



## Revenue & Profitability

**Total Revenue** declined from \$150 million in FY2022 to \$144 million in FY2024 (-3.9%)

**Net Income** fell from -\$113,000 in FY2022 to -\$7.3 million in FY2024 with profit margins deteriorating from -0.1% to -5.1%

**Net Assets** declined by \$13 million over three years, dropping to \$31 million in FY2024

## Key Cost Drivers

**Total Costs** increased by 2.9% in FY2024, reversing a 2.8% decline in FY2023

**Agency Staff Costs** surged by \$5.6 million (+125%) in FY2024, reflecting high workforce turnover

**Redundancy Provisions** spiked by \$1.5 million (+578%), pointing to structural workforce instability

**Administrative Costs** rose by \$4 million (+23.95%), driven by compliance and governance demands

## Sector Challenges & Funding Constraints

**Government Indexation** peaked at just 4.7% (Commonwealth) and 2.7% (State) in FY2023, failing to march inflationary cost pressures

**Scenario Analysis** shows a 15% cost increase would push net assets negative (\$2.4 million) and drive profit margins to -23.4%, signalling potential insolvency within a year

**Low Workforce Retention and Rising Compliance Burdens** continue to elevate financial risk, requiring urgent workforce planning and funding reform



## Introduction

This case study examines a faith-based community services organisation operating across Queensland, including metropolitan, regional, and rural areas. The organisation provides a diverse range of support services, including disability care, aged care, housing support, and family services. With a long-standing presence in the sector, it delivers client-centred programs aimed at enhancing social inclusion and well-being. Facing the complexities of service delivery in both urban and remote settings, the organisation must navigate challenges such as accessibility, workforce retention, funding constraints, and rising operational costs amid high inflation and emerging technological expenses. This analysis explores its governance, service impact, and adaptive strategies, highlighting its role in strengthening community resilience and social welfare outcomes across Queensland.

## Financial Overview

Over the period, the organisation faced declining revenue, rising costs, and worsening financial health. Revenue fell from \$150 million in FY2022 to \$140 million in FY2023, with a partial recovery to \$144 million in FY2024, while net income plunged from -\$113,000 to -\$7.3 million. Costs followed a similar pattern, declining briefly before rising to \$155 million in FY2024, outpacing revenue growth due to inflation and operational pressures.

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**“THE DATA TELLS A CLEAR STORY...REVENUE IS STAGNATING WHILE COSTS SURGE. EVEN SMALL FUNDING SHORTFALLS COMPOUND QUICKLY WHEN INDEXATION LAGS YEARS BEHIND INFLATION.”**

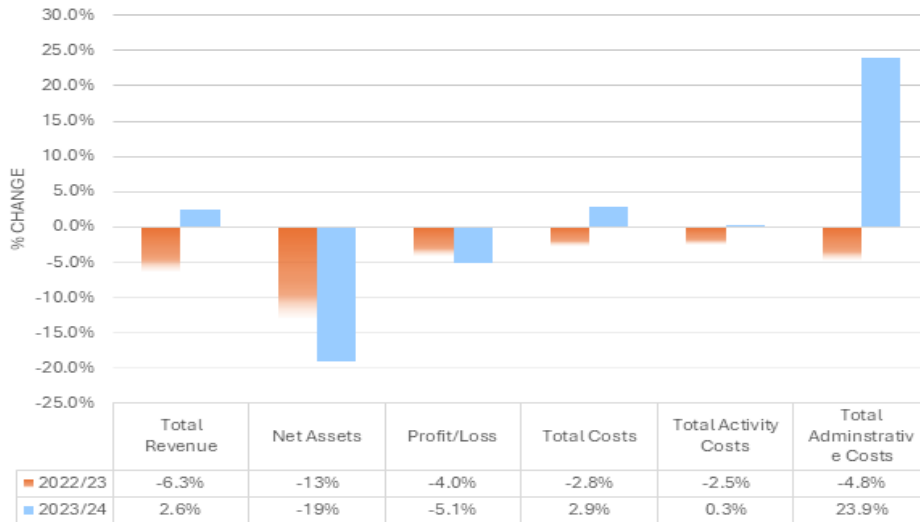
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Key financial ratios highlight deepening challenges: the operating surplus ratio dropped from -0.1% to -5.1%, administrative expenses rose from 12% to 14.4%, and net assets shrank from \$44 million to \$31 million. Break-even revenue rose to \$162 million, increasing financial strain.

Without intervention, further cost increases could push the organisation toward insolvency. A 15% cost rise would drive net income to -\$33.8 million and net assets negative (-\$2.4 million), with profit margins worsening to -23.4%. To ensure long-term stability, cost control, revenue diversification, and operational efficiencies are critical



**OVERVIEW FINANCIAL TRENDS 2022-2024**



**Revenue Composition and Financial Dependency**

The organisation's revenue structure is heavily concentrated in a few key service areas, with NDIS and NDIS-SIL (Supported Independent Living) consistently contributing the largest share of total revenue. In FY2022, these two streams accounted for \$42 million and \$40.6 million, respectively, making up a combined 55% of total revenue. By FY2024, revenue from NDIS dropped to \$31 million, while NDIS-SIL remained stable at \$38 million, reflecting a shift in funding allocation within disability services. Other significant revenue sources included the Commonwealth Home Support Program (\$22 million in FY2024) and Home Care Packages (\$18 million in FY2024), indicating a diversified presence in aged care services.

Despite this diversification, the Herfindahl-Hirschman Index (HHI) analysis suggests a relatively high concentration of revenue sources, though declining over time. Adjusting for decimal shifts, the HHI in FY2022 was .1,739, decreasing to .1,611 in FY2023 and further to .1,520 in FY2024. This downward trend reflects a gradual broadening of revenue streams, but the organisation remains highly reliant on a few key service areas. The concentration risk associated with government-funded programs like NDIS and aged care packages makes the organisation vulnerable to policy and funding changes.

Financial dependency ratios, particularly for government funding, donations, and other revenue streams, require further investigation. However, given the revenue composition, government funding remains the dominant source, while other income streams, including donations and investments, represent a small proportion. A significant decline in "Other Income" from \$4.9 million in FY2022 to \$3.6 million in FY2024 indicates increasing reliance on core service funding, which may limit financial flexibility.

**Cost Structure and Key Drivers**

The organisation's top five cost drivers—direct labour, NDIS-SIL supervision, administrative costs, agency staff, and client service/delivery costs—reflect its labour-intensive model and the financial pressures of regulatory changes, workforce shortages, and inflation.



# Case Study 4 BRISBANE



- 1) **Agency Staff** increased from \$2.6 million (FY2022) to \$10.1 million (FY2024) (+\$7.5 million, 291%). Workforce shortages and rising award wages have driven reliance on costly agency staff, particularly in disability and aged care. Tight NDIS pricing and competition for skilled workers have made it harder to sustain permanent roles, impacting service continuity.
- 2) **Client Service/Delivery Costs** increased from \$10.8 million to \$12.8 million (+\$2 million, 18.4%). Inflation, growing demand for NDIS and Home Care Packages, and higher quality standards have pushed up service delivery expenses. Compliance requirements and personalised care models have also increased frontline costs.
- 3) **Redundancy Expense** increased from \$0.5 million to \$1.7 million (+\$1.2 million, 217%). Restructuring due to funding changes, efficiency measures, and digitalisation has led to workforce reductions. The shift to leaner operations and regional office consolidations is likely driving higher redundancy payouts.
- 4) **Legal Fees** increased from \$33,000 to \$327,000 (+\$294,000, 887%). Rising compliance demands in NDIS and aged care have led to higher legal costs related to audits, funding disputes, and workforce issues. Governance changes and contract negotiations have further contributed to this increase.
- 5) **Professional Services & Consultant Fees** increased from \$1.3 million to \$1.6 million (+\$252,000, 19%). Providers are relying more on consultants for compliance, accreditation, and operational reforms. Stricter regulatory oversight and digital transformation initiatives are driving demand for external expertise.

**“THE COST BASE HAS BECOME INCREASINGLY DISTORTED BY WORKFORCE VOLATILITY AND COMPLIANCE. AGENCY STAFFING HAS SHIFTED FROM A CONTINGENCY MEASURE TO A STRUCTURAL DEPENDENCY.”**

These trends highlight the ongoing financial strain caused by rising compliance costs, workforce instability, and growing service demands. The increasing necessity of agency staff and administrative functions is consistent with broader difficulties in retaining permanent workers and adapting to stricter compliance requirements.

Cost Category	2022	2023	2024	% Change	\$ Change
<b>Agency Staff</b>	\$2,582,000	\$4,481,000	\$10,100,000	291%	\$7,510,500
<b>Client Service Costs</b>	\$10,841,700	\$11,596,600	\$12,832,000	18%	\$1,990,500
<b>Redundancy Expense</b>	\$549,500	\$257,000	\$1,743,000	217%	\$1,190,000
<b>Legal Fees</b>	\$33,100	\$138,000	\$327,100	887%	\$294,000
<b>Consultant Fees</b>	\$1,318,000	\$1,515,700	\$1,570,000	19%	\$251,700



## Operating Environment and Policy Impacts

The cost pressures outlined above are closely tied to broader economic and policy shifts within Australia, particularly in the NDIS, aged care, and community services sectors. Workforce shortages, government wage reforms, compliance changes, and inflation have all contributed to rising operational expenses, requiring organisations to adapt their financial models and workforce strategies. As the sector continues to evolve in response to policy reforms and economic conditions, managing cost efficiency while maintaining high-quality service delivery will remain a central challenge for providers.

Total costs rose by 2.9% in FY2024, reversing a 2.8% decline in FY2023, with key drivers including agency staffing (+125%), administrative costs (+23.95%), and service delivery costs (+11%). In contrast, Commonwealth and State funding indexation peaked at just 4.7% and 2.7%, respectively, failing to keep pace with inflationary pressures. With profit margins deteriorating to -5.1%, the organisation has limited capacity to absorb under-indexation, making it increasingly difficult to maintain financial stability without additional efficiencies or alternative revenue sources.

## Business Capacity Building Investments and Constraints

The organisation's capacity-building investments have been unevenly distributed, with notable growth in compliance functions but stagnation or decline in ICT spending. Quality compliance staff costs surged from \$220,000 in FY2022 to \$2.09 million in FY2024 (+230%), reflecting increased regulatory requirements. Meanwhile, legal fees rose tenfold from FY2022 to FY2024, suggesting higher governance and compliance demands.

In contrast, ICT investment declined, with ICT costs falling from 24% to 19% of total administrative costs, despite rising digital compliance and operational needs. Consultant and professional services costs grew modestly (+3.6% in FY2024) but remained a small portion of total admin expenses.

These trends may suggest an investment cycle or a shift in priorities towards compliance and governance at the expense of digital infrastructure investment, potentially limiting long-term efficiency gains. Rising compliance costs and legal expenditures may constrain financial flexibility, requiring more strategic investment in technology and process automation to manage growing regulatory burdens.



### Labour Costs and Workforce Retention Challenges

The organisation has faced significant volatility in labour-related costs, particularly indirect expenses such as agency staffing, redundancy provisions, and recruitment costs, indicating persistent workforce retention issues.

- Agency staffing costs surged by \$5.61 million (+125%) in FY2024, following a \$1.9M (+74%) increase in FY2023, highlighting growing reliance on temporary workers due to high turnover and ongoing workforce shortages.
- Redundancy provisions rose sharply by \$1.49 million (+578%) in FY2024, reversing a \$292 thousand (-53%) reduction in FY2023, suggesting restructuring, workforce instability, or changes in service models.
- Recruitment costs climbed by \$48.98 thousand (+84%) in FY2024, after a \$42.64 thousand (+267%) spike in FY2023, reinforcing the increasing financial burden of replacing staff.

These trends align with sector-wide workforce challenges, where low retention, wage stagnation, and limited career pathways have led to persistent staff shortages. System-level workforce development strategies remain inadequate, with limited long-term investment in training, retention initiatives, or structured career progression pathways. As a result, the burden of workforce instability falls on individual organisations, leading to higher costs, reduced service continuity, and greater financial strain. Addressing such challenges will require stronger policy interventions, including sector-wide training incentives, improved retention structures, and enhanced workforce planning strategies.



## Conclusion

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**“WITHOUT A REINVESTMENT COMPACT BETWEEN GOVERNMENT AND PROVIDERS, FINANCIAL RECOVERY WILL REMAIN ELUSIVE. EFFICIENCY ALONE CANNOT OFFSET THE CUMULATIVE IMPACT OF UNDER-INDEXATION.”**

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The organisation’s financial trajectory reflects growing cost pressures, workforce retention challenges, and limited revenue growth, all of which threaten long-term sustainability. While labour-related expenses, compliance costs, and service delivery demands continue to rise, government funding indexation has failed to keep pace, contributing to declining profit margins and shrinking net assets. Scenario analysis highlights the immediate financial risks posed by even modest cost increases, with a 15% rise potentially leading to insolvency within a year. Without strategic cost management, operational efficiencies, and sector-wide workforce reforms, the organisation will face increasing financial strain, making it imperative to explore diversified revenue streams, stronger workforce retention strategies, and sustainable long-term funding models.

## 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

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