



Key Financial Metrics

Total Income → \$62 million (+0.3%)

Total Costs → \$60 million (+1.0%)

Net Profit Margin → 1.6% vs. Government Indexation 0.4% Commonwealth, 3-4.5% State

Net Assets → \$47 million (+8.4%)

Net Cash Flow → \$778 thousand (+26.1%)

Government Dependency Ratio → 89.5%

Cost Drivers

Direct Labour Costs → \$27 million (-0.5%, 45.3% of total costs)

Administrative Labour Costs → \$11.6 million (-0.5%, 19.4% of total costs)

Superannuation Costs → \$4 million (+5.9%, 6.8% of total costs)

Client Support Costs → \$3.5 million (+27.3%, 5.8% of total costs)

Consultancy, Accounting & Audit Costs → \$681,000 (+69%, 1.1% of total costs)

Clinical Supervision Costs → -17%

Introduction

Operating across the ACT and regional NSW, this not-for-profit organisation delivers a broad range of essential services, supporting individuals and families in alignment with key government policy priorities. Through its diverse programs, the organisation plays a critical role in strengthening community well-being by providing aged care, disability support, mental health services, family and domestic violence support, alcohol and other drug services, and homelessness assistance.

These services address national priorities, including aged care reforms, the National Disability Insurance Scheme (NDIS), mental health initiatives, and homelessness reduction strategies. By offering in-home and community-based aged care, tailored NDIS support, early intervention mental health programs, crisis response for family and domestic violence victim-survivors, and housing support for vulnerable individuals, the organisation ensures that those in need can access vital care and stability. With a focus on resilience, independence, and harm reduction, it continues to adapt to the evolving needs of the communities it serves.



Key Implications for Policy and System Design

The experience of Case six underscores a broader systemic shift in the human services landscape, from shared responsibility to devolved risk. The policy implications extend beyond indexation, calling for reforms that restore balance, build capability, and safeguard the diversity of the sector.

Addressing structural underfunding

Funding models must incorporate the real cost of service delivery, including wage rulings, superannuation, compliance, and necessary digital infrastructure. Indexation, as it is currently delivered by governments results in real revenue diminishment, compounding year-on-year. As government funding policy continues a ‘contribution to rather than procurement of’ approach to services, these erosion of

Stabilising and diversifying service markets

Policy frameworks should actively support the retention of small and mid-sized community providers to prevent market concentration. This could include targeted transition funding, differential pricing for remote or complex delivery, and commissioning arrangements that value relational service quality as much as efficiency.

Streamlining oversight based on strong governance

Governments should move towards integrated, risk-based compliance frameworks that reduce duplication and reward strong governance performance. Simplifying reporting processes would free capacity for innovation, collaboration, and frontline service delivery, while maintaining sufficient accountability to public financing principles. Currently, compliance constrains governance improvements rather than enforces stronger iterations. A better balance needs to be sought to allow for organisations to be trusted to maximise the outcomes of those it services.

Investing in organisational capability

Co-funded investment in workforce training, digital systems, and leadership development would strengthen long-term sector resilience. Sustaining community-based providers requires not only operational funding but capability-building resources that enable adaptation and improvement. The challenge of consistent and effective implementation of capability investment needs to be supported and driven by sector leaders based on principles of shared knowledge and planning.

Rebalancing partnership and accountability

Policy reform should reaffirm the principle of shared stewardship between government and providers. Accountability must be mutual, built on transparency and trust, rather than transactional, ensuring that funding and regulation create an enabling environment, rather than constrain, high-quality, responsive service delivery.

Market Consolidation and System Strain

The interview highlighted growing concern over the consolidation of service delivery markets, particularly within aged care and disability services. As smaller and mid-sized organisations withdraw from unviable contracts, the provider landscape is narrowing, leaving large national operators to dominate. Leaders warned that this concentration is producing “market efficiency



without market stability”, eroding local capacity and reducing the diversity of service models available to communities.

“WE’RE THE ONLY SERVICE PROVIDER IN SOME TOWNS...IF WE GO, THE HELP GOES.”

Case six has attempted to maintain balance through internal cross-subsidisation, diverting surplus from more viable programs to sustain essential but underfunded services. However, these cross-subsidies have become structural rather than temporary, masking the true extent of underfunding across the system. The organisation’s experience demonstrates how community-based providers are increasingly absorbing policy failure at the margins—protecting service continuity in the short term while slowly eroding their own financial resilience.

The leadership team also expressed concern about the direction of market reform, noting that the logic of competition has not translated effectively to the human services context. Instead, it has produced administrative duplication, cost layering, and an uneven playing field where local providers bear higher compliance and workforce costs but receive no recognition for quality or continuity.

Compliance, Capability, and Strategic Adaptation

The organisation operates in an environment of intensifying compliance and audit demands, with each funding stream requiring separate templates, outcomes measures, and reporting cycles. Executives described a growing “compliance fatigue,” where reporting obligations outpace the resources available to meet them. The compliance burden now consumes a material share of administrative time, limiting opportunities for innovation, evaluation, or collaboration.

“EVERY TIME A REFORM CYCLE HITS, THE RISK IS SHIFTED ONTO US, WE’RE LEFT CARRYING THE COST BETWEEN CONTRACTS.”

Despite these constraints, the organisation continues to demonstrate strong governance and operational maturity. It has modernised its risk systems, upgraded digital platforms to improve transparency, and maintained an ethical commitment to service quality even under pressure. However, leaders noted that such adaptations are reaching their limits. Sustained compliance and technology costs are now outstripping indexation, and without systemic change, even well-managed organisations may struggle to preserve capability and continuity over the long term.

Financial Overview 2023-2024

The organisation reported total income of \$62 million in FY2023/24, reflecting a 0.3% increase year-on-year. Despite this, total costs rose by 1.0% to \$59.8 million, with direct service delivery costs at \$34 million (-0.9%) and administrative expenses increasing to \$25 million (+3.6%). Key cost pressures were driven by consultancy (+69%), insurance (+20%), and IT costs (+73.6%).

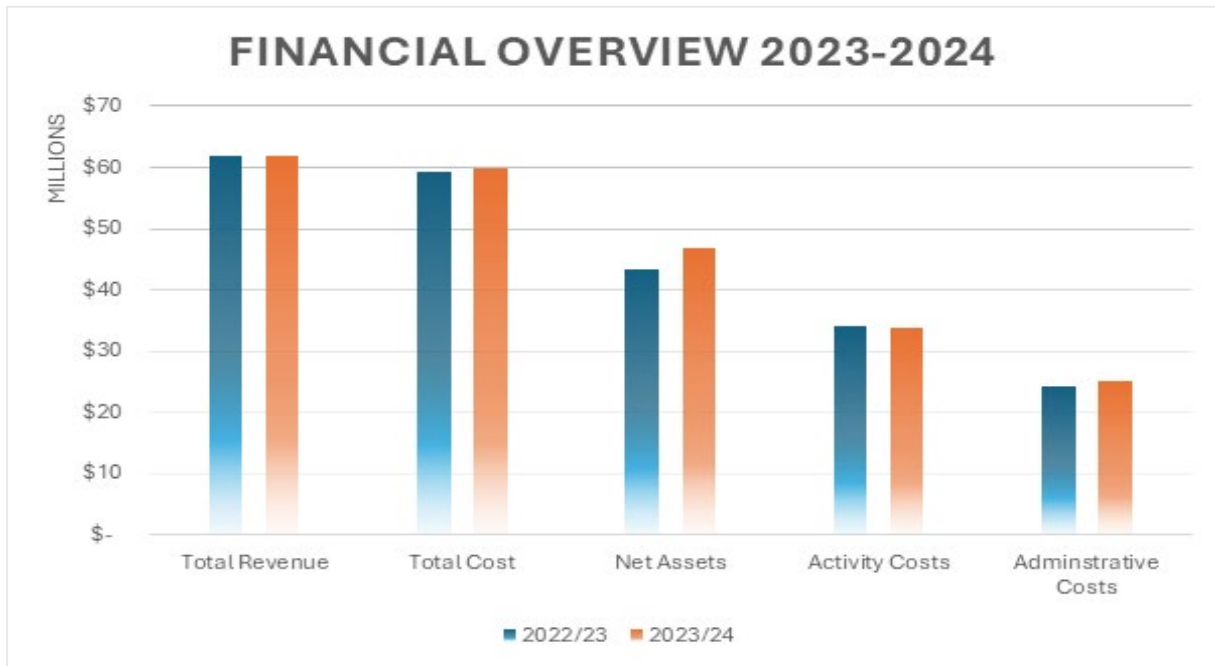
Profitability declined slightly, with net profit falling by 5.4% to \$891,000, while net cash flow improved by 26% to \$778,000, indicating improved liquidity. Net assets increased by 8.4% to \$47

Case Study 6

AUSTRALIAN CAPITAL TERRITORY



million, with a 30% reduction in loan balances, strengthening the organisation's financial position.



Revenue indexation for FY2023 and FY2024 ranged between 0-4% for Commonwealth funding and 3-4.5% for State Government funding, broadly in line with the organisation's revenue growth. Of course, this is assuming indexation was passed onto the organisation. However, total cost increases outpaced income growth, particularly in administrative expenses, which grew at more than double the revenue rate. This trend suggests mounting financial pressure, requiring continued cost containment and diversification of income sources to ensure long-term sustainability.

“YOU CAN'T BUDGET FOR MORE THAN 12 MONTHS AT A TIME. IT STOPS YOU FROM INVESTING IN IT OR WORKFORCE. YOU'RE IN PERMANENT CONTINGENCY MODE.”

“UNCERTAINTY STOPS US FROM INVESTING IN NEW PROJECTS, TECHNOLOGY, OR STAFF DEVELOPMENT...IT'S IMPOSSIBLE TO PLAN FOR IMPACT.”

Standard financial measures indicate a stable but evolving financial position. The program ratio, which measures the proportion of total expenditure allocated to direct service delivery, was 56.7%; notably lower than the typical 73%–80% range for charities with expected overheads of around 27%. This discrepancy suggests that a significant portion of costs, typically categorised as administrative overheads, may be embedded within program delivery costs. Factors such as direct staffing, compliance, and reporting requirements within service contracts could be classified under program costs rather than administrative overheads.



Meanwhile, the asset ratio, calculated as net assets relative to total costs, strengthened to 78%, reinforcing long-term financial stability. However, administrative expenses rose to 42.2% of total costs, reflecting increased corporate expenditures in areas such as IT, consultancy, and compliance, which may require closer scrutiny to maintain an efficient cost structure.

A default scenario test modelling 5%, 10%, and 15% cost increases highlights the organisation's financial risk exposure. A 5% increase in costs would significantly narrow the net surplus, pushing it close to break even. A 10% rise would result in an estimated \$5 million deficit, requiring adjustments such as operational streamlining or revenue diversification. A 15% escalation would create an \$8.9 million shortfall, severely impacting reserves and necessitating urgent corrective measures. Under these scenarios, 12-month operating viability remains intact under current funding models but is highly sensitive to cost escalations beyond 10%, underscoring the need for proactive strategic cost control and contingency planning.

Revenue Diversity and Dependence

The organisation's revenue structure remains heavily reliant on government funding, with 89.5% of total income derived from service delivery contracts. Other income sources, including commercial revenue (6.2%), investments (1.2%), and fundraising (0.6%), contribute marginally, indicating a high dependency on government funding streams. The Herfindahl-Hirschman Index (HHI) for revenue concentration was .1455 in FY2022/23 and .1454 in FY2023/24, reflecting a moderately high reliance on a limited number of income sources, with little change year-on-year. The government dependency ratio, measuring the proportion of income reliant on government sources, stood at 89.5%, underscoring the organisation's exposure to policy and funding shifts.

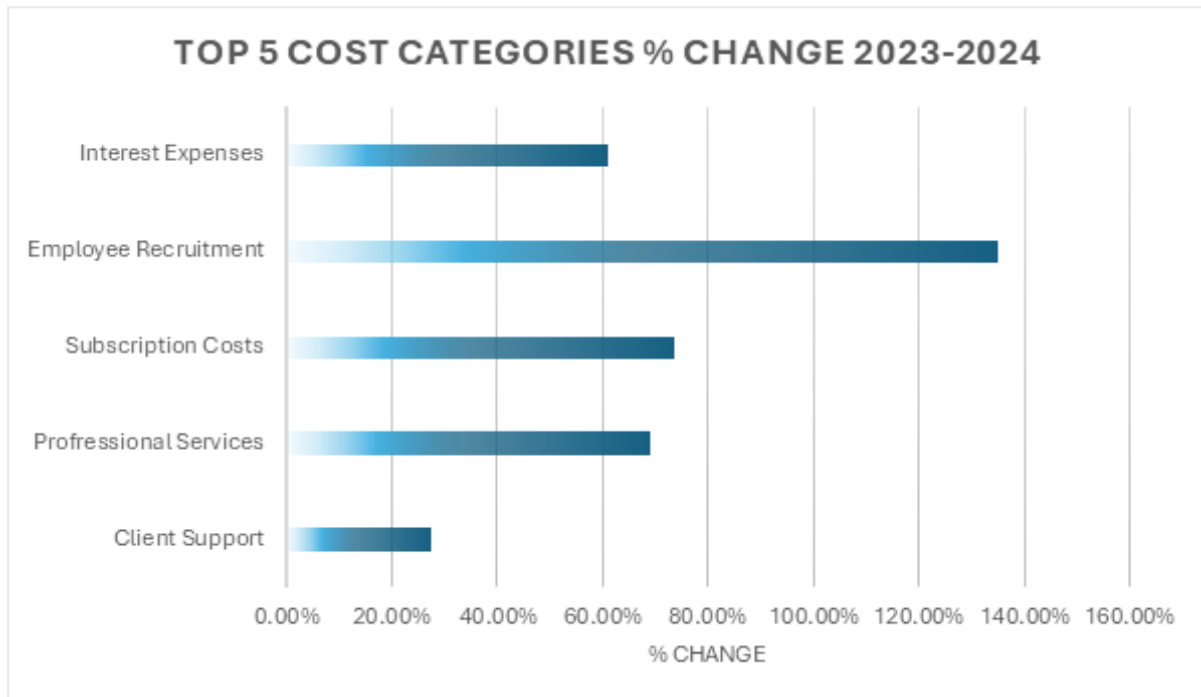
“WE ARE 100% RELIANT ON GOVERNMENT FUNDING. WHEN UNCERTAINTY HITS, ALL THOSE LITTLE DUCKS WE’VE LINED UP START TO FALL.”

The high dependency on government funding aligns with the organisation's service delivery model, where contracts tied to aged care, disability services, and community programs form the financial backbone. In the current operating context, government indexation of 0-4% (Commonwealth) and 3-4.5% (State) has not fully offset rising costs, pressuring the organisation to contain expenses within constrained revenue growth.

The relatively low contribution from fundraising and commercial activities suggests potential barriers in leveraging discretionary income sources, possibly due to sector-wide challenges in donor engagement and limited capacity for commercial expansion. Without increased diversification, the organisation remains vulnerable to funding volatility and policy shifts, reinforcing the need for strategic financial planning to ensure long-term sustainability.



Top 5 Cost Drivers 2023-2024



The organisation's top five individual cost drivers highlight key areas of expenditure, operational priorities, and financial trends. These costs collectively account for a significant proportion of total expenditure, shaping the organisation's financial sustainability outlook.

- 1) **Client Support** saw the largest cost increase, rising by \$751,000 (27%), reflecting greater demand for direct services such as family support, mental health programs, and crisis care. The higher expenditure suggests increased caseloads or service expansion requiring additional resources.
- 2) **Consultancy, Accounting, and Audit** costs grew by \$278,000 (69%), indicating a greater reliance on external expertise for regulatory compliance, financial oversight, and strategic planning. This is common among not-for-profits as they navigate governance requirements and funding accountability.
- 3) **Memberships and Subscriptions** rose by \$183,000 (74%), likely driven by investment in industry tools, compliance platforms, and sector engagement. These costs often relate to professional development, advocacy, and operational efficiencies in service-based organisations.
- 4) **Employee Recruitment Costs** increased by \$40,500 (135%), highlighting ongoing workforce challenges in the social services sector. The rise suggests greater efforts to attract and retain qualified professionals, particularly in high-demand areas such as allied health and community support.
- 5) **Interest Expense** grew by \$33,350 (61%), suggesting shifts in financial structuring, loan repayments, or new funding models. As the organisation manages infrastructure and



service expansion, financing decisions play a key role in balancing sustainability with operational needs.

The cost increases reflect a dynamic financial and policy environment for the organisation, influenced by heightened service demand and a strategic need to invest in capacity-building where possible. Higher spending on compliance, memberships, and consultancy suggests a focus on governance and operational improvements, while rising recruitment costs highlight workforce pressures common in the Australian human services. Increased interest expenses may indicate shifts in financial structuring or funding models to support service expansion; however, this is unclear and only loosely supported by the other financial information. These trends underscore the need to balance financial sustainability with service delivery efficiency priorities in an increasingly demanding policy and economic landscape.

Rising Costs and Workforce Compression

The organisation's financial and workforce experience reflects a pattern of structural cost transfer. Indexation has failed to keep pace with inflation, enterprise wage decisions, and superannuation increases, creating what leadership referred to as an "unfunded wage gap." This has forced the organisation to absorb the difference through efficiency measures, delayed recruitment, and reductions in non-essential roles. While these measures have contained costs, they have also compressed the workforce, reducing professional development, supervision, and leadership capacity.

Leaders described a persistent expectation from government that providers absorb cost pressures under the banner of "efficiency," despite evidence that most organisations have already exhausted efficiency gains. This has led to difficult operational trade-offs, including staff redundancies, deferred technology upgrades, and the narrowing of service scope to meet compliance and risk management obligations. The human toll of these pressures is visible in rising burnout and turnover, with staff increasingly stretched to maintain service quality under constrained conditions.

“WE CAN’T SAY TO A WOMAN ESCAPING VIOLENCE WITH THREE KIDS THAT THE REFUGE IS FULL. OUR STAFF GO ABOVE AND BEYOND, BUT IT COMES AT A COST TO THEIR WELLBEING.”



Impact of Regulatory Changes and Funding Pressures on Financial Sustainability

Changes in business rules and regulatory requirements have increased workforce and operational costs. While compliance staff remained at 2 FTE, payroll staff was reduced from 2 FTE to 1 FTE. Clinical supervision costs declined by 16.7% due to efficiency gains, but compliance expenses continue to strain finances. Redundancy provisions stayed stable, reflecting minimal structural changes.

Again, government funding indexation has not kept pace with macroeconomic conditions creating a financial gap that must be addressed through efficiencies or alternative revenue streams. At the service level, policy settings, such as the NDIA Direct Support Worker cost model fails to capture full-service delivery costs, adding further strain. While IT subscription expenses decreased by 22.2%, marketing costs rose by 16.3%, likely reflecting an increased focus on client engagement following strategic investment in technologies and professional services.

With costs outpacing funding growth, balancing affordability with financial sustainability will remain a challenge for the organisation.

Conclusion

The organisation remains in a stable financial position, with net assets increasing by 8.4% to \$46.9 million and net cash flow improving by 26%, reflecting strong liquidity and reduced financial liabilities. However, profitability declined by 5.4%, and total costs grew at a faster rate (+1.0%) than revenue (+0.3%), highlighting emerging financial pressures.

“FUNDING UNCERTAINTY MAKES IT IMPOSSIBLE TO PLAN OR BUILD RESERVES. YOU CAN’T INVEST IN THE LONG TERM WHEN THE CONTRACT ENDS IN JUNE.”

Key challenges include rising compliance and workforce costs, inadequate government indexation, and the NDIA Disability Support Worker costing model failing to reflect true service delivery costs. While efficiencies in IT and operational adjustments have helped offset some expenses, continued cost containment, revenue diversification, and strategic financial management will be critical to sustaining service delivery and long-term viability in an increasingly constrained funding environment.



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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