

Risk Insights for Brokers



NOT-FOR-PROFIT SECTOR GOVERNANCE PRESSURES AND EMERGING RISKS

Insights from the 2025–26 Not-for-Profit Governance & Performance Study

Summary

Boards across the not-for-profit and human services sectors are operating in an environment of increasing complexity. Rising regulatory expectations, financial pressures, workforce shortages and emerging risks such as cyber and climate are placing greater demands on governance capability than ever before.

The findings of the *2025–26 Not-for-Profit Governance & Performance Study* reinforce what we are seeing across the sectors we support - boards are being asked to do more, with greater accountability and often with limited resources.

For organisations responsible for the wellbeing of vulnerable people and the stewardship of important community assets, strong governance and effective risk management are essential foundations for resilience and long-term sustainability.

We provide key insights most relevant to organisations operating in sectors such as aged care, disability, childcare, education, faith and community services.

ABOUT THE STUDY

The *2025–26 Not-for-Profit Governance & Performance Study*, published by the Australian Institute of Company Directors, draws on insights from 2,088 non-executive directors and executives across Australia, supplemented by sector focus groups.

Participants were drawn from not-for-profit organisations, providing a strong evidence base on governance trends and emerging risks across the sector.

This Risk Insight also draws on Ansvär's extensive experience working with not-for-profit organisations, supporting boards and leaders in areas such as governance, risk management and organisational resilience.



Key Governance and Risk Insights

1. GOVERNANCE EXPECTATIONS CONTINUE TO RISE

Boards are under pressure. They are operating in a more demanding governance environment shaped by regulatory reform, Royal Commission findings and increasing community expectations. Nearly half of directors now spend more than three days per month on a single board, reflecting the growing complexity of governance responsibilities.

Many boards are also navigating increasing tension between governance oversight and operational involvement as directors seek stronger assurance around service quality, financial sustainability and risk management.

What this means for boards and leaders

Organisations should ensure governance and risk frameworks provide clear oversight of key risks without drawing boards into operational decision-making.

This includes strengthening:

- board reporting and assurance frameworks
- risk management oversight
- clarity of roles between board and executive leadership.

Tools such as [Ansvar's RMA Online](#) can also assist boards and executives to assess their organisation's risk maturity and governance capability, with the framework specifically designed to reflect the operating environment of the not-for-profit sector.



2. DIRECTOR CAPABILITY AND SUCCESSION PLANNING ARE EMERGING GOVERNANCE RISKS

Many organisations rely heavily on long-serving directors, while attracting new directors with the right governance expertise is becoming more difficult.

The study highlights a gradual shift toward director remuneration, particularly in larger and more complex sectors such as aged care.

This reflects increasing expectations that directors possess expertise in areas such as risk management, financial oversight, regulatory compliance and sector governance.

What this means for boards and leaders

Boards should actively consider:

- succession planning and director turnover
- skills matrices aligned to organisational risks
- governance capability in areas such as care quality, cyber risk and financial oversight.

3. FINANCIAL SUSTAINABILITY REMAINS FRAGILE

Although financial performance across the sector has improved modestly, many organisations continue to operate on very narrow margins.

A significant number of organisations reported drawing on financial reserves to support operations.

Reliance on reserves appears particularly evident among charity and religious organisations, reflecting the financial pressure many community-based organisations face as operating costs increase and funding sources remain constrained.

Heavy reliance on government funding across many subsectors also limits organisations' ability to absorb financial shocks.

What this means for boards and leaders

Boards should maintain strong oversight of financial resilience, including:

- sustainability of funding models
- tested liquidity management strategies
- adequacy of financial reserves
- risk assessments against exposure to funding changes or rising operating costs.
- clear line of sight to prudential management standards obligations which now apply in sectors such as aged care and disability services.

4. REGULATORY REFORM AND COMPLIANCE PRESSURES

Not-for-profit organisations delivering care and community services are facing significant regulatory change across multiple sectors, increasing governance and compliance expectations for boards and executives. Major reforms are occurring across areas such as:

- **aged care**, with the introduction of the new Aged Care Act and strengthened governance obligations
- **disability services**, including ongoing regulatory developments within the NDIS
- **child safety and safeguarding**, particularly the implementation of Child Safe Standards across jurisdictions
- **childcare** where regulatory oversight and quality expectations continue to increase and where new and current inquiries are taking place.

These reforms are increasing the governance, oversight and risk responsibilities of boards, particularly for organisations supporting vulnerable people.

The study also indicates that there is currently limited appetite for organisational consolidation, with most organisations not considering mergers or closures in the near term.

What this means for boards and leaders

Boards should expect to spend more time understanding regulatory changes and how they affect governance responsibilities, particularly in areas such as care quality, safeguarding, incident reporting and organisational accountability.

In practical terms this means boards should ensure they are:

- receiving clear reporting on compliance obligations and regulatory changes
- confident that management systems support safe service delivery and safeguarding
- regularly reviewing risk frameworks and governance structures to ensure they remain fit for purpose.

To support organisations navigating these changes, Ansvar has published an [Aged Care Risk Alert](#) outlining key regulatory developments and governance considerations for providers. We also host [Broker Sector Forums](#) where our risk, claims and product specialists share insights on sector changes and discuss how these developments influence risk management and insurance responses.



Emerging Risk Themes

CARE GOVERNANCE

In sectors delivering care and support services, governance expectations have increased significantly.

Boards are now expected to provide stronger oversight of care quality, safety and client outcomes, and many organisations have introduced dedicated Care Governance Committees to strengthen oversight.

Directors increasingly require clinical or service governance literacy alongside traditional financial oversight.

What this means for boards and leaders

Boards should ensure they have **robust care / clinical governance frameworks** that provide visibility of care quality and safety while maintaining appropriate governance boundaries.

WORKFORCE CAPABILITY AND AVAILABILITY

Workforce pressures remain a significant challenge across the not-for-profit and human services sectors.

Organisations are experiencing ongoing difficulties in recruiting, retaining and developing skilled staff, particularly in care and community services roles.

For many organisations, workforce challenges extend beyond supply to include issues relating to staff capability, supervision, training and organisational culture.

These pressures can create risks for organisations in areas such as:

- service quality and continuity of care
- staff supervision and safeguarding
- workplace culture and conduct
- employment practices liability (EPL) exposures, including workplace complaints, misconduct or employment disputes.

What this means for boards and leaders

Boards should ensure they have clear visibility of workforce capability and workforce risks, particularly in roles supporting vulnerable people.

In practical terms, boards should be asking questions such as:

- Do we have sufficient qualified staff and supervision structures in place?
- Are workforce shortages creating service delivery or safeguarding risks?
- Are we seeing trends in workplace complaints, grievances or employment disputes?
- How are we managing workforce wellbeing and organisational culture?

Strong workforce governance is increasingly critical to ensuring organisations can continue to deliver safe, high-quality services.

CYBER SECURITY AND DATA GOVERNANCE

Cyber risk has become a regular board-level issue.

The study found that 18% of organisations reported being the target of a cyber incident in the past year, highlighting growing exposure to digital threats.

At the same time, organisations are beginning to explore artificial intelligence and other digital tools, often without fully developed governance frameworks.

What this means for boards and leaders

Boards should ensure cyber security and data governance are actively overseen as strategic risks, including incident preparedness, scenario testing and governance over new technologies. Business Continuity Plans must incorporate cyber incursion as a standard element.

CLIMATE GOVERNANCE AND ORGANISATIONAL RESILIENCE

Climate-related risks are becoming increasingly relevant for organisations operating facilities such as aged care homes, schools, community centres and places of worship.

More than half of directors believe boards should increase their focus on climate governance, yet many organisations have not yet embedded climate risk into formal governance frameworks.

Climate risks can directly affect:

- property resilience and asset protection
- extreme weather preparedness
- continuity of services
- community safety and duty of care.

What this means for boards and leaders

Climate governance should be integrated into **risk management, strategic planning and property decisions**, particularly where organisations support vulnerable communities.

To support this, we have developed a [practical guide for boards on Climate Governance](#) to help organisations strengthen oversight and monitor their approach to climate-related risks.

Supporting the sectors we insure

Across the sectors we support, these findings reinforce a consistent theme: **strong governance and risk capability are essential to organisational resilience and preventing harms and exposures.**

Organisations delivering care, education and community services operate in complex environments where governance decisions directly influence the safety and wellbeing of the communities they serve.

Through our **Risk Solutions team**, we work closely with boards and leaders to strengthen governance capability and risk awareness across the sectors we insure.

Our work focuses on helping organisations:

- strengthen governance and risk management frameworks
- build capability in areas such as care governance and regulatory risk assessments
- improve organisational resilience across property, operational and strategic risks
- respond to emerging risks such as data governance and climate change.

Meet our Senior Risk Consultants

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*Senior Risk
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- Background in Health, Quality and Risk (25 years), Government & Insurance (8 years)
- Specialising in ERM, Safety Systems, Clinical Governance and Human Factors

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- Background in Health Leadership (20 years), Insurance (12 years)
- Specialising in ERM, Governance, Regulation and Executive Leadership
- Chair - Benefact Group ERM Centre of Excellence

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