



Financial Performance & Revenue Trends

Total Revenue Growth → 6% in FY2021/22 – FY2023/24)

FAILING TO KEEP PACE with a 22% increase in total costs

Profit Margin Decline → 10.1% in FY2021/22, 5.5% in FY 2022/23, -2.3% in FY2023/24

Reflecting **FINANCIAL STRAIN**

Budget Position Shift → \$465,000 surplus in FY2021/22 to \$113,000 loss in FY2023/24

Commonwealth Funding Reliance → Over 70% of total revenue, with a single grant contributing 50%

Non-government Revenue Share → Less than 10% highlighting **LIMITED DIVERSIFICATION**

Cost Pressures & Expenditure Trends

Total Cost Growth 7.0% in FY2022/23, 13.9% in FY2023/24

Exceeding inflation (4.9% & 4.6%)

Direct Labour Expense Ratio 67% in FY2021/22, 70.01% in FY2023/24

Reflecting **WORKFORCE PRESSURES**

Travel Costs Peaked at 2.3% in FY2022/23 before falling to 1.60% in FY2023/24

Driven to **FUEL PRICE VOLATILITY**

Infrastructure Maintenance Growth 1.25%, 2.9% of total costs in FY2021/22 – FY2023/24

Driven by **AGING FACILITIES**

Compliance Costs Surged, with increasing governance, reporting, and workforce expenses

Financial Sustainability

Current Ratio Stable at 0.87, indicating a financial buffer but **LIMITED LIQUIDITY**

Cash Flow Margin Decline 64% in FY2021/22 to 51% in FY2023/24

REDUCING OPERATIONAL FLEXIBILITY

Net Cash Flow Decline 16% over three years

Limiting the ability to cover short-term obligations

Revenue vs. Inflation Revenue fell below inflation in FY2022/23 before recovering in FY2023/24



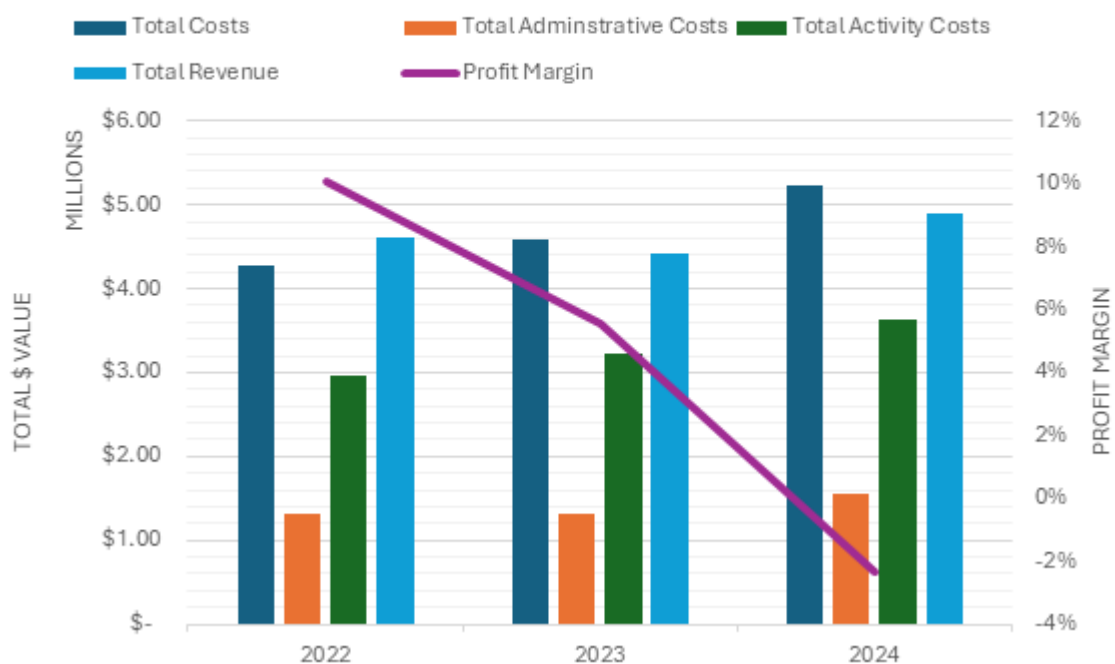
Introduction

The organisation is a large, registered charity operating in rural and remote Western Australia, delivering family support, counselling, and homelessness relief services. With a narrower service scope and high reliance on stable funding, financial pressures typically result in reduced service quantity in the short to medium term.

Over the past three years, total revenue grew by just 6%, while total costs increased by 22%, pushing the organisation from a 10.1% profit margin in FY2021/22 to a -2.3% deficit in FY2023/24. The top cost drivers—labour, travel, accommodation maintenance, vehicle insurance, and IT infrastructure—have risen faster than inflation, reflecting regional workforce shortages, rising operational costs, and increasing compliance obligations.

Operating in rural WA amid sustained high inflation presents significant financial and operational challenges. Rising labour and travel costs reflect the difficulty of attracting and retaining staff, while infrastructure and service delivery expenses continue to grow in a constrained funding environment. Compliance and administrative burdens remain high, with limited flexibility to absorb cost increases, making financial sustainability increasingly reliant on external funding stability and strategic cost management. Without cost controls and funding adjustments, long-term financial strain could impact service continuity and accessibility for vulnerable communities.

Financial Trends and Profitability 2022-2024





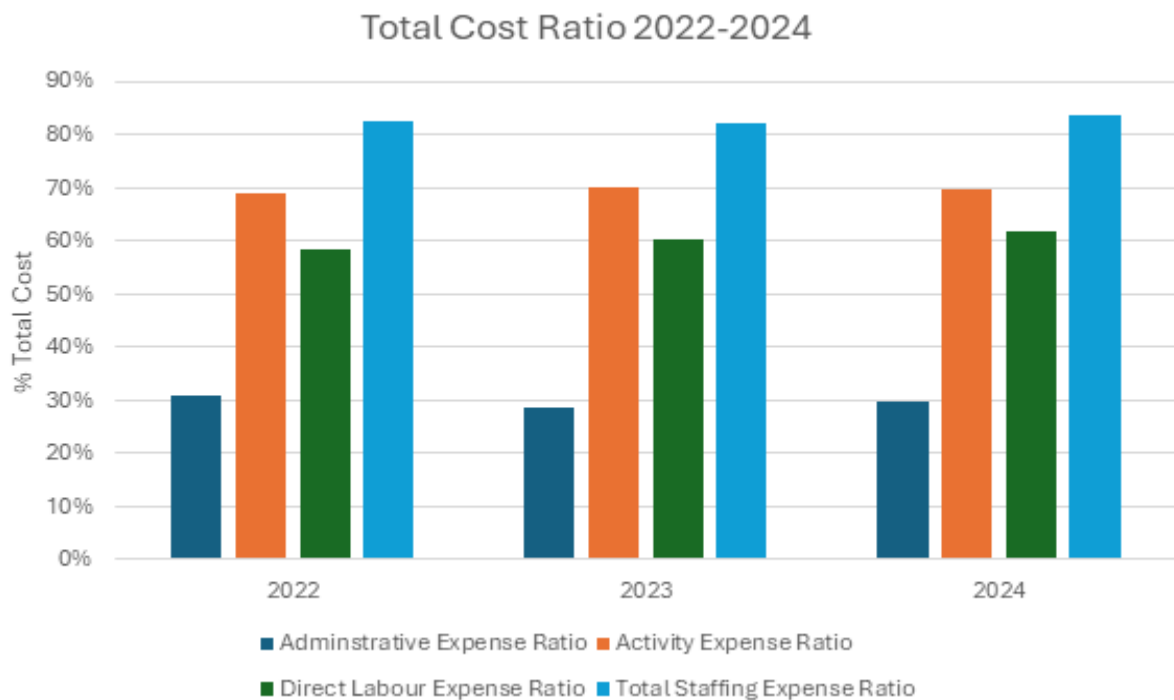
Profitability Decline Leading to a Deficit in FY2023/24

The organisation’s profit margin declined from 10.1% (FY2021/22) to -2.3% (FY2023/24), reflecting financial stress from rising service delivery, staffing, and operational costs. A \$465,745 surplus (FY2021/22) shifted to a \$113,000 loss (FY2023/24) as total costs grew 22%, outpacing revenue growth of just 6%. Service delivery costs rose 23.4%, and administrative expenses increased 17.5%, driven by compliance and workforce pressures.

“FINANCIAL PRECARITY IS NO DOUBT STRUCTURAL, ECONOMIC SHOCKS ASIDE. ORGANISATIONS ARE FAILING BECAUSE THE FUNDING MODEL ASSUMES THEY CAN DELIVER MORE WITH LESS, INDEFINITELY.”

Staffing remains the dominant cost, with the Total Staffing Expense Ratio rising from 82.7% to 84%, exceeding sector norms (70–80%). The Direct Labour Expense Ratio grew from 58.4% to 62%, reinforcing labour intensity. Activity expenses (69–70.2%) highlight a frontline service focus, while administrative costs (~30%) surpass sector benchmarks (25–28%) due to compliance burdens and low indirect cost coverage.

Rising wage pressures, high service delivery costs, and limited administrative flexibility heighten financial vulnerability. Without efficiency improvements or increased funding, sustaining service quality while maintaining financial stability will become increasingly difficult.





Decline Cash Flow and Net Asset Stability

The organisation current ratio remains stable at 0.87, indicating a financial buffer but limited liquidity to absorb sustained losses without adjustments. However, the cash flow margin has declined from 64.18% (FY2021/22) to 51% (FY2023/24), reflecting a weakening ability to generate cash from operations. Despite 5% net asset growth, net cash flow has fallen 16%, reducing available funds for short-term obligations and increasing operational risk if revenue declines. A 5% revenue drop would tighten liquidity but remain manageable with cost controls, while a 10% decline would push the budget into deficit, requiring spending cuts or cash reserve drawdowns. A 15% decline would create a significant operating deficit, demanding urgent intervention through cost reductions, service cuts, or external funding. While net assets provide some financial stability, declining liquidity and cash flow constraints limit resilience, making improved cash flow management and revenue diversification critical to sustaining operations.

“YOU CAN’T CUT YOUR WAY TO GROWTH. EFFICIENCY ONLY GETS YOU SO FAR BEFORE IT STARTS HOLLOWING OUT THE SERVICE. WE NEED A NEW WAY TO TALK ABOUT WHAT EFFICIENCY LOOKS LIKE AND HOW ORGANISATIONS CAN GET THERE.”

High Revenue Dependency and Limited Diversification in a Rural Context

The organisation is highly dependent on government funding, with over 90% of revenue coming from grants, primarily Commonwealth programs. A single grant contributes over 50% of total income, creating significant concentration risk. The Herfindahl-Hirschman Index (HHI) indicates moderate diversification, declining from .3683 (FY2021/22) to .3286 (FY2022/23) before rising to .3490 (FY2023/24), signalling a slight re-concentration of income sources.

Non-government revenue remains insufficient and volatile, making up less than 10% of total income. Commercial revenue fluctuated, peaking at 3.5% (FY2022/23) before dropping to 1% (FY2023/24), while fundraising remained negligible (<0.5%), and donations fell from 6.6% to 3.5% before a slight recovery. Investment income rose to 2.0% (FY2023/24) but remains too small to offset funding risks. Unlike urban nonprofits, regional providers have limited diversification options, restricting financial flexibility.

This high dependency poses financial risks, as policy shifts, grant redesigns, or funding cuts could significantly impact service delivery. While government funding offers stability, its dominance limits adaptability. Despite small gains in State Government and investment income, declining commercial revenue and weak fundraising efforts highlight ongoing sustainability challenges. Without expanded partnerships or alternative income sources, the organisation remains vulnerable to funding disruptions and budgetary constraints.

Revenue Growth Relative to Inflation

Inflation outpaced revenue growth in FY2022/23, causing a real-term decline (\$4.7 million vs. the required \$5.1 million), though FY2023/24 saw partial recovery (\$5.2 million). Commonwealth funding lagged behind inflation in FY2022/23 but rebounded in FY2023/24, while State

Case Study 3

GERALDTON



Government contributions fluctuated, helping offset federal shortfalls. Key grants fell below inflation in FY2022/23 before recovering, but commercial income and donations remained weak, reinforcing government dependency. Without sustained inflation-adjusted revenue growth, financial constraints will persist, requiring diversification and stronger funding strategies.

Top Three Cost Categories

The largest expenses are wages, travel, and infrastructure maintenance, reflecting the costs of delivering services in regional areas.

- Direct Labour remains the largest cost, rising from 67% (FY2021/22) to 70% (FY2023/24) due to wage increases, superannuation growth, and workforce shortages. Dependence on government funding for wage adjustments heightens financial risk, with rising costs outpacing revenue growth.
- Mileage & Travel Costs fluctuated, peaking at 2.3% (FY2022/23) before dropping to 1.6% (FY2023/24) due to fuel price volatility, vehicle maintenance, and rural outreach demands. Reliance on in-person service delivery increases exposure to unpredictable transport costs.
- Infrastructure Maintenance grew from 1.25% to 2.9%, driven by aging facilities, rising leasing costs, and expanding service demand.

Top 5 Cost Categories

- 1) **Employee Recruitment Costs** fell by 63% (\$23,750 decrease) after the previous year's sharp increase, reflecting stabilisation in workforce hiring. While turnover remains a challenge, the high recruitment investment in FY2022/23 reduced the need for FY2023/24 spending. This suggests some success in retention strategies, though ongoing workforce shortages may still present financial risks.
- 2) **Motor Vehicles Insurance costs** rose by 88% (\$7,500) due to fleet expansion and increased risk exposure in rural operations. Harsh driving conditions, accidents, breakdowns, and higher insurance premiums all contributed to this significant rise, reinforcing the financial burden of vehicle-related expenses.
- 3) **Accommodation Repairs and Maintenance** saw a steep increase of 74% (\$49,700) as rental and maintenance price hikes continued in regional WA. These escalating costs suggest ongoing infrastructure challenges, potentially requiring long-term leasing reviews to explore more sustainable property management options.
- 4) **IT Software Subscriptions** increased by 75% (\$16,500) due to expanded software licensing, cybersecurity enhancements, and compliance tracking requirements. This cost category has now outpaced inflation significantly, raising concerns about long-term affordability and the need for cost-efficiency reviews of IT investments.
- 5) **Direct Wages** increased by 16.5% (\$393,000), reflecting higher salaries, superannuation contributions, and workforce retention strategies. Persistent labour shortages in regional WA have forced wage increases beyond inflation, making staff costs the most significant ongoing financial pressure.



Top 5 Cost Driver Dollar and Percentage Changes		
	Change in \$	Change in %
Employee Recruitment Costs	\$23,750	63%
Motor Vehicles Running Costs	\$7,500	88%
Accommodation Repairs and Maintenance	\$49,700	74%
IT Software Subscriptions	\$16,500	75%
Direct Labour Costs	\$393,500	16%

Assessment of Total Cost Increases Against Inflation and Operating Context

Total costs grew 7% in FY2022/23 and 14% in FY2023/24, outpacing inflation (4.9% and 4.6%, respectively) due to sector-specific pressures. Labour costs drove increases, with higher wages and superannuation needed to retain staff in regional WA. Service delivery expenses, including travel, IT infrastructure, and compliance, surged alongside rising insurance premiums and regulatory demands. By FY2023/24, costs exceeded inflation by 9.3 percentage points, suggesting a sustained financial strain that threatens long-term viability.

Cost Reductions from 2023-2024

Several key expense categories saw significant reductions between 2023 and 2024, notably in training (-40%), quality control (-83%), recruitment (-63% to -94%), travel (-20%), and IT compliance (-89%). These declines may suggest a combination of budget constraints, operational efficiencies, and strategic shifts.

The sharp drop in recruitment and training costs indicates either workforce stabilisation or financial limitations restricting new hires and professional development. Similarly, lower travel and accommodation expenses could reflect a shift toward remote or centralised service delivery models. Reductions in compliance and IT-related costs may be due to completed prior investments, delaying the need for further spending.

Overall, these trends point to either constrained funding limiting discretionary spending or a strategic effort to optimise costs and improve efficiency. Further analysis of funding sources and activity levels would clarify whether these reductions are temporary adjustments or part of a long-term restructuring strategy.

“GOVERNMENT OFTEN SPEAKS OF REFORM, BUT REFORM WITHOUT REINVESTMENT ONLY REDISTRIBUTES RISK. SUSTAINABILITY REQUIRES MORE THAN COMPLIANCE; IT REQUIRES PARTNERSHIP AND SHARED PLANNING.”



Conclusion

The organisation faces growing financial strain as rising costs outpace revenue growth, driven by labour shortages, service delivery expenses, and regulatory pressures. Heavy reliance on government funding, particularly a single Commonwealth grant, increases financial vulnerability, while limited revenue diversification restricts flexibility. Despite operational efficiencies and funding adjustments, cost escalation, especially in wages, compliance, and infrastructure, remains a challenge. Without sustained revenue growth, improved funding indexation, or alternative income streams, the organisation risks further deficits, requiring strategic cost management and financial diversification to maintain long-term service viability.

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 3 Geraldton*. Centre for Public Value UWA & UWA Public Policy Institute for Catholic Social Services Australia.