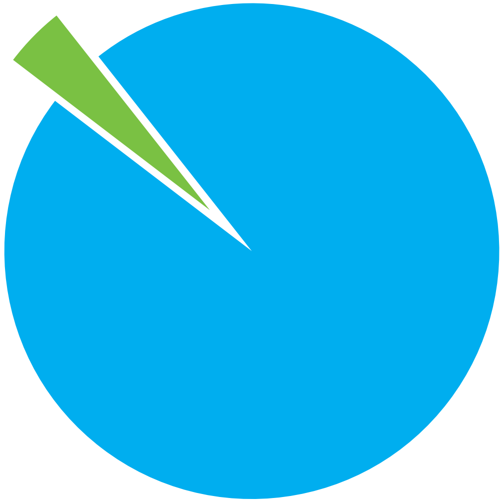
FINANCIAL SUSTAINABILITY OF DISABILITY SERVICES

Curtin University's Not-for-profit Initiative and National Disability Services' Centre for Applied Disability Research are undertaking a first-of-its-kind study. The research investigates the financial sustainability of the non-government disability sector in Australia. The first report baselines the financial position of approximately 180 disability service providers for the 2014-2015 financial year, prior to the commencement of the transition to the full NDIS. **Here is a sample of the key findings of the first report:**

THIS RESEARCH IS BASED ON THE ANALYSIS OF THE FINANCIAL POSITION OF 180 ORGANISATIONS:

4% FOR PROFIT **96%** NOT FOR PROFIT



TURNOVER
$2.93b

CLIENTS
115,000

STAFF
27,000

NET ASSETS
$1.5b

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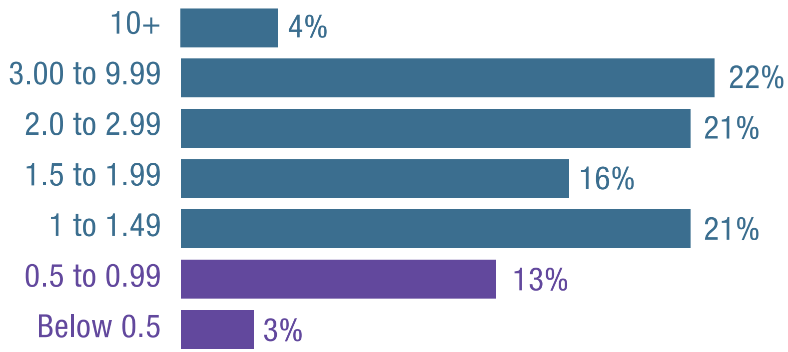
NET CURRENT ASSETS RATIO

Current asset ratios are a good indicator of short-term survivability and a key measure for many disability organisations transitioning to the NDIS. A ratio under 1 indicates that a company's liabilities are greater than its assets and suggests that the company in question would be unable to pay off its obligations if they came due at that point.

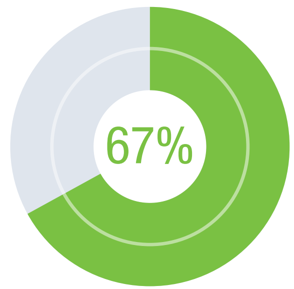
The median Current Ratio is 1.9

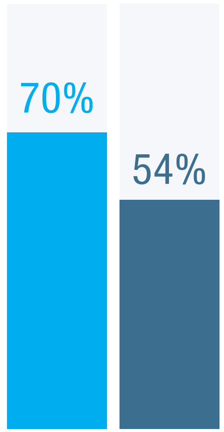
A total of 16% of organisation fall below 1.0 (purple), indicating that they are at risk should their income decline or expenses increase rapidly.



ASSETS

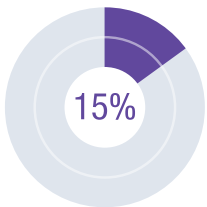
Organisations with a turnover of more than 20 million per annum hold 67% of the net assets in the sector. These large organisations are better placed to utilise their assets to support change and growth

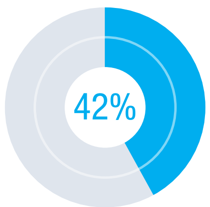




STAFF COSTS

70% of Disability organisations expenses are allocated to employee salaries and related costs, such as superannuation, workers compensation insurance and payroll tax. This compares with just **54%** for all not for profit organisations or charities.





PROFITABILITY

Over 15% of panel members (29 organisations) **recorded a loss in the last financial year** with 6% reporting a loss of more than 5%

The poor profitability of the sector (**42% generating less than 3% profit**) suggests that the prospects for a sizable proportion of the sector to be in a position to service loans are very slight while prospects for generating future free cash flows for investment in change and innovation are also low.

The results also suggest that a significant minority of organisations may ultimately be facing solvency and sustainability issues. These issues are likely to be exacerbated unless the planned series of NDIS pricing reviews deliver 'efficient' prices that reflect real service delivery costs and the need for innovation.

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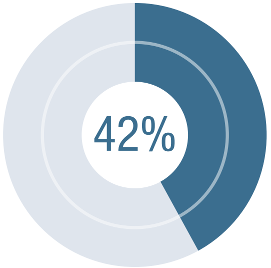
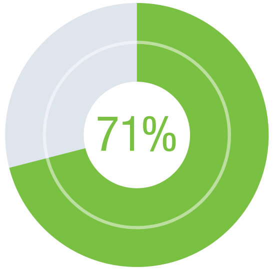
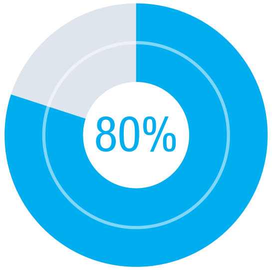


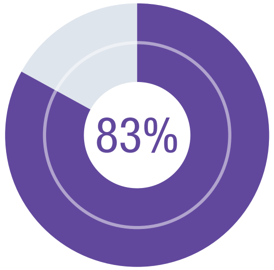
42% OF ORGANISATIONS ARE EXPECTING
BUDGETED PROFIT TO BE LOWER



71% ARE FORECASTING AN
INCREASE IN CLIENT NUMBERS



80% EXPECT
TOTAL INCOME TO INCREASE
REFLECTING GROWTH IN CLIENT NUMBERS



83% ARE EXPECTING AN
INCREASE IN TOTAL EXPENSES

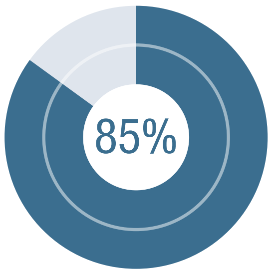
TWO THIRDS
of organisations have budgeted to increase their spending on new products or service development

24%
BUDGETING FOR AN INCREASE OF 10%

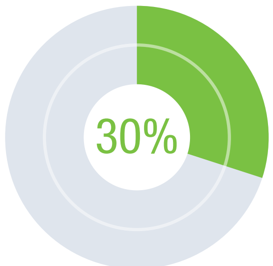
23%
BUDGETING FOR AN INCREASE OF 10-20%

13%
BUDGETING FOR AN INCREASE OF 20-50%

6%
BUDGETING FOR AN INCREASE OF >50%



85% OF ORGANISATIONS ARE EXPECTING AN
INCREASE IN TOTAL EMPLOYEE EXPENSES



30% OF ORGANISATIONS ARE INCREASING THEIR INFORMATION, COMMUNICATIONS AND
TECHNOLOGY BUDGET

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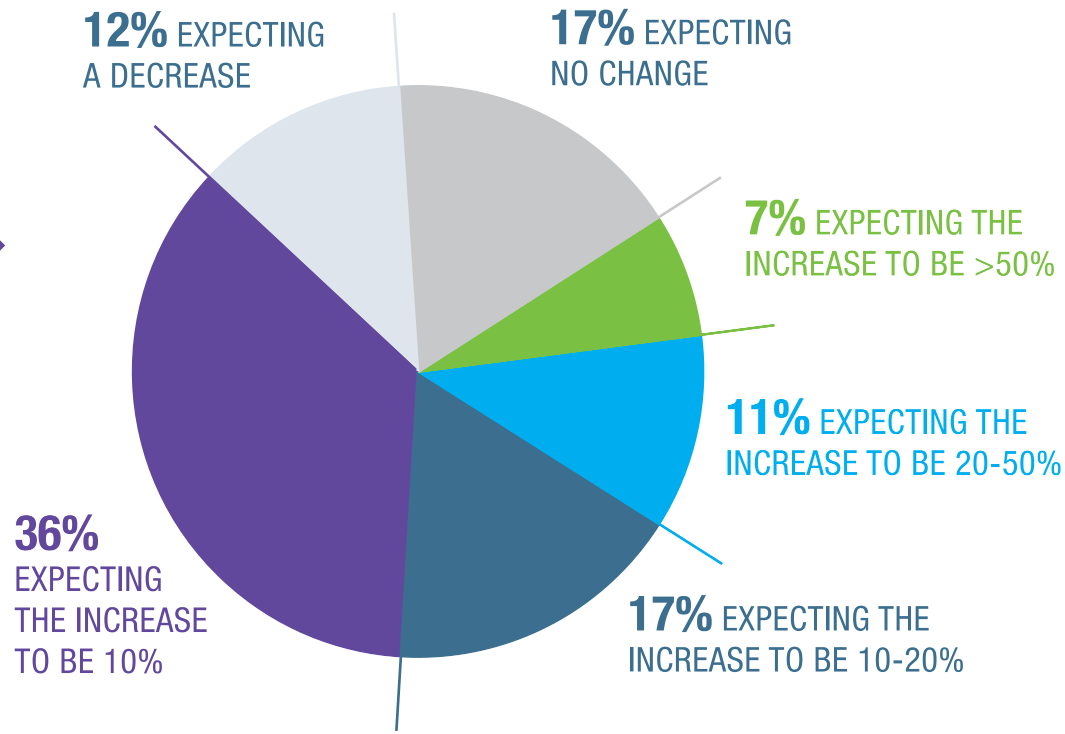
FOR PROVIDERS OF RESIDENTIAL ACCOMMODATION OR CLIENT SERVICE ACCOMMODATION, MOST ARE EXPECTING AN INCREASE IN COSTS

STAFF TRAINING AND DEVELOPMENT BUDGETS ARE UP



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Gilchrist, D. J. and P. A. Knight, (2016), Australia's Disability Sector 2016: Report One - Financial Sustainability and Summary of Key Findings, A Report for the Research Data Working Group, Sydney