

## CASE STUDY

**Market:** Aged care – home care and commonwealth home support

**Company size:** 20 employees

**Clients:** 43 to 87 plans and growing

**Approach:** understanding costs and staff capacity

### PHASE 2



# THE IMPACT OF UNDERSTANDING YOUR NUMBERS

## OVERVIEW

A small to medium-sized not-for-profit providing over 15,000 hours of support to people with Home Care and Commonwealth Home Support packages for over 25 years to people in the Newcastle, Lake Macquarie and Port Stephens area.

Concerns were raised with regard to market competitiveness and pricing of services. Staff were reportedly working at capacity yet the organization was consecutively recording deficits of 17.46% of revenue. The organisation wanted to know whether they should stop providing services.

## CORE ISSUES

### CASHFLOW & SUSTAINABILITY

The organisation thought pricing was under market and didn't know why the cost of providing services was an issue. Deficits put pressure on cashflow and the CEO wanted to know if the services were viable.

### STAFF CAPACITY

The organisation did not understand why they were not reducing waitlists even though there appeared to be enough staff to meet current demand.

*"We found the organisation had not drilled into the key drivers behind the numbers and staff capacity to understand really what decisions needed to be made to clear the waitlists and service more people viably."*

### David Hubbard

Director/CFO  
CINCH Finance & Operations  
[www.cinchfinance.com.au](http://www.cinchfinance.com.au)



# APPROACH

## COST CENTRE REVIEW

We identified the business units and calculated the current key performance indicators. We understood the service models, calculated unit costs and demand which determine the issues.

## STAFF CAPACITY

We did a time-based study on staff and found out what how much time they spent on delivering services. We calculated staff capacity and compared with the level of demand.

## FINANCIAL MODELLING

We used the information on unit costs, demand and staff capacity to model various scenarios showing changes and the financial impact.

## TARGET SETTING

The organisation set a twelve-month operational plan to manage changes and improve service delivery time with existing staff.

## BOARD COMMUNICATION

We communicated to CEO and discussed the options to service more people with existing staff and operate viably.

## PERFORMANCE REPORTING

We set a target for the number of service hours and staff productivity for the year.

## UNIT COST & FINANCIAL MODELS

With the unit costs we developed a budget built on staff capacity, demand and operating costs to help management report performance against targets (financial and non-financial), which tracked the organisation through the transition to the NDIS.

## ONGOING SUPPORT

We provide ongoing CFO and HR support to analyse key financial areas and help management and the board make decisions.

## ORGANISATION STRUCTURE

We proposed an organisational structure which would increase efficiency, minimize cost and support the frontline staff in servicing more people.

## DASHBOARD REPORTING & ANALYSIS

We set up monthly targets and methods to track the actual data required to monitor performance which were used as a communication tool for board meetings, which supported the CEO's decision to continue providing the services.

# RESULTS

**33X TURNAROUND**  
IN REVENUE

**45+ INCREASE**  
IN NUMBER OF PEOPLE  
SERVICED

*"We were struggling to understand our unit costs and cost drivers ... David and the team were very quickly able to identify and pull together the financial detail which has enabled us to go forward with confidence ..."*

CEO  
NDIS Provider and Aged Care Services



## OUTCOMES

- ✓ Understanding the cost structure and unit costs the organisation was able find out why they were making a deficit.
- ✓ The financial modelling helped the CEO and senior management understand how they could service more people with existing staff levels and the impact on the net financial results
- ✓ The organisation developed key targets for the frontline workforce to achieve a sustainable outcome and were able to communicate to the board of directors.
- ✓ The organisation has seen improved performance thanks to monitoring key drivers, they are supporting more people and projecting surplus funds.
- ✓ The CEO made the decision to continue the services and has increased the number of people being serviced. Increased efficiency has enabled the organization to be ready for market opportunities and growth.

*"It surprises me the number of organisations who do not fully understand their unit costs and cost structure enough to make decisions which help more people. Understanding the numbers and understanding staff capacity really does turn a business around which adds value to the community because services continue and more people are helped."*

### David Hubbard

Director/CFO

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## ABOUT CINCH FINANCE & OPERATIONS

We are Non-Profit Business Transformation Specialists servicing the disability, community housing and aged care sectors.

We have developed a process which covers everything from business review, understanding unit costs, assistance with NDIS claiming, leadership coaching and change management to boardroom level reporting, analysis and continuous improvement projects.

Working as your trusted adviser and partner we strive to help you help more people with the resource you currently have and to support you in change which improves results, taking advantage of growth opportunities and helping more people.

We engage stakeholders to participate in the transition and achieve the ultimate reward of delivering quality services and helping more people in your community.



### Contact us today

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