Case Study 1

NORTHERN TERRITORY

Financial Performance & Revenue Trends

Revenue Growth Rate → 12.7% in 2022-23, 13% in 2023-24

Reflecting **SUSTAINED STRONG NOMINAL GROWTH**

Revenue Streams → Crisis accommodation (+53%), Counselling (+38%), Child care (+29%)

Growth in **HIGH DEMAND COMMUNITY RELIEF PROGRAMS**

Government Funding Dependency → 97.5% total revenue in 2022 peaking at 98.8% in 2024.

Extremely **HIGH RELIANCE ON GOVERNMENT CONTRACTS**

Revenue Diversity (HHI Measure) → from 0.162 in 2022 to 0.147 in 2024

Signalling **SLIGHTLY MORE DIVERSIFICATION AMONG PROGRAM REVENUE**

Cost Pressures & Expenditure Trends

Program Costs rose 37% in 2023 and 36% in 2024, outpacing activity expansion

Reflecting **HIGHER REMOTE SERVICE DELIVERY COSTS**

Total Staffing Costs rose $26.9 million in 2022 to $29.7 million in 2024 (+10.3%)

Representing **≈72% OF TOTAL COSTS EXCLUDING LABOUR ON-COSTS (+12%)**

Building Maintenance rose 90% in 2023 and 66% in 2024

Driven by **REGIONAL INFRASTRUCTURE COSTS AND INFLATIONARY PRESSURE**

IT and Cybersecurity Costs grew from $2 million to $2.5 million (+26%) from 2022 to 2024

Reflecting the **ON-GOING NEED FOR DIGITAL INFRASTRUCTURE TO MODERNISE DELIVERY**

Financial Sustainability & Investment Constraints

Operating Surplus improved from -3% in 2022 to near breakeven in 2024 but remains **VULNERABLE TO REMOTE AND INDEXATION FUNDING SHORTFALLS**

Net Assets and Cash Flow declined 7% and 34% in 2022-23

Reflecting **RESERVES BEING USED OF OFFSET RISING COSTS**

Workforce Vacancy and Turnover Rates were 26% and 45% respectively

Highlighting **THE WORKFORCE CHALLENGE DRIVING FINANCIAL PRESSURE**

Case Study 1
NORTHERN TERRITORY

Introduction

Case one is a large, registered charity serving communities across the Northern Territory and the APY Lands in South Australia, delivering programs in Darwin, Alice Springs, and a network of regional, rural, and remote locations. The organisation plays a critical role in supporting Aboriginal communities, children and families, people with disability, those experiencing homelessness, and individuals in crisis. Its service mix spans counselling, housing and homelessness programs, community wellbeing, and emergency relief, with operations shaped by the unique demands of remote delivery.

Over time, the organisation has developed a tightly managed, adaptive financial model—one that relies on constant resource reallocation across regions to maintain service continuity within restrictive government contracts. This entrepreneurial approach reflects a pragmatic response to chronic underfunding, escalating workforce costs, and the additional expenses of operating in remote areas such as staff housing, transport, and technology infrastructure. Despite strong revenue growth and a commitment to sustaining local, place-based services, the organisation faces mounting strain from inadequate indexation, compliance costs, and workforce shortages that threaten long-term viability.

"WE'VE DIVERSIFIED, WE'VE BUILT HOUSING PROGRAMS, WE'VE ADAPTED. BUT YOU CAN'T KEEP INNOVATING ON THIN AIR."

In this context, the organisation's experience illustrates the structural vulnerabilities of social service provision in remote Australia: heavy reliance on government funding, limited capacity to invest in infrastructure, and the need to cross-subsidise essential but unviable programs to prevent service withdrawal from communities most in need.

Key Implications for Policy and System Design

Full-cost contracting

Current pricing models fail to recognise essential cost drivers such as remote workforce housing, travel, technology, and compliance. A full-cost contracting approach would embed regional and program-specific loadings, allowing providers to plan sustainably rather than rely on short-term underspends or cross-subsidisation to meet unavoidable expenses.

Shift from market to commissioning approaches

Market-based approaches—particularly under the NDIS—are unsuitable in thin or geographically isolated markets. A commissioning model that prioritises partnership, stability, and capability over competition would maintain service continuity and support quality, community-based provision in areas where a market cannot operate effectively.

Recognition of local value

Locally governed organisations provide more than direct service delivery; they employ regional staff, sustain relationships, and maintain trust and continuity within communities. Funding and performance frameworks should explicitly value these relational and social infrastructure contributions, rather than privileging cost efficiency or scale alone.

Collaborative infrastructure investment

Organisations continue to face rising technology and compliance costs without coordinated support. Shared investment in digital and data infrastructure, through common platforms or pooled resources, would reduce duplication, enhance accountability, and free capacity for frontline delivery.

Financial Trends

	Total Revenue	Activity Expenses	Administrative Expenses	Net-assets	Operating Surplus
2022-23	13%	10%	40%	-7%	-9%
2023-24	13%	13%	-11%	14%	4%

Revenue Composition and Trends

Over the three fiscal years (2022–2024), the organisation's total revenue exhibited consistent growth, increasing by 12.7% from 2022 to 2023 and 12.96% from 2023 to 2024. This steady expansion reflects the organisation's ability to secure additional funding and potentially expand its service delivery. However, within this overall growth, shifts in specific revenue streams highlight both opportunities and challenges for financial sustainability and strategic planning.

The Herfindahl-Hirschman Index (HHI) provides insight into the diversification of revenue streams. In 2022, the HHI was 0.162, indicating moderate concentration. By 2023, it decreased to 0.139, suggesting improved diversification, likely due to the introduction of new revenue sources such as Crisis Accommodation. However, the HHI increased slightly to 0.147 in 2024, reflecting a growing reliance on key streams such as Counselling Services, which became the largest contributor to total revenue. This trend indicates a mild need to monitor and balance revenue sources to minimise financial risks associated with over-reliance on specific streams. The significant dependency towards government funding (97.5-99%) both ensure greater funding certainty but suggests that the organisation is vulnerable to government funding policy changes, additional administrative obligations and high levels of restricted funding.

"INDEXATION ISN'T THE REAL ISSUE ANYMORE. THE REAL ISSUE IS LACK OF INVESTMENT. SUSTAINABILITY TAKES MORE THAN KEEPING UP WITH CPI AND WPI."

Several revenue streams demonstrated exceptional growth. Counselling Services grew by 10% in 2023 and an impressive 38% in 2024, becoming the largest single revenue source by 2024. Similarly, Crisis Accommodation, introduced in 2023, expanded by 52% in 2024, highlighting this as a critical growth area. These trends likely reflect increased community demand and governments allocation of increased funding over the period. Given the shift in revenue composition, the is enhanced strategic importance in continuing these services. Child Care Centres also showed steady growth, with revenues increasing by 28.7% in 2023 and 12.5% in 2024, underscoring their reliability as a core revenue stream.

Overall, the organisation's financial performance shows strength through steady total revenue growth and the rapid expansion of key service areas such as Counselling Services and Crisis Accommodation. However, the increasing reliance on dominant revenue streams, as indicated by the rising HHI in 2024, and the sharp decline in Fundraising highlight areas for strategic focus. By further diversifying revenue streams and addressing underperforming areas, the organisation can enhance its financial resilience and sustainability moving forward.

"GOVERNMENT TALKS ABOUT INNOVATION, BUT TENDERS ARE SO TIGHTS THERE'S NO ROOM TO SHOW TRUE COST OR TEST NEW MODELS."

Five Main Cost Pressures Show Difficulties of Rural Service Delivery in a High Inflationary Environment

The organisation's financial performance reveals significant pressures from non-labour-related costs, which have grown faster than revenue over the past two periods. High inflation, rising interest rates, and the additional costs of delivering services in rural and remote areas have exacerbated these challenges. Key cost drivers, including building repairs and maintenance, electricity and water, program activity and resources, IT leases and subscriptions, and motor vehicle expenses, highlight the financial strain.

"THE BIG ONE IS STAFFING COSTS. THE COST OF HAVING STAFF NOW IS MORE THAN WHAT YOU'RE FUNDED TO DELIVER."

Building repairs and maintenance costs increased by 90% in 2022/23 and a further 66% in 2023/24, reflecting the burden of maintaining aging infrastructure in remote locations. Similarly, electricity and water expenses surged 240% in 2022/23 and 23% in 2023/24, driven by rising energy prices and additional transmission fees for remote facilities. These rising fixed costs strain the organisation's finances, particularly as they cannot be deferred.

Cost Category	2021/2022	%Δ	2022/2023	%Δ	2023/2024
Building Maintenance	$135,000	90%	$256,000	66%	$425,000
Utility Costs	$70,000	240%	$237,000	23%	$291,000
IT and Subscriptions	$2,000,000	26%	$2,524,000	-1.1%	$2,495,000
Program Activity and Resources	$2,500,000	37%	$3,493,000	36%	$4,758,000
Motor Vehicles Running Costs	$1,400,000	12%	$1,538,000	13%	$1,732,000

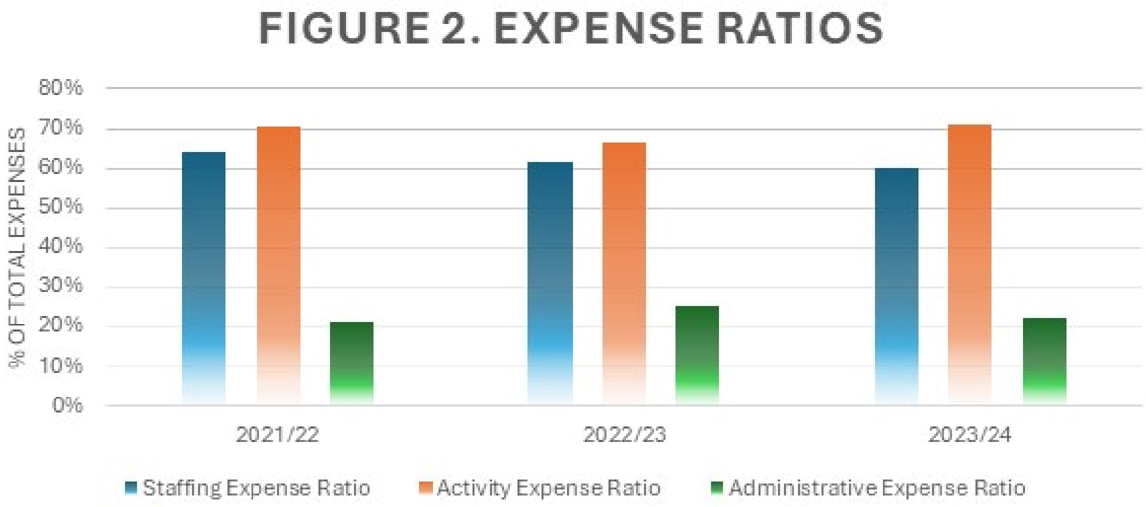
Program activity and resource expenses climbed by 37% in 2022/23 and 36% in 2023/24, reflecting increased demand and logistical inefficiencies in service delivery. Meanwhile, IT leases and subscriptions grew by 32% in 2022/23 and 12% in 2023/24, as investments in digital infrastructure remain critical for dispersed operations. Motor vehicle costs, essential for rural service delivery, rose 168% in 2023/24 after a decline in the prior year, driven by increased fuel prices and maintenance needs.

Adding to these challenges, the administrative expense ratio increased relative to the program expense ratio, reflecting the rising compliance burden of government funding and the significant indirect costs required to support rural and remote service delivery. Without targeted cost-containment strategies or adequate indexation, these escalating costs may erode financial buffers, particularly as demand continues to grow. Recognition of the added costs of rural service delivery is essential to sustaining high-quality, impactful services.

Administrative and Program Expenses Reflect Cost Increases in Direct Delivery and Administrative Compliance

The fluctuations in the Administrative Expense Ratio and Activity Expense Ratio further underscore the organisation's financial challenges and shifting priorities. The peak in administrative expenses to 25% of total costs in 2022/23 likely reflects the strain of managing rising operational complexities in a high-inflation environment, exacerbated by the logistical challenges of delivering services across rural and remote areas. While the subsequent reduction to 22% in 2023/24 signals improved cost control, the consistently high share of administrative costs highlights the trade-offs the organisation must navigate between sustaining operational efficiency and allocating resources to frontline service delivery.

Similarly, the decline in the Activity Expense Ratio to 66.7% in 2022/23, followed by a recovery to 71% in 2023/24, reflects the organisation's efforts to refocus on program delivery amidst financial pressures. This recovery aligns with rising program-related costs, such as program activity and resources and motor vehicle expenses, which are critical to maintaining service quality in high-demand rural and remote regions. However, the strain from administrative and non-labour cost drivers underscores the challenge of balancing operational sustainability with meeting the growing needs of vulnerable communities.



Workforce Challenges

Between 2021 and 2024, Australian charities, especially those in rural and remote areas, faced escalating workforce retention and cost challenges. The cessation of Equal Remuneration Order (ERO) supplementation funding in 2020 significantly impacted community service organisations forcing many to absorb wage increases without additional financial support. While it is difficult to assess the direct impact it is important context when considering the increasing pressure on organisations to provide fair and competitive employment opportunities in a strained and often rigid funding environment.

Workforce-related costs rose sharply, compounding these pressures. Recruitment costs increased tenfold in 2021/22 before declining by 24% in 2023/24, reflecting the high expense of filling vacancies in a persistently tight labour market. Vacancy rates ranged between 20–26% during this period, perpetuating cycles of stretched staffing, burnout, and low retention. Turnover remained critically high, averaging 45%, further driving reliance on costly agency staff and short-term solutions to maintain service continuity.

"REMOTE HOUSING IS A BIG ONE. WE'RE NOT FUNDED FOR IT, BUT WE CAN'T RECRUIT WITHOUT IT. SO, WE END UP CHARGING STAFF PART OF THE RENT JUST TO MAKE IT WORK."

At the same time, training and professional development spending fell by 47% in 2021/22 and another 21% in 2023/24, reflecting reduced capacity to invest in staff development. Meanwhile, costs for workforce insurance, professional registrations, and onboarding increased, creating further financial pressure. Redundancy entitlements linked to fixed-term contracts added another layer of strain, particularly in programs with funding uncertainty.

These challenges are reflected in the declining Direct Labour Expense Ratio (54% in 2021/22 to 48% in 2023/24) and Total Staffing Expense Ratio (64% to 60%), signalling cost-cutting amid rising onboarding and retention costs. Geographic isolation, high living costs, and limited training access in rural areas exacerbate these issues, threatening the sector's ability to sustain critical services while subsidising staffing gaps across programs.

Remote Delivery is a Unique Barrier

Rising costs in remote housing, technology, and compliance have become major financial stressors. The organisation has introduced partial staff housing contributions to offset rental expenses, weakening its ability to attract workers to remote areas. Similarly, significant investments in IT infrastructure, client management systems, and cybersecurity are required without dedicated funding support.

These pressures compound existing workforce instability. Despite offering competitive wages, recruitment and retention remain difficult, particularly in smaller communities. The organisation competes against large national providers able to operate at lower cost through thinner local management structures. Leadership noted that this dynamic erodes the value of place-based delivery, where local knowledge, continuity, and cross-program collaboration are essential for effective service outcomes.

Organisational Insights

Interviews with organisational leadership provide valuable context to the financial findings, illustrating how cost pressures, rigid funding structures, and workforce challenges are navigated in practice. The organisation demonstrates a pragmatic and adaptive management style, balancing compliance with responsiveness in one of Australia's most complex service delivery environments.

Adaptive Financial Management and Structural Funding Gaps

Leadership described a highly disciplined, yet flexible financial approach shaped by necessity. With limited reserves and no investment capital, funds are continually shifted between locations and programs to sustain operations, particularly across Darwin, Katherine, and Tennant Creek. This "creative" accounting model allows service continuity but reflects the absence of stable, full-cost funding. While acknowledging chronic indexation shortfalls, leadership argued that incremental increases cannot address the deeper issue of structural underfunding. Government contract frameworks were described as administratively rigid, often prescribing spending categories that prevent providers from reflecting true delivery costs. Short-term contract extensions and small top-ups were viewed as temporary measures that "patch rather than reform" funding relationships.

"BECAUSE THERE IS NO INVESTMENT MONEY, IF WE DO HAVE AN UNDERSPEND SOMEWHERE, USUALLY CREATED BY STAFFING, WE MOVE THAT MONEY AROUND TO FUND OTHER PRIORITIES. IT'S A CREATIVE FINANCIAL MODEL, BUT IT'S SURVIVAL, NOT STRATEGY."

Cross-Subsidisation and Market Failure

The financial data and interview both highlight the organisation's reliance on cross-subsidisation to maintain unviable services, particularly under the NDIS. In remote areas such as the Tiwi and APY Lands, programs operate at a loss but are sustained to prevent complete service withdrawal. Leadership emphasised that the NDIS "is not really cross-subsidy, it is subsidy," reflecting a chronic mismatch between prices and true costs.

This practice has prevented local market collapse but at the expense of organisational reserves. Government responses to these issues have typically involved short-term stopgap funding rather than systematic recalibration of pricing models. The interview also underscored the broader policy risk:

without viable local providers, communities are left reliant on fly-in, fly-out or absentee services that undermine long-term outcomes.

Digital Capability and Sector-Level Efficiency

Investments in digital and data systems represent a growing but under-supported cost centre. Leadership described a fragmented approach to technology adoption, with little sector guidance and limited internal expertise. Despite exploring external platforms, the organisation continues to face rising costs and inefficiencies in data management. There is recognition that shared infrastructure or collaborative digital solutions across Catholic and regional networks could reduce duplication and enhance reporting capacity, but current funding and governance structures provide no support for such coordination.

"THERE'S NO FUNDING FOR INVESTMENT PROJECTS, CLIENT MANAGEMENT SYSTEMS, WORKFORCE HOUSING, TECHNOLOGY. EVERY UPGRADE MEANS CUTTING SOMEWHERE ELSE."

Staying Afloat and Flexible in a Pressurised Environment

The pressure of a high inflation environment is clear in the information provided. Notably, decreases in auxiliary and capacity spending, as well as a range of activity cost spikes is seen most prominently in the 2022/23 financial year where the inflation rate had peaked at 7.2%.

The organisation's operating surplus in 2021/22 was 6% which suggests that there is sufficient revenue being generated after expenses to reinvest reserves or maintain a fiscal buffer to future economic shocks. This declined by 9 percentage points to -3% in 2022-23 showing a stark drop rise in overall expenses. With the organisation likely needing to draw on reserves to cover shortfalls as observable in a 7% reduction in net assets and 34% decline in net cash flow.

The organisation has a relatively low fixed cost ratio of 7% in 2021/22, dropping as low as 5% in 2023-24. While this reflects strong financial flexibility, it suggests an operating environment that requires sizable investment into service delivery at time of service. This aligns with delivery in primarily remote, rural, and regional areas, where the organisation faces additional pressures, including higher logistical costs and difficulties in scaling services to meet growing demand. While the low fixed cost ratio enables adaptability, it may indicate underinvestment or rather an inability to invest in permanent infrastructure or staffing, critical for sustaining efficient and cost-effective long-term operations in remote areas.

Despite spikes in delivery and administrative cost pressures, the organisation was able to negotiate the tougher economic environment reasonably well. The breakeven revenue, the minimum revenue required to cover both fixed and variable costs, was $32.4 million at its narrowest point in the 2022-23 period, whereby revenue fell below this minimum threshold. A slight recovery was made in the following period. Relatively stable net assets each year, lessens the financial risk over the reported years, however with the main cost drivers clearly outpacing indexed revenue collected, operating margins will continue to be strained.

Conclusion

Increased community demand has driven stable revenue growth across all revenue groups, particularly those of high policy relevance to the NT and Commonwealth governments. However, the organisation remains highly dependent on government funding, which accounts for over 98% of revenue, leading to greater certainty but also reduced flexibility and higher administrative obligations.

The high inflation operating environment eroded operating surpluses and drove up several key non-labour cost drivers, particularly those linked to delivering services in remote, rural, and regional areas, such as vehicle costs, IT subscriptions, building maintenance, program supplies, and utilities. Additionally, administrative expenses have outpaced revenue growth, with employee retention and related costs continuing to place significant pressure on the organisation. The challenge of attracting and retaining staff in rural and remote areas has increased reliance on temporary staffing, contributing to high vacancy rates.

The Centre for Public Value UWA and the UWA Public Policy Institute

The Centre for Public Value UWA (CPV) has recently merged with the UWA PPI as a research subsidiary, strengthening UWA's capacity to influence and inform public policy at state and national levels. As part of the UWA PPI, the CPV's research will now contribute directly to the Institute's broader mission of connecting academic insight with policymakers and communities to drive meaningful, evidence-informed change.

Citation Information

Perks, B., & Gilchrist, D. (2025). *Real Costs, Real Impacts: A Path to Social Services Sustainability – Case Study 1 Northern Territory*. Centre for Public Value UWA & UWA Public Policy Institute for Catholic Social Services Australia.