Sustainable Funding and Service Viability in WA's Community Services Sector Report 2025

Survey Undertaken by:
Western Australian Council of Social Service
Community Employers WA
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Peak Body Support

This project and report were made possible with the support of the following peak bodies who distributed the survey:

Special Thanks

WACOSS extends its sincere appreciation to the five organisations that generously shared profit-and-loss statements for 10 community service contracts, strengthening the evidence base of this year's survey. We offer particular thanks to the Chief Financial Officers of Ruah Community Services and Palmerston for their valued support in the financial analysis.

About WACOSS

WACOSS is the peak body for the community services sector in Western Australia and works to create an inclusive, just and equitable society. We advocate for social and economic change to improve the safety and wellbeing of Western Australians. WACOSS is part of a network consisting of national, state and territory councils of social service, which advance the interests of people on low incomes and those made vulnerable by the systems that have been put in place.

About CEWA

Community Employers WA (CEWA) was founded in 2007 by 29 CEOs of non-government, not-for-profit community service organisations in Western Australia. Its core purpose is to promote the sustainability of the state's community services sector, which continues to face growing challenges as government funding often falls below the true cost of service delivery.

CEWA is not a peak body. Instead, it works collaboratively with existing peaks and representative organisations that share similar aims, building collective strength to advocate for fair, sustainable funding and sector viability.

Publication Information

This study was funded by WACOSS. WACOSS and CEWA prepared the survey instrument and collected data from self-selecting member organisations. WACOSS and CEWA analysed the data collected and developed this report.

matters discussed therein and they should verify all relevant representations, statements, and information. Changes in legislation, or other circumstances, after the document has been published may impact the accuracy of any information contained in this document and readers should not rely on the accuracy of information presented in this document. Information presented in this document does not constitute and is not intended as advice nor is it to be used as an interpretive instrument.

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Key Findings

This report presents the findings of the Western Australian Council of Social Service (WACOSS) Sustainable Funding Survey for 2025. In addition to the survey, this year's analysis incorporates profit-and-loss statements from five organisations — spanning both metropolitan and regional service providers — covering a total of ten State Government-funded community service contracts. We extend our sincere thanks to the Chief Financial Officers of Ruah Community Services and Palmerston for their valued support in the financial analysis. Given the commercially sensitive nature of the data, this report presents aggregated, high-level findings only.

Now in its third iteration, the survey and accompanying case study review continue to monitor the structural and systemic challenges impacting the financial sustainability of Western Australia's community services sector. The 2025 survey, conducted between August and September, received responses from 169 organisations, representing a diverse cross-section of service providers operating across both metropolitan and regional areas of the state.

Key Findings include:

1. Structural underfunding remains entrenched
There is continued and widespread failure of government contracts to meet the full cost of service delivery. Analysis of ten profit-and-loss statements revealed that seven out of 10 contracts are operating at a loss, with one contract recording a deficit exceeding $1.2 million. Even excluding this outlier, the average loss per contract was approximately $81,000. This underfunding is eroding service quality and capacity across the sector.

2. Wage costs dominate budgets, leaving little flexibility
On average, 66 per cent of income is spent on direct wages, with some contracts allocating over 85 per cent to staffing. This high wage dependency reflects the labour-intensive nature of the sector but leaves minimal room for operational costs, innovation or contingency. The complexity of the Social, Community, Home Care and Disability Services Industry Award (SCHADS) and lack of funding for redundancy, supervision and professional development further compound workforce sustainability risks.

3. Regional inequity persists
Survey responses and financial data confirm that regional organisations continue to experience more acute underfunding than their metropolitan counterparts. This inequity results in reduced service availability, higher workforce turnover and greater reliance on cross-subsidisation or service contraction in regional areas.

Notably, 70 per cent of survey respondents reported that they subsidise housing for regional staff — an essential measure to attract and retain workers in high-cost or remote locations. However, only 1 per cent indicated that these housing costs are formally recognised or funded within their State Government contracts. This disconnect places additional financial strain on regional services and further entrenches inequity in workforce sustainability and service delivery.

4. Operational costs are rising and underfunded
Operational costs now average 45 per cent of income across the 10 case study contracts. Key cost drivers include indirect workforce management fees (ranging from 0 per cent to 23 per cent), cyber security, IT infrastructure, maintenance and compliance. Notably, no contracts included depreciation, undermining long-term asset sustainability.

5. Contracting practices remain unchanged

Despite the implementation of the WA State Commissioning Strategy, 93 per cent of survey respondents reported no material improvement in contracting arrangements. Most contracts remain short-term, with an average of eight extensions, and many are over a decade old. This undermines planning, workforce stability and service continuity.

6. Indexation formula still inadequate

The current CPI/WPI-based indexation model continues to fall short of covering real cost increases. 74 per cent of respondents support a revised formula.

7. Historical underfunding requires urgent rectification

There is strong sector consensus that a base funding uplift is needed to address the cumulative impact of historical underfunding. The sector supports a model similar to the 27 per cent uplift recently provided to homelessness services, applied more broadly across all State Government-funded contracts.

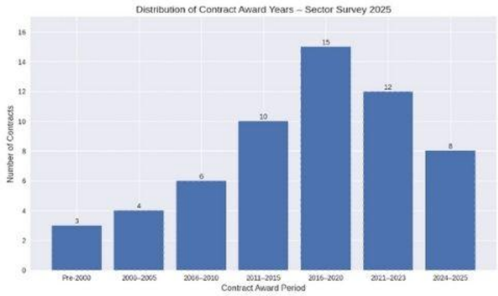
8. Gender equity challenges are deepening

The 2025 survey highlights the gendered impact of funding shortfalls across the community services sector. With over 78 per cent of the workforce identifying as women, reductions in hours, insecure contracts, and limited access to entitlements disproportionately affect female. Over the past year, 61 per cent of organisations reported cutting employee hours due to rising award conditions and inadequate indexation, while over half reducing services. These conditions reinforce the gender pay gap and undermine women's economic security — particularly in regional areas where housing costs are high and subsidies are unfunded. The sector continues to call for urgent reform, including funding to support gender-equity workplace policies and full implementation of Fair Work Commission wage equity decisions.

As reported in 2024, the findings reaffirm that service sustainability is at risk, forcing providers to adopt defensive measures — such as cutting staff hours, reducing services, or drawing on reserves — simply to keep essential programs running.

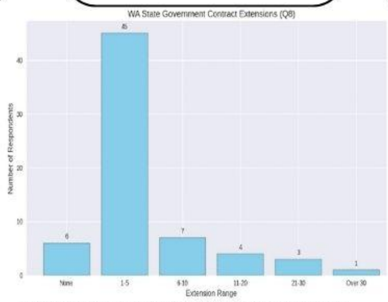
2025 SUSTAINABLE FUNDING

DATA 1



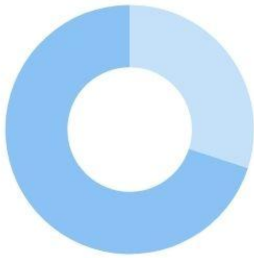
These extensions are often administrative rollovers, lacking any review of service scope, pricing, or workforce conditions. This practice creates a cycle of uncertainty, erodes workforce stability, and prevents organisations from planning for long-term service delivery

DATA 2



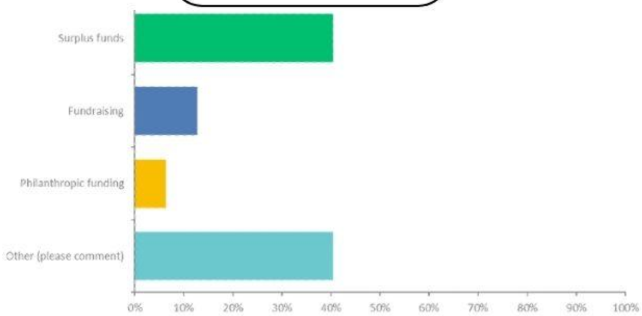
Majority of service providers have at least 1-5 extensions to contracts

DATA 3



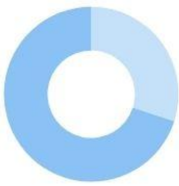
70% of organisations are subsidising State Government contracts to reduce cuts in services

DATA 4



40% of respondents reported drawing upon reserves to prevent the reduction of services

DATA 5



7 out of 10 contracts operated at a loss

DATA 6

66%

On average, 66% of income is spent on direct wages, with some contracts allocating over 85% to staffing

Summary of Recommendations

The key actions required to address the structural funding challenges facing WA's community services sector:

Recommendation 1:
Adopt a revised model of the state indexation formula that truly reflects the cost of services:

SCHADS (*0.75 + SUPER) + NDI *0.25

- SCHADS = Annual increase in SCHADS Award rates
- SUPER = Mandated superannuation guarantee increases (State Government current indexation policy since 2022 has included the superannuation guarantee)
- NDI = Annual increase in Non-Discretionary Inflation (Australia)

Recommendation 2:
Fully fund the outcomes of the Fair Work Commission gender pay equity determination by linking indexation directly to award wage increases.

Recommendation 3:
Provide a base funding uplift across all existing contracts to address the cumulative impact of historical underfunding. This uplift should be comparable to the per cent increase recently applied to homelessness service contracts, based on the age of the contract.

Recommendation 4 (Regional):
Commission a comprehensive review of regional service gaps to inform the development of a state-wide regional service network and investment strategy, and embed regional cost adjustments in funding models.

Recommendation 5 (Regional):
Introduce a worker housing allowance in community service contracts in regional areas.

Recommendation 6 (Regional)
Include the construction of worker housing in regional service infrastructure investment.

Recommendation 7:
Co-produce a shared costing and pricing tool and regularly update details at the program level.

Recommendation 8:
Resource community organisations to implement workplace policies and supports that progress gender equity, including through a special grants program.

Introduction

The 2025 Sustainable Funding and Commissioning Survey continues WACOSS and CEWA's commitment to tracking the financial health and operational sustainability of the community services sector across WA. Now in its third year, this survey provides critical insights into the systemic funding challenges facing organisations delivering essential services to communities across the state.

This year's survey received more responses than last year, with 169 organisations participating — representing a broad cross-section of service types, sizes and geographic footprints. Notably, there was a high proportion of responses from regional service providers, reflecting the growing urgency of sustainability challenges outside the metropolitan area. Respondents reported on a wide range of government-funded contracts, including those with the Department of Communities, Mental Health Commission, Department of Health and other State agencies.

In 2025, WACOSS also undertook a complementary analysis of 10 State Government-funded community service contracts, drawing on detailed profit-and-loss statements provided by five organisations. We extend our sincere thanks to these organisations for their transparency and leadership in contributing to this evidence base. The financial data offers a granular view of the cost structures underpinning service delivery and reinforces the survey's findings on structural underfunding, high wage dependency and rising operational costs.

For the first time, the survey included a targeted question on regional housing subsidies for staff. The results were stark: 70 per cent of organisations operating in regional areas reported subsidising housing for their workforce, yet only 1 per cent indicated that these costs were funded through their State Government contracts. This finding highlights the growing crisis in key worker housing, which is emerging as one of the most significant barriers to workforce attraction and retention in regional and remote communities — and a major unfunded cost burden for service providers.

WACOSS would like to thank the many peak bodies who supported the distribution of this survey across their networks, ensuring strong sector-wide engagement. The insights gathered through this process are invaluable in shaping advocacy for a more sustainable, equitable and effective funding system — one that enables community service organisations to meet rising demand, retain skilled staff and deliver the quality services that Western Australians rely on.

The Respondents

A total of 169 organisations completed the survey, reflecting a strong response rate and providing a robust evidence base for this year's analysis. Respondents included a diverse mix of Chief Executive Officers (35.5%), Service Managers (25.4%), Chief Financial Officers and other senior staff, ensuring insights were drawn from those directly responsible for service delivery, financial oversight and strategic planning.

The majority of respondents (65%) identified as service delivery organisations, with others representing peak bodies, consumer advocacy groups and other entity types. Most organisations operate as incorporated associations (83%), with additional representation from companies limited by guarantee, Aboriginal Community Controlled Organisations and entities established by statute.

Geographically, the survey captured responses from across WA, with particularly strong representation from regional areas. Over half of respondents (54.4%) operate in both metropolitan and regional locations, and nearly 20% operate exclusively in regional WA. Regional areas such as the Pilbara, Wheatbelt, Southwest and Kimberley were well represented, highlighting the unique challenges faced by organisations outside the Perth metropolitan area.

Organisational size varied significantly, with 66 responses (40%) detailing staff numbers. These ranged from very small organisations with fewer than 10 paid staff (21.2%) to extra-large organisations with over 500 staff (4.6%). This diversity underscores the breadth of the sector and the varying capacity and resourcing challenges faced by organisations of different scales. Importantly, there was a high volume of responses from regional organisations, many of which reported operating in multiple geographic areas.

Following is an overview of the respondent organisation operating environments.

Figure 1 - Regional spread of organisations 2025

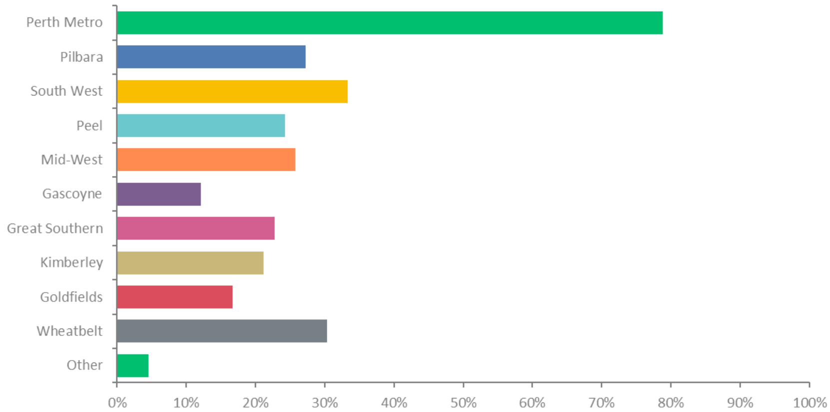


Figure 2 - Staffing size of the organisation

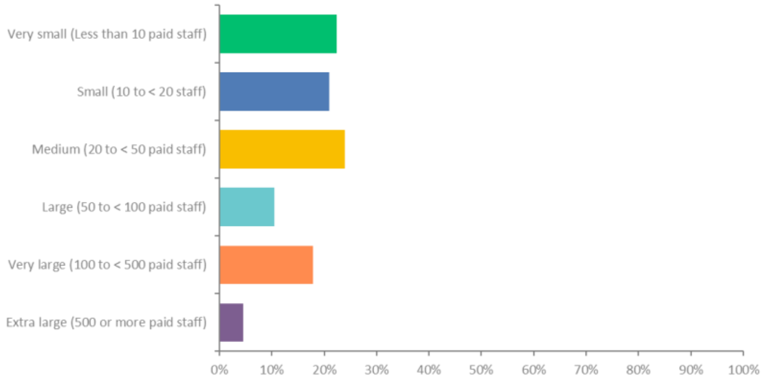
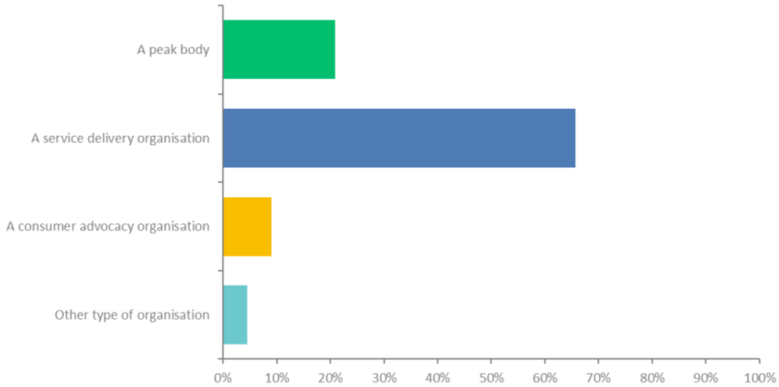


Figure 3 - Main Purpose of the organisation



Understanding the distribution of respondents by organisation size and regional footprint remains critical to assessing the depth and spread of sustainability risks across WA. In regions where service providers are few, the failure of a single organisation can have major consequences — leaving communities without essential supports and placing additional strain on remaining providers. This vulnerability is compounded when surviving organisations are themselves operating under significant financial pressure, with limited capacity to absorb additional demand or workforce disruptions.

Contracting Patterns and Funding Stagnation

The 2025 Sector Survey reveals entrenched patterns in State Government contracting that are undermining financial sustainability and service continuity.

Of the 66 organisations that responded to questions about contracting, 91 per cent reported holding at least one State Government contract, with the majority managing between one and five agreements. These contracts span multiple departments, including:

- Department of Communities (74.19%)
- Mental Health Commission (30.65%)
- Department of Health (20.97%)
- Department of Justice (24.19%)
- Department of Education (12.90%)

This breadth of engagement reflects the sector's critical role in delivering government-funded services across diverse portfolios. However, the volume of contracts does not equate to financial stability.

Importantly, 90 per cent of respondents reported holding at least one State Government contract, with many managing multiple agreements across departments such as Communities, Health, Justice, Education, and the Mental Health Commission. This broad and representative sample provides a comprehensive snapshot of the sector's current funding landscape and operational pressures, forming the foundation for the findings and recommendations outlined in this report.

In 2024, the administrative burden of multiple contracts in an effort to offer more services demonstrates a similar pattern as reflected in this year's results.

Contract Age and Extension Practices

Responses to Question 10 — *When were your contracts first awarded?* — show that many contracts were first awarded over a decade ago, with some dating back to the early 2000s. Despite the introduction of the WA State Commissioning Strategy in 2022, contract renewal practices remain largely unchanged. This was confirmed in the 2024 survey where 93 per cent of respondents advised that there has not been a material improvement to contracting arrangement since the introduction of the commissioning strategy. Further, Question 8 responses in this survey indicate that most contracts have undergone multiple short-term extensions — some as many as eight or more — without substantive renegotiation or recommissioning (refer to the WA State Commissioning Strategy: Sector Reflections for further information on commissioning).

Respondents also recognised the pressure of departments, reflecting that there is good intention but the lack of a clear strategy is having a material impact upon the operations of the organisation and services.

Written survey responses

" [they] do their best but are very constrained but … find themselves badly underfunded."

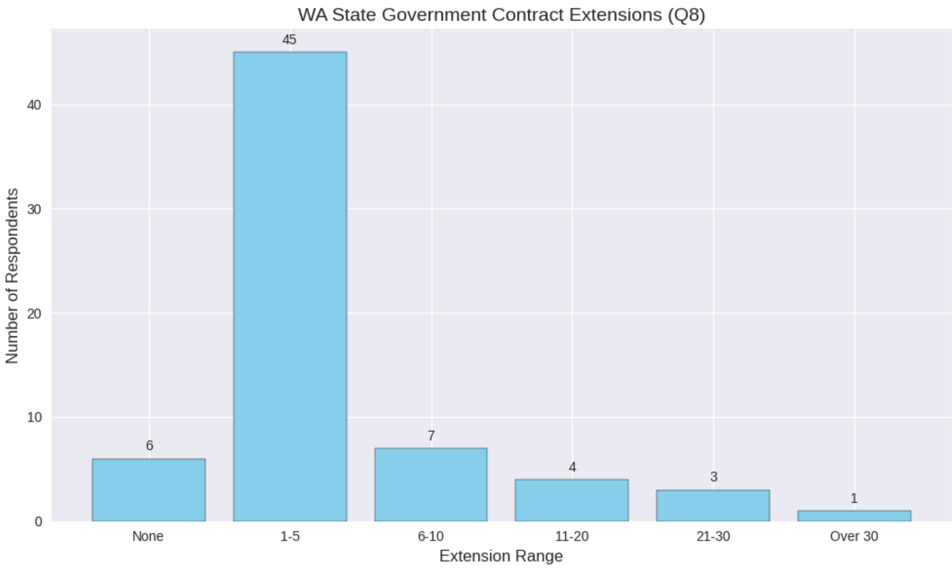
"There has only been CPI increases however there is a greater awareness amongst other government departments and there is an expectation that we can help them for the good of the community. This we want to do but it doesn't pay the bills. There has also been extensive growth in wages so much so that the manager has dropped her levelling down two points to keep the budget under control."

These extensions are often administrative rollovers, lacking any review of service scope, pricing or workforce conditions. This practice creates a cycle of uncertainty, erodes workforce stability and prevents organisations from planning for long-term service delivery.

Figure 4 – When contracts were first awarded

Respondents also confirm that most contracts have not been appropriately costed since their inception. Even where contracts were initially costed correctly, indexation has failed to keep pace with inflation, wage growth and compliance costs. Several respondents noted that their contracts have remained at the same funding level for years, despite significant increases in service demand and operational expenses.

Figure 5 – Number of extensions of State Government contracts awarded after July 2016



This bar chart captures the different ranges of contract extensions for State Government contracts signed after July 2016:

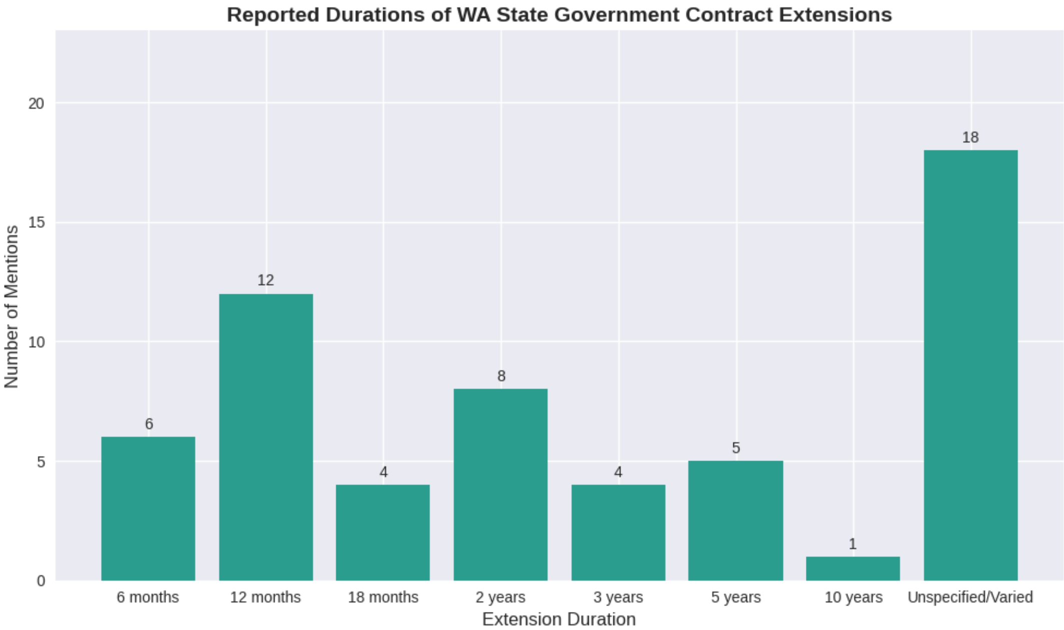
- One to five extensions were most common, reported by 68.18% of respondents (45 out of 66).
- A small number of organisations reported six to 10 extensions (10.61%) or 11 to 20 extensions (6.06%).
- Over 30 extensions were rare, with only one respondent (1.52%).
- 9.09% of respondents reported no extensions at all.

Since the inception of this survey, the sector has not only reported that over 75 per cent of organisations deal with the administrative burden of managing multiple contracts, but there have also been multiple extensions to these contracts. A strong theme identified in the surveys has been that the uncertainty of funding and administration has a significant impact upon service.

Written survey responses

"No additional funding; no material change in service models which are outdated. All commissioning plans seem to be running behind schedule."

Figure 6 – Duration of contract extensions of State Government contracts awarded after July 2016



The sector's experience with WA State Government contracts since 2016 reveals a pattern of short-term, rolling extensions — often six to twelve months in duration. While some organisations reported up to 10 extensions on a single contract, others described year-on-year renewals with no uplift or re-costing. This practice undermines stability, planning and workforce retention. As a result, the sector is not seen as an attractive career choice due to uncertainty of work. This has also been a strong theme in the previous surveys. The timing of the contract renewals — where often renewals are received with little notice — perpetuate the challenges.

Underfunding

The 2025 survey and financial analysis reaffirm that chronic underfunding remains the most significant threat to the sustainability of WA's community services sector. Despite the essential nature of the services provided, government contracts continue to fall short of covering the full cost of delivery — forcing organisations to absorb deficits, reduce service scope or rely on reserves and cross-subsidisation strategies that are increasingly unsustainable.

In 2022, it was originally reported that payments by the State Government for the provision of services in communities was insufficient in both metropolitan and regional areas. There was not a department, service area or region which reported the ability to cover expenditure costs to meet the needs of the community. This concern was again reflected in the results for 2024 and the impact of underfunding upon service delivery, the recipients of the service and the sector ability to attract people to work in the sector. A key message is that underfunding impacts the sustainability of the sector in terms of meeting the needs of the most vulnerable members of our society.

Our analysis of 10 profit-and-loss statements from State Government-funded contracts revealed that seven out of 10 programs are operating at a loss. One contract recorded a deficit exceeding $1.2 million, while the average loss across all contracts was approximately $207,000. Even when excluding the outlier, the average shortfall per contract remains significant at around $81,000. Only two contracts reported a surplus, both marginal and insufficient to offset broader structural deficits.

Survey responses echoed these findings. Many organisations reported that their contracts had not been appropriately costed since inception, with indexation failing to keep pace with wage growth, inflation and compliance costs. The result is a growing gap between funding levels and the actual cost of delivering safe, quality services. This gap is particularly acute in regional areas, where additional costs — such as housing subsidies for staff — are rarely recognised in funding agreements.

Written survey responses

"We are currently underfunded in all State Govt contracts and only manage to end up with a small deficit due to vacancy rate and challenges recruiting staff. Contracts do not cover off on increased costs of delivering these services of the past 7-13 years even with indexation applied."

In the 2024 survey, a similar trend was reflected but a reminder was offered that sound governance for an organisation is to make a profit. While a number of organisations have done so, this was because they reduced workforces or service delivery to keep their doors open.

The consequences of underfunding are compounding. Organisations are being forced to make difficult decisions: reducing staff hours, limiting service availability, deferring maintenance or withdrawing from communities altogether. These decisions not only impact the financial viability of providers but also erode the availability, consistency and quality of services for the people who rely on them.

Survey data further underscores the severity of the funding gap: 71 per cent of organisations reported that they are actively subsidising State Government contracts to avoid service reductions. These subsidies are being drawn from surplus funds, fundraising efforts, philanthropic contributions or internal reallocations —which are not sustainable or equitable mechanisms for delivering essential services. This reliance on unfunded supplementation reflects a systemic failure in contract pricing and indexation, and places undue financial strain on organisations already operating under pressure. Without structural reform, this model cannot be maintained. In 2024, 85 per cent of respondents reported turning away or referring clients to other services due to the inability to provide services. In 2022, 53 per cent of respondents were unable to meet demand (refer to the Service Impacts and Demand Management section later for further information).

Without urgent reform to funding models — including cost-reflective pricing, adequate indexation and recognition of regional cost pressures — the sector's ability to meet community need will continue to deteriorate. The evidence is clear: underfunding is not a temporary challenge, but a systemic issue that demands structural solutions.

Figure 7 - Is your organisation subsidising State Government contracts to reduce cuts in services?

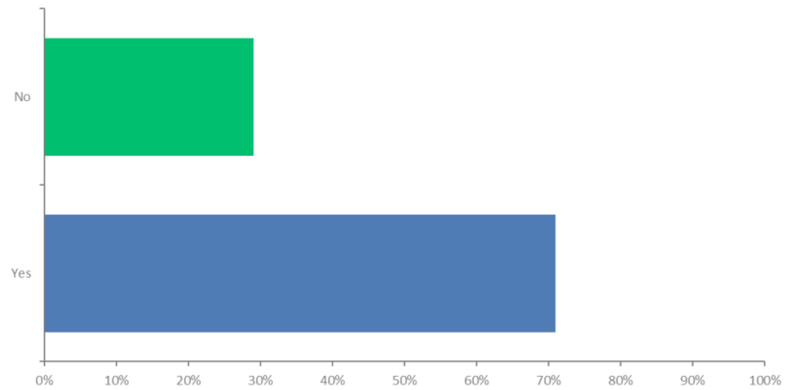
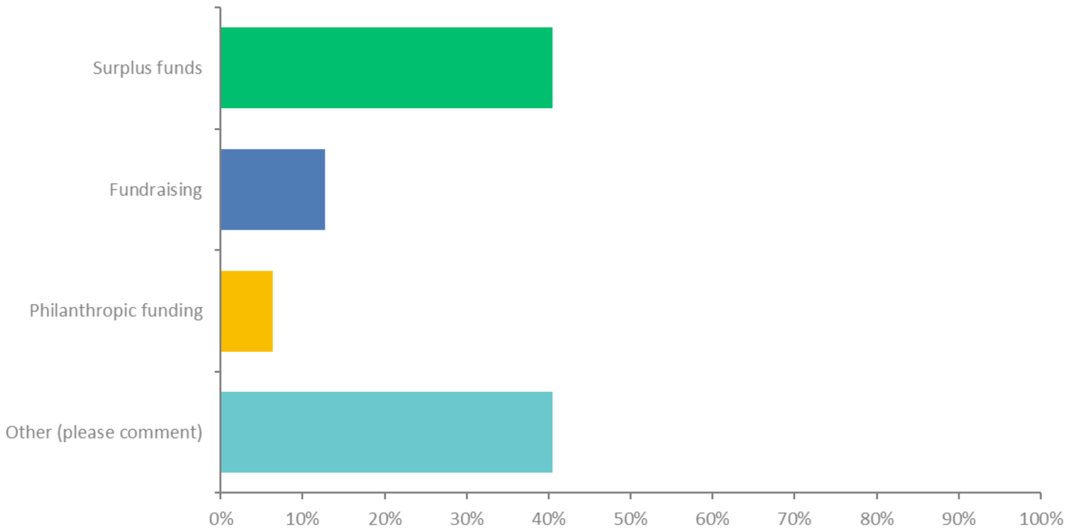


Figure 8 - How is your organisation subsiding State Government contracts to reduce cuts to services?



Written survey responses

"Our contracts have not been properly costed since they were first awarded. Indexation has never kept pace with wage increases or compliance costs. We're constantly absorbing deficits just to keep services running."

"We've had to reduce staff and services to stay afloat. The funding doesn't reflect the true cost of delivery, especially in regional areas where everything costs more."

"We are subsidising State contracts through fundraising and surplus funds. It's not sustainable, and it's not fair."

Profits or Losses

In a market economy, financial sustainability requires that organisations generate a surplus. For human services providers, this surplus is not about profit in the commercial sense — it is essential for reinvestment, innovation and maintaining service quality over time. Without it, organisations cannot absorb cost increases, respond to emerging needs or invest in workforce and infrastructure.

As discussed previously in the Underfunding section, many organisations are losing money on their contracts. Survey data reinforced this picture. Of the 62 organisations that responded to questions about financial supplementation, 71 per cent reported subsidising State Government contracts to avoid service cuts. These subsidies came from surplus funds (40%), fundraising, philanthropy or other internal reallocations — none of which are sustainable or equitable funding mechanisms. Moreover, 61 per cent of respondents indicated they had reduced employee hours due to rising award conditions and inadequate indexation, and over 50 per cent had reduced services in the past year due to funding shortfalls.

This financial fragility is not isolated. It reflects a systemic funding gap driven by year-on-year underfunding, outdated pricing models and indexation formulas that fail to keep pace with real costs. While the sector supports reforms to commissioning and indexation — such as the proposed formula of (SCHADS × 0.75 + SUPER) + (NDI × 0.25), endorsed by 82 per cent of survey respondents — these measures alone will not address the accumulated deficits.

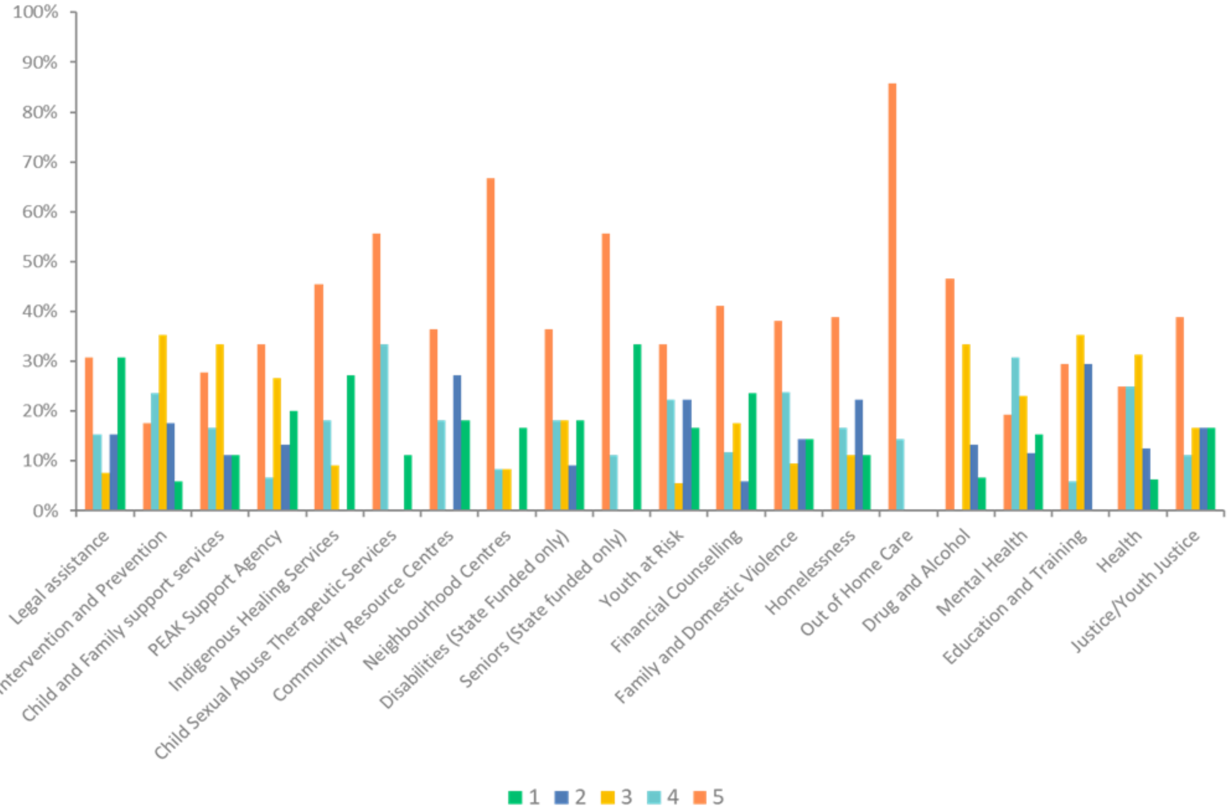
To restore sustainability, the sector requires an immediate base funding uplift, comparable to the 10 to 27 per cent increase recently provided to homelessness services. Without this, organisations will continue to operate at a loss, eroding their capacity to meet community demand and placing essential services at risk.

The message from the data is clear: financial sustainability is not a luxury. It is a prerequisite for safe, reliable and responsive service delivery. The current funding environment is failing to meet that standard. Structural reform is not optional. It is urgently required.

Collapsing Sustainability

The 2025 survey and financial analysis reveal a sector under increasing strain, with many organisations approaching or already experiencing operational collapse. An early indication was outlined in the 2022 survey, where respondents reporting using reserves to meet shortfall in funding and 72.9 per cent of respondents reporting looking for further funding. Sustainability, in this context, refers to the sector's continued ability to deliver services in the right quantity, quality and timing to meet community needs. That capacity is now at risk.

Figure 9 - On a scale of 1-5, 1 being completely, 5 being not at all, to what extent does your contract cover costs?



The profit-and-loss statements from 10 State Government-funded contracts and the 2025 survey indicate a consistent pattern of structural deficits. Similar findings were demonstrated in the 2024 survey results. Wage costs consume an average of 66 per cent of income, with some contracts exceeding 85 per cent, leaving little room for operational flexibility, innovation or contingency. Operational costs average 45 per cent of income, driven by indirect workforce fees, cyber security, IT infrastructure and compliance — many of which are unfunded or underfunded. No contracts accounted for depreciation and few included contingency provisions, further undermining long-term viability. The cost of service delivery is higher in regional areas, which amplifies the challenges for these providers (see also the Regional Services Providers section later).

Written survey responses

“We are a remote location. We are a low income location. We are a majority indigenous location. We cannot generate income when the cost of living, inflation and late stage capitalism outpace these small regional and remote towns.”

”We have noticed a cost increase this last year, quite significant, freight & travel are killer expenses for regional areas.”

“It feels like that they haven't costed the contract properly since the initial increase from the $20000 a year to around $100000 through the Royalties for Region funding. The short answer is there have been no new costings since original contract.”

Survey responses reinforce this picture. Organisations report difficulty recruiting and retaining staff, particularly in regional areas where housing costs are high and subsidies are unfunded. Many are unable to offer competitive salaries or secure contracts, leading to workforce instability and service disruption.

The requirement to deliver services before receiving payment adds financial risk, especially for smaller organisations with limited cash flow.

The State Government's commitment to housing is welcomed and a focus on the community service workforce is encouraged. Further, to ensure sustainability, several critical factors must be addressed:

- Financial stability: Contracts must reflect the full cost of service delivery, including wages, overheads and compliance.
- Financial recovery: Immediate funding uplifts are needed to address historical underfunding, similar to the 26 to 27 per cent increase recently provided to homelessness services.
- Workplace quality: Competitive salaries, job security and safe working conditions are essential to attract and retain skilled staff, especially in a mining-driven economy.
- Service delivery continuity: Payment structures must be reformed to reduce financial exposure and ensure timely cash flow.
- Capacity maintenance: Investment in training, technology and organisational development is vital to sustain and grow service capacity.

Underfunding sets off a cycle of unsustainability: service cutbacks lead to staff turnover, which reduces organisational capacity, which in turn diminishes service quality and reach. Without long-term investment and structural reform, this cycle will continue, placing vulnerable communities at greater risk and eroding the sector's ability to meet its mission.

The sector's exposure to job quality competition from industries like mining remains acute. Without targeted investment and policy support, community services will struggle to retain skilled workers, further compounding the sustainability crisis. Again, this is not a new finding and was reported in the 2022 and 2024 sustainable funding reports. Organisations and service delivery are not only being impacted, the wellbeing and welfare of those working the sector is a concern. In 2022, 78 per cent of respondents reported staff burnout was the greatest concern.

A similar result is reflected in the 2025 survey results.

Written survey responses
"The emotional toll on our team is huge. They're supporting people through trauma, while worrying about their own job security."

"Staff are burning out. They're working unpaid hours just to keep services going. We're losing good people."

"We've reduced outreach to surrounding towns. It's heartbreaking, but we can't afford the travel or staffing.

"We're constantly reshaping services to fit the funding, not the community need. It's exhausting and demoralising."

"We've had to close our waitlist. We simply don't have the staff or the funding to meet demand."

Service Impacts and Demand Management

As outlined earlier, previous surveys have outlined the impact of funding shortfalls upon service delivery, In the 2025 survey, results also further revealed the extent to which funding shortfalls are directly impacting service delivery across the community services sector. When asked what operational changes had occurred in response to financial pressures during the financial year 2024–25, organisations reported a range of concerning adaptations — many of which compromise access, equity and quality of care.

Among the 60 organisations that responded to this question:

- 13% reported turning people away due to insufficient capacity.
- 18% referred clients to other services, often without assurance of availability.
- 12% reduced core services, while 2% reduced outreach to surrounding communities.
- 10% increased wait times and 7% closed waitlists entirely.
- 18% relied on surplus funds to meet demand.
- 20% selected 'Other', with comments highlighting staff burnout, program redesign and service rationing.

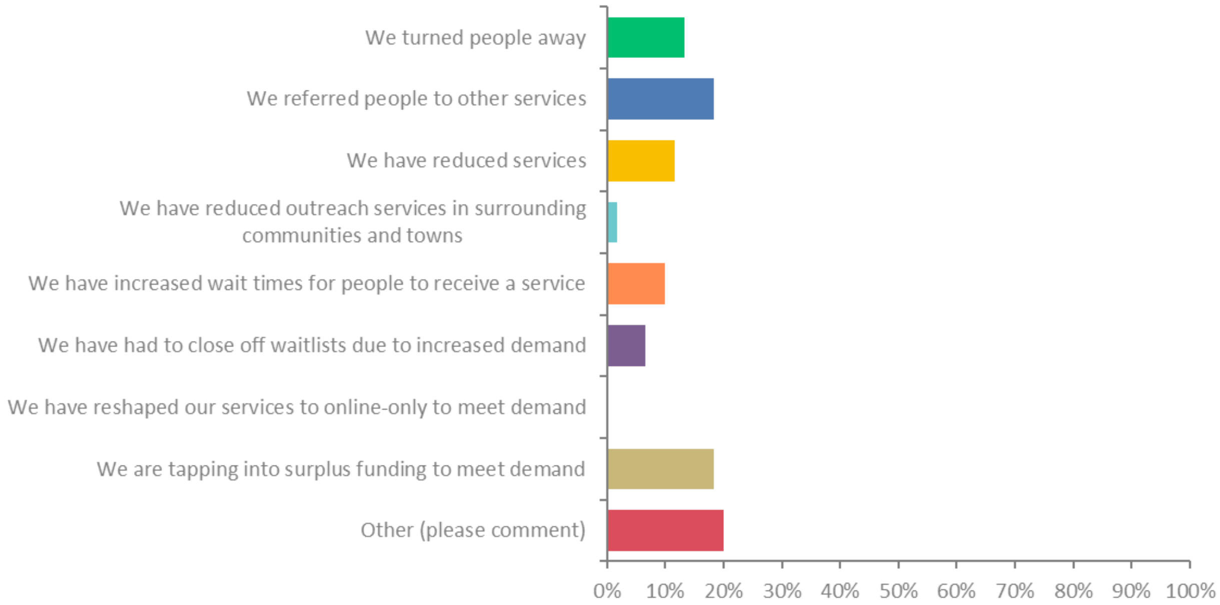
These findings reflect a sector under strain — one that is being forced to make reactive decisions to manage demand rather than proactive investments to meet it. The absence of adequate, stable funding is not only limiting service reach but also undermining the sector's ability to plan, innovate and respond to emerging community needs. This strain has been reflected in both the 2022 and 2024 sustainable funding reports.

The data underscores a critical point: the current funding environment is not only unsustainable for providers, but it is failing the communities they serve. Without immediate and structural funding reform, these service disruptions will become more frequent and more severe — particularly for those already experiencing disadvantage.

Written survey responses

"The contracting environment the sector has had to operate in has been disheartening. Organisations have lost their professional development investment in their employees as a consequence of the many one-year funding extensions. Expectations are unrealistic for the funding provided and committed workers are being burnt out. Many organisations are filling the gap for the Government and vulnerable people are being let down. All the evidence is there in terms of the stats, how to address the issues and the value and return for investment in prevention and early intervention, but the safety and wellbeing of children and vulnerable adults is not given the priority and investment needed."

Figure 10 - Which of these has occurred in your services in 2024-25?



Gender Equity, Workforce Pressures and Service Reductions

In late 2025, the sector will hear the decision of the Fair Work Commission to address gender-based undervaluation in priority awards, which includes social and community services employees, crisis accommodation employees and home care employees in disability care covered by the SCHADS Award. This landmark decision is a move towards ensuring fair and equitable remuneration for all employees, regardless of gender. The review has highlighted the importance of gender equity in the workplace and sets a precedent for future wage-setting practices. These reforms are important especially in view of the 2025 Sector Survey that reveals 61 per cent of organisations have reduced employee hours in the past two years due to rising award conditions and inadequate indexation. Additionally, 51 per cent of respondents reported reducing services in the past 12 months as a direct result of funding shortfalls. These reductions are not isolated — they reflect a sector-wide pattern of financial strain that is disproportionately affecting a workforce that is overwhelmingly female.

As highlighted in WACOSS's 2025 report *Stronger Together: Gender Equity in the WA Community Service Sector*, over 78 per cent of the sector's workforce are women, many of whom work part-time or casually, often without long-term security. When hours are cut or roles are reduced, the impact is immediate and personal: lower income, reduced superannuation contributions and increased financial vulnerability, especially in the context of rising living costs across.

The *Stronger Together* report also underscores that the undervaluation of female-dominated industries like community services is systemic. Chronic underfunding restricts organisations from offering workplace entitlements that support women's economic security, such as employer-funded paid parental leave, flexible work arrangements and career development pathways. These conditions not only limit retention and progression but also reinforce the gender pay gap and contribute to long-term financial insecurity for women.

Service reductions further compound these challenges. When organisations are forced to scale back outreach, close waitlists or turn people away, it is often frontline female staff who bear the emotional and professional burden of unmet community need. Many continue to work unpaid hours to avoid leaving vulnerable people unsupported — an act of care that, while admirable, reflects the deep structural inequities embedded in the sector's funding model.

Addressing these issues requires more than operational adjustments. It demands systemic reform that recognises the gendered nature of the workforce, values care work appropriately and funds the real cost of service delivery — including decent pay, secure employment and gender-equity supporting workplace policies. Without this, the sector risks not only losing skilled staff but also deepening the inequities it exists to address:

Written survey responses

"*We're a female-dominated workforce, and yet we're constantly undervalued. We can't afford to offer paid parental leave or career development, and that's hurting retention."*

"Our staff are burning out. Many are working unpaid hours to keep services going. It's not sustainable, and it's not fair to them or the communities we serve."

"We can't offer paid parental leave or career progression. It's hurting retention and reinforcing the gender pay gap."

"We need funding that reflects the real cost of care work. Until that happens, gender equity in this sector will remain out of reach."

"The sector is built on care, but care work is undervalued. We need funding that reflects the real cost of doing this work well."

"We've had to reduce hours for long-term staff. They're struggling financially, and we're seeing the impact on morale."

Regional Service Providers

The 2025 survey data and financial analysis highlight a persistent and intensifying crisis for regional service providers across WA. While regional organisations play a critical role in delivering frontline services to some of the state's most vulnerable and geographically isolated communities, they continue to face disproportionate funding shortfalls and workforce challenges.

Of the 169 survey respondents, nearly 20 per cent operate exclusively in regional areas and over half deliver services across both metro and regional locations. These organisations reported higher levels of financial strain, with many indicating that their contracts do not reflect the true cost of operating in remote or high-cost regions. This includes additional expenses such as travel, infrastructure maintenance, and —most critically — housing support for staff.

Workforce housing has emerged as one of the most pressing and underfunded challenges in regional service delivery. Among regional respondents, 30.56 per cent reported providing financial assistance to staff to meet housing needs. However, only 3.85 per cent of those organisations indicated that their State Government contracts include funding for this purpose. The remaining 96.15 per cent are absorbing these costs through surplus funds, fundraising or philanthropic support.

This unfunded burden is exacerbating workforce instability. Organisations are struggling to recruit and retain qualified staff, particularly in areas where housing availability is limited or unaffordable. In some cases, providers have had to reduce employee hours or scale back services due to the combined impact of rising award conditions and inadequate indexation. These pressures are not only affecting organisational viability but are diminishing service access and continuity for regional communities. Though when reflecting upon the responses of service providers in metropolitan areas, regional services are less likely to be scaled back as much and greater costs are therefore borne by regional providers. As a respondent reports, there are no other options for services and it is often critical that the operations continue:

Written survey responses

"We have had to reduce operating hours to reduce our costs due to no increase in funding. Services are crucial in regional areas. There is no public transportation, no taxi service and an aging population that relies on [us] for government access and help!"

The sector is clear: without targeted investment in regional workforce housing and cost-reflective funding models, service gaps will widen and regional equity will continue to erode. Addressing this issue must be a priority in future commissioning and budget planning, with dedicated funding streams to support housing subsidies, relocation costs and regional workforce retention strategies.

Written survey responses

"*We subsidise housing for staff in remote areas because we have no choice. Without it, we can't attract or retain anyone. But none of our contracts recognise or fund this cost."*

"Without housing support, we can't attract staff to remote areas. We're constantly short-staffed and stretched."

"We've had to pull back services in regional WA because we can't retain staff. Housing is the tipping point."

"The cost of living in regional WA is high, and our staff are struggling. We're losing good people because we can't offer secure employment or housing support.

WA State Commissioning Strategy: Sector Reflections

The State Commissioning Strategy for Community Services, introduced in 2022, aimed to improve transparency, collaboration and sustainability in government contracting with the community services sector. However, the 2025 survey results suggest that these aspirations have yet to be realised in practice.

When asked whether they had observed any material improvement to contracting arrangements since the strategy's implementation, 86.7 per cent of respondents said no. In 2024, 93 per cent of respondents reported no material improvements to contracting arrangements. This overwhelming response indicates that, despite policy reform, the lived experience of organisations remains largely unchanged. Contracts continue to be extended rather than recommissioned, pricing remains outdated and co-design processes are inconsistently applied.

The responses further illuminate the disconnect between policy intent and operational reality. Many organisations described contracts that have been rolled over for years — sometimes more than a decade — without meaningful review or adjustment. Others noted that extensions are often short-term and reactive, creating uncertainty for workforce planning and service continuity. Several respondents highlighted that while the strategy promotes co-design, few have been invited to participate in genuine commissioning conversations.

Written survey responses

"Most of our contracts have been extended multiple times — some for over a decade — without any meaningful review or renegotiation. The commissioning strategy hasn't changed that."

"We're delivering services under contracts that are outdated and underfunded. The lack of long-term certainty makes workforce planning almost impossible."

"The commissioning strategy talks about co-design, but we haven't been invited to any genuine conversations. It feels like a missed opportunity."

The sector's feedback is clear: commissioning reform must move beyond rhetoric and into practice. This includes:

- Transparent and timely recommissioning processes;
- Cost-reflective pricing based on actual service delivery costs;
- Genuine co-design with providers and communities; and
- Longer-term contracts that support workforce stability and strategic planning.

Without these changes, the strategy risks becoming another layer of policy disconnected from the realities of service delivery. The sector remains ready to partner in reform — but it must be invited in, resourced appropriately and treated as a co-equal in shaping the future of community services in WA.

Indexation

In the *Western Australia's 2024 Sustainable Funding Survey Report*, the importance of indexation was set out. The report recommended appropriate indexation of multi-year contracts as a key element for achieving financial sustainability because it would enable purchasing power to remain constant year on year. The report warned that in an absence of proper indexation, there is a risk to quantity, quality and timing of services with the risk largely being borne by the service users. The current indexing formula has been shown to be inadequate. The report proposed a new formula:

SCHADS (*0.75 + SUPER) + NDI *0.25

- SCHADS = Annual increase in SCHADS Award rates
- SUPER = Mandated superannuation guarantee increases (State Government current indexation policy since 2022 has included the superannuation guarantee)
- NDI = Annual increase in Non-Discretionary Inflation (Australia)

The Leaving No One Behind: The Economic Imperative to Invest in WA's Community Sector and Its Workforce report by Nous Group, and commissioned by CEWA, highlighted that:

"... despite the WA Government's reliance on the sector to deliver critical services, contracts tend to focus only on the costs of front-line delivery and do not factor in in other normal costs of operating such as overheads and wage growth. Further, the indexation applied to multi-year contracts does not keep pace with rising costs of delivery, exacerbating cost pressures. Other jurisdictions have reacted quickly to changing conditions, increasing indexation rates in response to high inflation and the June 2023 Fair Work decision to increase awards, but WA has not."

Concluding Remarks

This report reaffirms what the sector has long known: underfunding is not an anomaly but a structural reality. This year's expanded methodology, incorporating analysis of 10 profit-and-loss statements alongside survey responses from 169 organisations, provides a sharper, more granular view of the financial pressures facing community service providers across the state.

The financial data is sobering. Seven out of 10 contracts analysed operated at a loss, with wage costs consuming up to 85 percent of income in some cases. Operational costs are rising, regional housing subsidies remain unfunded and depreciation is routinely excluded.

These findings echo and deepen the insights from the 2024 report, which identified entrenched underfunding, regional inequity and unsustainable contracting practices. Despite the introduction of the new state commissioning strategy, 93 per cent of respondents again reported no material improvement in contracting arrangements. The sector continues to rely on short-term extensions, outdated indexation formulas and unfunded supplementation to maintain essential services. There is a call for more predictable cycles to commission of contracts.

What's clear is that the current funding environment is not only failing providers — it is failing communities. Service reductions, workforce instability and unmet need are becoming the norm, particularly in regional and remote areas. Without urgent structural reform, the cycle of unsustainability will continue, placing vulnerable Western Australians at greater risk.

This report calls for bold, coordinated action. A revised indexation model, a base funding uplift, recognition of regional cost pressures — including housing — and a commitment to gender equity in workforce policy are not optional. They are essential.

The sector stands ready to partner with government to build a funding system that reflects the true cost of care, values the workforce and enables organisations to meet rising demand with confidence and integrity. The evidence is here. The time for reform is now.

Attachment A

Summary Financial Analysis of Ten Contract Case Studies

In 2025, WACOSS undertook a detailed financial analysis of ten State Government-funded community service contracts, drawing on profit-and-loss statements provided by five organisations. This analysis complements the broader survey findings and offers a deeper understanding of the structural funding challenges facing the sector.

Importantly, the review revealed clear differences in how organisations cost their contracts — particularly in the treatment of overheads, depreciation and contingency planning. These inconsistencies suggest a need for targeted financial literacy training across the sector to support more consistent, transparent and strategic costing practices. Strengthening financial capability will be essential to ensure organisations can effectively apply for cost-reflective funding and navigate increasingly complex commissioning environments.

1. Operating Deficits
   - Seven out of 10 contracts are running at a loss.
   - Average loss per contract: about $207,000.
   - Excluding one $1.2 million outlier, average loss still sits at about $81,000.
   - Only two contracts reported surpluses, both marginal ($4,795 and $1,580).

2. Wage Cost Pressures
   - Average of 66 per cent of income spent on direct wages.
   - Some contracts exceed 85 per cent wage dependency, leaving minimal room for operational flexibility.
   - SCHADS award complexity and lack of redundancy provisions compound financial risk.

3. Operational Cost Trends
   - Operational costs average 45 per cent of income, driven by:
     - Indirect workforce/management fees (ranging from zero to 23 per cent);
     - Cybersecurity and IT infrastructure (high variability); and
   - Maintenance, insurance, and compliance costs. Depreciation is not charged across programs, rising long-term asset sustainability.

4. Contract Age and Extensions
   - Most contracts are over a decade old, with some dating back to pre-2006.
   - Average of eight extensions, often short-term and reactive.
   - Indexation and uplifts have not kept pace with inflation or service demand.