size group. An HHI closer to 1 indicates high concentration, where a few sources dominate, while an HHI closer to 0 reflects high diversity, with revenue evenly distributed across multiple sources.

Figure 20. Revenue Proportion by Type and Main Activity



grants and philanthropic partnerships—these organisations risk reducing capacity growth despite their financial resilience.

This highlights the importance of charities exploring collaborative and partnership opportunities. These activities should be pursued as avenues to additional investment and resource sharing that seek to harness the economies of scale that best serve the charity's mission. Further, the more stable a charity in financial terms, the more reliable its services from the service user's perspective. Building capabilities in impact measurement and digital transformation are critical to communicate charitable value and expand opportunities to collaborate. That said, sustained stewardship is needed. Government plays a crucial role in enabling these efforts by fostering a regulatory and funding environment that encourages collaboration and supports sustainable and equitable transitions.

CURRENT PRICING INDEXATION PRACTICES UNDERMINING SECTOR SUSTAINABILITY

The inappropriate indexation formula combined with the application of an "efficiency dividend" applied by government has created a cumulative funding gap of 5% up to 2024

Current indexation arrangements impair the sector's capacity to innovate, respond to need and increase financial risk

The indexation methodology applied to Territory-funded government grants has not kept pace with the actual cost experienced of NT charities.[35] Inflationary pressure and demand for services have exacerbated financial strain, highlighting systemic under-indexation that fails to reflect the operational realities of many charities.

Table 1 presents the composite factors that constitute the NT government indexation formula. Namely, the consumer price index, the wage price index and the efficiency dividend which is now at 1% per annum. Using these factors, an indexation rate has been calculated and compared with the Healthcare and Social Assistance (HSA) Producer Price Index (PPI). This PPI is not representative of sector costs but does provide a suitable approximation of changes in charity costs that does not share the methodological flaws of the current formula (Gilchrist and Feenan, 2023a).[36]

It will be noticed that, for each year, the indexation rate calculated falls below the modest PPI index. This shortfall then cumulates into a funding disparity of 5% by the 2023-24 period. This is a significant underfunding when government constitutes 53% of total charity funding.

While government financial supports like the Commonwealth Government's current supplementation payments and NT Business Support Payments have offered short-term relief, much of this assistance is rightly being absorbed by rising costs and greater community need, not addressing the structural underfunding observed in Table 1.

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35 The Northern Territory Budget Paper No. 3 Agency Budget Statements document states that the formula is a weighting of 25% CPI and 75% WPI as is consistent with the Commonwealth government and some states. The NT government also applies a 1% efficiency dividend as of 2021, which was 3% prior.

36 See Gilchrist, D., & Feenan, C. (2023). Challenging Existing Frameworks for Price Indexation in Australian Human Services Procurement: Achieving Sustainability. UWA Centre for Public Value. See also: GILCHRIST, D. J. & PERKS, B. 2023b. Time to Get It Right: Indexation in Community Services. Perth: UWA Centre for Public Value. (available here: https://www.uwa.edu.au/schools/-/media/centre-for-public-value/resources/231121-wa-indexation-report-covered.pdf) and GILCHRIST, D. J. & FEENAN, C. 2023b. Human Services and Cost Indexation Methodologies in Australia. Perth: UWA Centre for Public Value. (Available here: https://www.uwa.edu.au/schools/-/media/centre-for-public-value/resources/human-services-and-cost-indexation-methodologies-in-australia.pdf

Table 1. Estimated Indexation Rate and Cumulative Funding Disparity 2020 – 2024

Year	CPI (%)	WPI (%)	Efficiency Dividend (%)	Indexation Rate (%)*	HSA PPI **	Cumulative disparity
2020-21	1.5	2.4	3.0	-0.8	1.5	**2.3**
2021-22	2.3	1.8	1.0	0.9	1.8	**3.2**
2022-23	5.5	1.9	1.0	1.8	2.5	**3.9**
2023-24	6.2	2.9	1.0	2.7	3.8	**5.0**

Notes: the CPI and WPI numbers are taken as March to March (1st) quarters to reflect the latest data available before the standard budget release schedule for NT. This is consistent with other jurisdictions (i.e. WA). We were unable to confirm the actual collection period used in NT. CPI and WPI sourced from ABS. (2024). Consumer Price Index, Australia and ABS (2024). Wage Price Index, Australia *Calculation used formula found in Budget Papers of 25% CPI and 75% WPI. **ABS PPI healthcare and social assistance sourced from the ABS. (2024). Producer Price Index, Australia.

The inadequacy of current indexation methods is further highlighted by changing cost structures within the sector. Regulatory compliance costs, turnover-related workforce expenses, and a shift toward subscription-based services have driven higher baseline costs.

The current formula fails to account for these evolving operational demands[37]. Rural and regional services bear additional cost burdens, such as staffing premiums and fuel expenses, which are not reflected in the standard indexation approach. Prior analysis of the Western Australian context[38] suggests a 2.5% rural loading or an index rate of 1.5 times higher than metropolitan services would better capture the unique rural and remote cost drivers.

The application of an efficiency dividend in the sector reflects a fundamental misunderstanding of the operational realities and challenges these organisations face. While efficiency gains are desirable, applying across-the-board reductions in funding—without adequate capacity building investment—undermines the sector's ability to deliver high-quality, cost-effective services.[39] Efficiency dividends, when applied indiscriminately, also ignore the structural costs changes, such as rising compliance costs, workforce turnover, and the broader community demands of a post-pandemic environment, that are largely beyond the control of service providers. In real terms, efficiency dividends are simply funding reductions.

Without strategic government investment and planning, current indexation policy only serves to undermine the sector's ability to build capabilities, generate process innovations and build the desired independence.

37 Gilchrist, D., & Feenan, C. (2023). Challenging Existing Frameworks for Price Indexation in Australian Human Services Procurement: Achieving Sustainability. UWA Centre for Public Value.

38 Gilchrist, D., & Perks, B. (2023). Time to Get It Right: Indexation in Community Services. Centre for Public Value UWA

39 MALTMAN, M. & RANKIN, E. 2024. What If We Didn't Care? Implications of Growth in the Care Economy for the Broader Macro Economy. Sydney: e61 Institute.

EXPENSES

Expenses increased by 11.1% in 2022

Sub-sector-specific financial strategies are required to ensure appropriate funding responses to increases in expenses and changes in expense types as a result of the changing economy and business framework

Charities incur several key expenses to deliver services and further their mission. Employee expenses form a significant portion of costs, covering wages, salaries, superannuation, and other direct labour-related costs required to support service delivery. Service delivery expenses include program-specific costs such as materials, supplies, and outsourced services needed. Administrative expenses encompass operational costs like rent, utilities, insurance, and technology that support the charity's day-to-day activities. Other expenses capture a range of costs outside these categories, including interest on loans, fundraising expenses, or one-off costs like asset disposals.

Unfortunately, the poor granularity of the ACNC data does not allow the differentiation of expenses into the necessary categories to glean operational insights. This is important because the activities undertaken by charities can drastically change their costing profile.

Further, expense increases borne from increased activity demand cannot be easily distinguished from changing costs of service delivery.

In 2022, total expenses were $1.6 billion, representing an 11.1% increase from 2021. The activity 'All Other Expenses' increased by 23.8% or around $150 million. This would align with the high inflation environment and the resultant rising costs of operation and overheads items. There was also a 42% decline in grants and donations made for use in Australia as the pandemic supports phased out. Figure 21 shows the change in the major expense categories from 2015 to 2022.

Although the intervals are uneven for 2022, employee expenses are trending toward an approximate 21% increase for 2024.[40] This could well be higher based on the findings of the gender undervaluation priority awards review[41] soon to be released.

40 Estimate was derived using a growth rate from previous expenses and available PPI access from ABS (2024) https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/producer-price-indexes-australia/latest-release

41 See https://www.fwc.gov.au/hearings-decisions/major-cases/gender-undervaluation-priority-awards-review

Figure 21. Expenses by Component 2015-2022

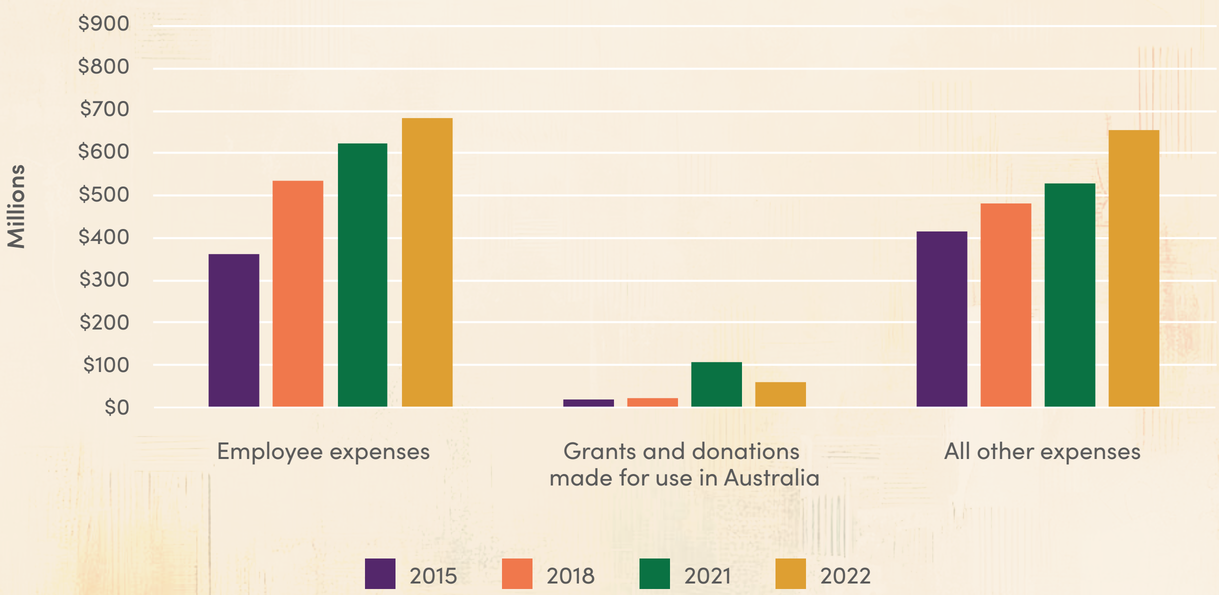
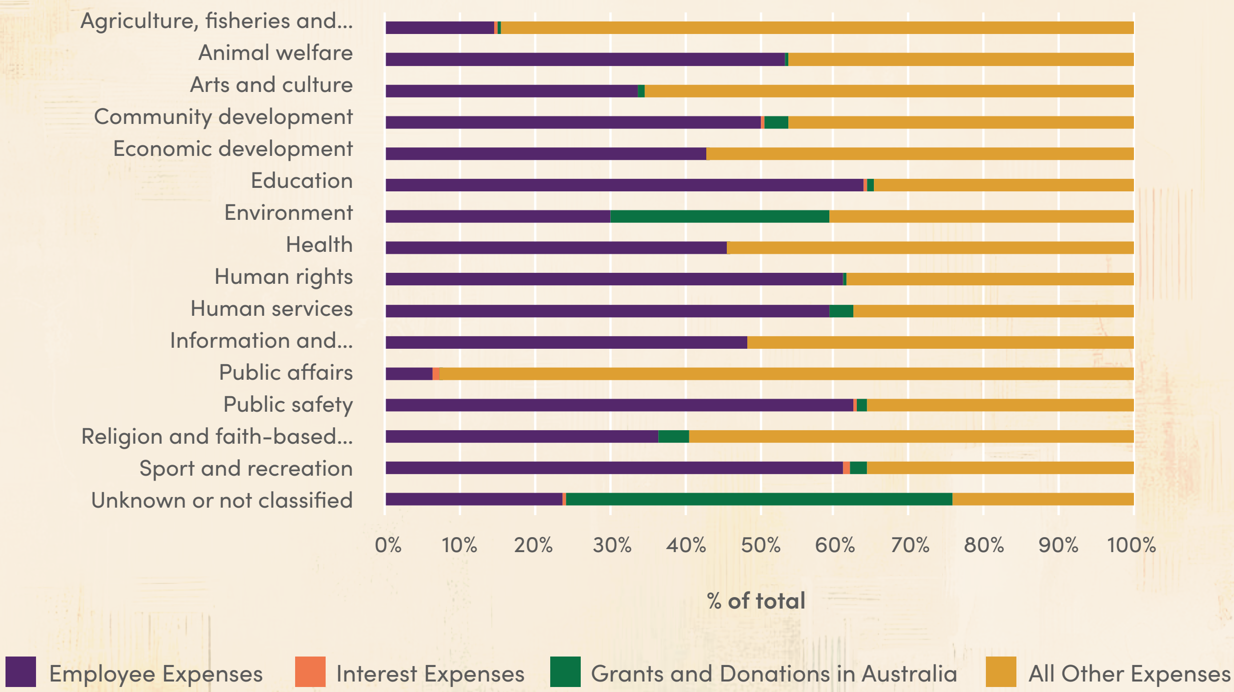


Figure 22 illustrates the proportion of expenses by main activity for 2022, highlighting significant variations in cost structures across service areas. Employee expenses dominate key sectors such as Human Services, Health, and Education, where labour-intensive services rely heavily on skilled workforces to deliver services. In these categories, employee costs represent over 50% of total expenses, reflecting their dependency on human capital to fulfill operational demands. This trend underscores the pressure on workforce sustainability, particularly amid rising wage costs and ongoing turnover challenges. It should be noted that it is not clear what is included in employee expenses outside of wages paid. This likely underestimates the proportion of spending on workers in these areas.

Figure 22. Proportion of Expenses by Main Activity 2022



In contrast, categories like Agriculture, Fisheries, and Forestry and Religion and Faith-Based Spirituality show higher proportions of all other expenses, suggesting greater allocation toward program delivery costs, materials, or operational expenditures outside staffing. Notably, grants and donations in Australia contribute meaningfully to expenses in categories such as Health and Sport and Recreation, indicating the community redistribution activities common in these areas. The Figure highlights the need for sector-specific financial strategies, with labour-intensive sectors requiring targeted investment to build workforce capacity, while operationally diverse sectors would benefit from enhanced cost efficiency and targeted support for internal process innovation and best practice adoption.

Concluding Remarks

This report reaffirms the critical economic and social role of the Northern Territory's charities sector while shedding light on its growing vulnerabilities. As demand for services increases amid cost-of-living pressures and systemic underfunding, the sustainability of many organisations remains at risk–albeit less so than during the pandemic. This is particularly concerning given the sector's role as the service delivery infrastructure for both the NT and Commonwealth governments, supporting essential programs that underpin community wellbeing. Without strategic investment and enabling policy settings, these pressures will translate into continued under-utilisation of the sector and higher costs for government, organisations and Territorians.

Despite this, the sector continues to adapt and deliver significant value. Total program delivery increased, with the service mix expanding to meet community needs, particularly in human services. Employment also grew, reflecting the sector's role as a major employer in the Territory. However, rising operational costs and limited revenue diversification threaten the sector's capacity to reinvest, innovate, and plan effectively for the future.

Moving forward, there is an urgent need for targeted investment and greater collaboration between government, philanthropy, and the sector. By addressing data gaps, building local capacity, and fostering innovative approaches the sector can better align resources with community needs and build on the expertise it already houses. A renewed focus on strategic planning and data collection will not only ensure the sector's sustainability but also enable it to continue delivering the services that Territorians rely on to participate fully in economic and social life.

Appendix – Methodology

READING THIS REPORT

The years included in the analysis are 2015, 2018, 2021 and 2022. Previous reports have been in 3-year intervals. However, we have chosen to include 2022 data because of its recency and value in assessing the sector post-pandemic and amid current inflationary and demand pressures. With these years in mind, care should be taken when interpreting the graphs in this report. As the intervals are not even, trends should not be gleaned from all the data. We have taken care to clearly state when a trend is discussed and how it may influence the current year, 2022, position of the sector.

The data used in this report was provided by registered charities to the Australian Charities and Not-for-profits Commission (ACNC) for the years 2015, 2018, 2021 and 2022.

Other charities, headquartered and operating elsewhere, also operate in the Northern Territory. One of the key limitations of the ACNC data is the fact that it is not possible to discern the financial and other data relevant to the Northern Territory operations of a charity that also operates outside of this jurisdiction. As such, the data presented here is likely to under-represent the asset that is the Northern Territory not-for-profit sector.

METHODOLOGY

Below is a full description of the data used to support the development of this report. This appendix also discusses our data cleaning process as well as the data sources in greater detail.

The ACNC data itself is lag data (2022 data released in June 2024 by the ACNC and provides information pertaining to charities with their head office in the Northern Territory. It is important to note at this point that the primary data used here was that released earlier in 2022 by the Australian Charities and Not-for-profits Commission (ACNC). This data relates to information provided by registered charities using the Annual Information Statement (AIS) submission process.

We have also considered data from additional sources, namely the Australian Bureau of Statistics, the Territory Treasury and secondary analyses, but these data sets do not add materially to the analysis provided primarily because of conceptual and measurement differences or a lack of granularity making inclusion unfeasible.

The data provided under the AIS regime includes information on programs, service recipients, employment, financial flows and balance sheet items.

Importantly, all data considered is self-selected by charities, with this including choices surrounding how they describe their Main activity and where they operate.

There remain, then, considerable data gaps that prevent our ability to demonstrate an accurate level of the sector's impact.

ACNC DATA SET

The data submitted by each charity is mandatory but differentiated depending on the size of the organisation by turnover—small, medium and large. As such, we need to report at the level of the common data provided to the ACNC, as opposed to all data.

The data provided by charities in their AIS includes what we describe as 'administrative data' including the address of the head office, which states/territories the charity operates in and so on. Additional information includes financial data, activity types pursued and beneficiaries of their services.

However, while this is interesting in the analysis of charities operating in the Northern Territory, the data is limited such that we do not know, beyond the fact of their existence in that jurisdiction, the level of engagement undertaken in the Northern Territory and what organisations do there if they also report that they operate in other jurisdictions. For instance, a charity may have its head office in Sydney but operate in the Northern Territory, though we cannot judge from the data the extent to which that organisation is engaged outside of New South Wales. Therefore, we have only reported on those charities that are headquartered in the Northern Territory as we cannot deduce from the data set those observations that are relevant only to the Northern Territory.

As such, this data likely under-represents the size, activities and employment contribution of this sector in the Northern Territory. Of course, charities headquartered in the Northern Territory can also operate outside of that jurisdiction and so activities and financial resources will flow both ways.

Additional considerations relating to the ACNC AIS Data include:

> Different charities have different financial year-ends. The majority use 30 June while the next most used date is 31 December. Therefore, when we discuss the financial reporting period, it may be different for different organisations;

> The use of differing year-end reporting dates also extends the data collection period thus impacting the timing of reports;

> Readers should be aware that some charities do not have to provide all data (e.g. faith-based charities do not necessarily have to provide financial data or Indigenous corporations being required to report to ORIC instead of the ACNC.) and some charities provide the ACNC with data but are granted an exemption so that their data is not included in the data set or published.

DATA CLEANING AND EXCLUSIONS

The data provided to the ACNC via the AIS system is contributed by personnel from each registered charity. Prior to commencing our analysis of the ACNC data, we undertake a cleaning process designed:

> to allow us to closely review the data via the use of exception reporting processes;

> identify obvious material errors and omissions;

> identify data points that may cause misrepresentation in the data analysis; and/or

> remove data elements from the data set in order to decrease the material impact of incorrect reporting.

Neither the online reported data nor hard copy data has been audited or verified by the University of Western Australia. However, our analysis did identify anomalies and, where material and appropriate, these data were excluded.

Due to changes to the structure and classification of information collected in the Annual Information Statement, merging the successive years has become increasingly difficult and resource intensive. In 2020, the program and financial information was split into separate documents. Further, in 2021, the CLASSIE classification system was incorporated into the AIS and replaced the previous system. Lastly, and most odd, in 2022 the information on state and postcode were removed from the programs making linking activities to geographic locations more difficult than previously.

Each main activity has been matched using the CLASSIE system tier 1 and 2 guides. Any non-confirmed locations are checked using the ACNC charity register.

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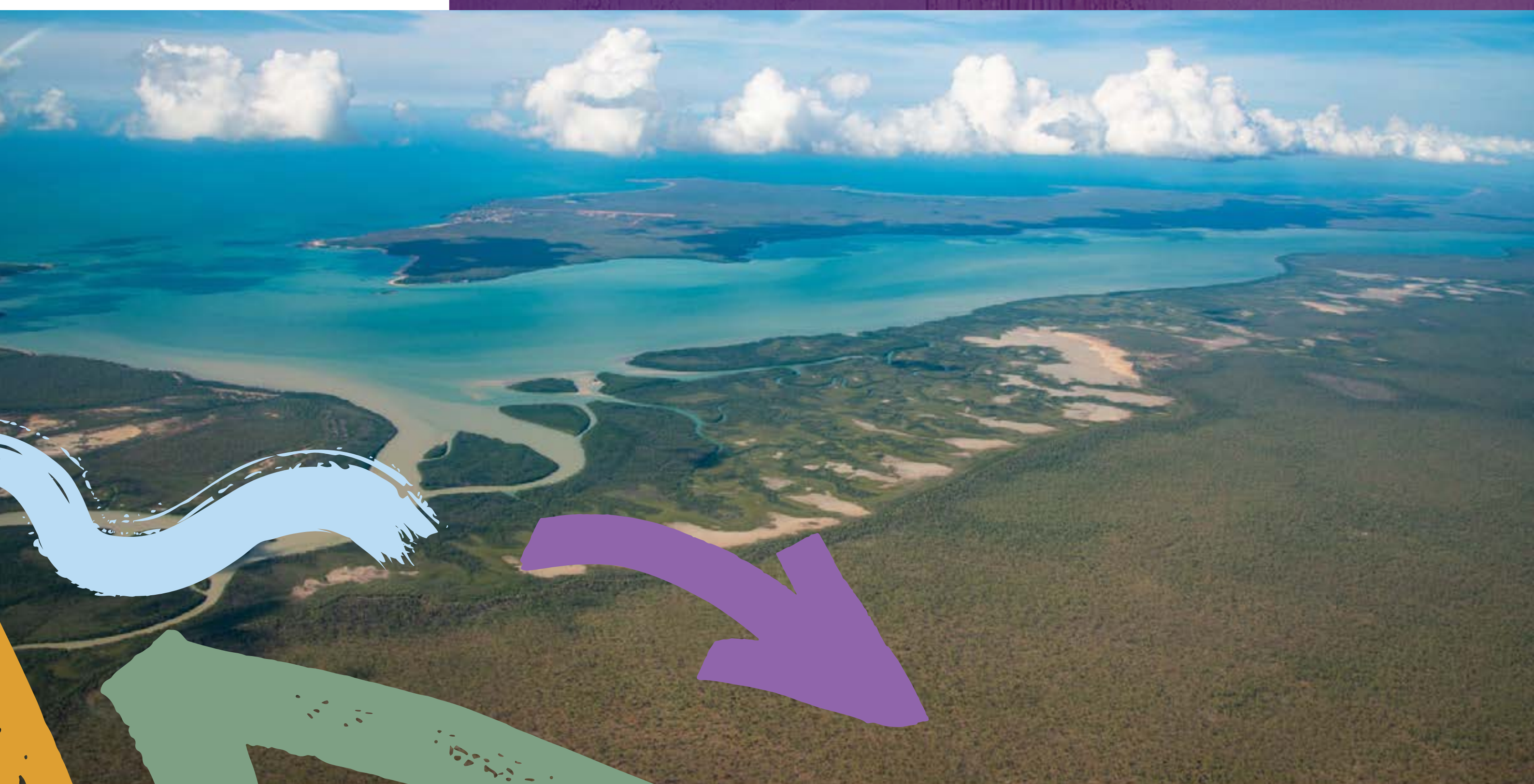

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