

KordaMentha



# Public sector transformation

Funding, budget and productivity reset.

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# Funding, budget and productivity reset

Public sector transformation with a different mindset.

Public sector organisations are constantly seeking to deliver more with less. Balancing competing stakeholder interests, funding priorities and delivering sustainable improvement is critical. At the same time, the journey requires careful consideration of factors, such as the required scale of change and risk appetite.

When faced with complex challenges, public sector organisations turn to us to provide a different mindset and proven approach. We bring focus and a bias to action that has been sharpened through working in some of Australia's most challenging public sector environments

As departments, agencies and other public sector enterprises strive to improve efficiency and deliver better outcomes, our approach can assist by driving rapid and focused improvement of cultural, financial, and operational productivity.

# What makes us different?

We do more than advise. We work alongside our clients to achieve rapid progress and transformation in the most challenging environments.

Our experience and hands-on approach has delivered significant benefit and sustained outcomes to our public sector clients. We achieve our best results when we are tasked with solving the most challenging and intractable issues.

We work with our clients on critical and time-sensitive projects that are strategically important to the ongoing success and viability of the organisation.

## How we work with clients

We work best when partnering with clients. Our senior team is highly versatile and skilled at building and leading implementation teams from within the organisation.

**Measurable results** Public sector organisations come to us when they need results delivered in a sensitive environment. We provide value by delivering measurable uplift that is sustained over time whilst managing stakeholder and political narratives. Success is gauged by our clients' improvement across financial, operational, cultural and reputational performance indicators.

**Implementation partners** We partner 'in the trenches' by providing additional bandwidth to executive and operational teams, which can include embedding our professionals into an organisation in key support or leadership roles. In bringing a proprietor's perspective, we see the organisation's challenges as our responsibility to solve and work collaboratively to make meaningful changes.

**Empowerment** We recognise that the greatest experts at an organisation's disposal are its own people. We empower the organisation's staff and subject matter experts to lead change with structured support and analytical capability.

**Flexibility** We understand the different needs and sensitivities of public sector stakeholders and the protocols, procedures and political considerations that govern the public sector environment. We work with stakeholders to navigate these requirements throughout the transformation journey.

# Our focus on successful implementation

We bring an evidence-based approach to our work with a strong emphasis on action and results, delivered through a three-phase process: Diagnose, Plan, Implement.

## Indicative activities

### Diagnose

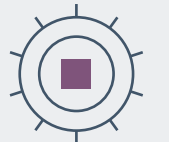
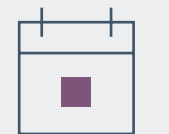
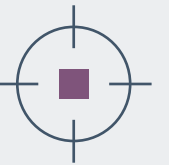
- Understand the current model and operating environment.
- Understand stakeholder priorities and expectations (political, budgetary, social and reputational).
- Review existing plans, strategies and forecasts to understand the current position, alignment with priorities, outlook and key challenges.
- Engage with staff and select stakeholders to gather insights.
- Identify key drivers of financial, operational and people performance.
- Understand performance relative to available benchmarks.
- Identify the required legal and technical expertise.

### Plan

- Agree on the narrative and case for change with internal and external stakeholders.
- Undertake detailed operational and financial planning of priorities identified in the diagnostic phase (including issues, opportunities, risks and challenges).
- Partner with key personnel to develop plans, identify opportunities and leverage strengths.
- Develop an engagement strategy, key stakeholder communications and governance for the implementation phase.
- Understand key interdependencies, sequencing challenges and opportunities.

### Implement

- Provide leadership throughout the implementation phase. This includes coordination, communication and engagement with key stakeholders, such as ministerial offices, government departments, employees, unions, media and regulators.
- Lead difficult negotiations with impacted external stakeholders, including unions.
- Take an agile approach to change and deliver outcomes with a focus on rapidly realising high-yield opportunities.
- Regularly report on progress against the plan, risks and mitigations and agreed key performance indicators (KPIs).



# Case studies



## National Broadband Network

### Outcomes and benefits delivered

- A cornerstone strategic review that detailed the end-to-end delivery cost of the National Broadband Network (NBN), which was used by the Government to reshape the NBN Co. statement of expectations and dramatically redesign the service delivery approach.
- Focused advice to NBN Co. Board and management on implementing recommendations.
- Skilled stakeholder management in a highly sensitive and public environment.

### Background

NBN Co. is rolling out Australia's NBN, with 6,300 staff, \$1.8 billion HY20 revenue and over 100 service providers.

NBN Co. was over budget and behind deadlines. A strategic assessment of rollout costs, time and cost to complete and organisational restructuring options was required.

### Approach

We assessed the economic viability of NBN Co. under various scenarios through historical financial and operating performance reviews, forecast operational and capital expenditure reviews and forensic analysis of operating and financial metrics.

We conducted detailed interviews with key stakeholders to understand issues and determine the true performance drivers.

## Central Adelaide Local Health Network

### Outcomes and benefits delivered

- >\$150 million annual financial improvement.
- Overhauled budget process and design.
- New organisation structure, reducing spans of control and embedding new leaders.
- New performance management framework with patient, people and financial KPIs.

### Background

Central Adelaide Local Health Network (CALHN) is South Australia's largest healthcare network with circa 13,300 staff, five hospitals and a \$1.8 billion annual budget.

CALHN was an organisation in systemic distress, forecasting a \$274 million FY19 budget overrun.

### Approach

Several consultant-led transformation programs had been attempted prior to our engagement with minimal success.

We tailored an innovative solution where KordaMentha staff were employed as public servants and appointed Administrators of CALHN. The Administrators had financial delegations and worked alongside executives to implement the transformation program.

## Defence Housing Australia

### Outcomes and benefits delivered

- A significant reduction in portfolio risk for Defence Housing Australia's (DHA's) \$3 billion apartment property capital program.
- A reforecast of financial outlook and budget.
- A model-led approach to forecasting sales.
- A stakeholder management framework for engagement and reporting to improve governance and transparency.

### Background

DHA provides housing and property-related management services to members of the Australian Defence Force, managing circa 18,000 properties valued at circa \$11.2 billion.

DHA required a rethink of its strategy and structure and an assessment of its forecast financial performance and risk management framework.

### Approach

KordaMentha conducted a strategic review of DHA, focused on forecast performance, strategy, structure and options analysis.

We took a project-by-project approach to challenge the forecast assumptions and implement improvements focused on DHA's core property developments, product offerings, sales channels and governance.

## Australia Post

### Outcomes and benefits delivered

- Provided the shareholders with independent insight on management plans to reduce costs and increase revenue, current industry conditions, risks and issues with the forecast return to shareholders and actions required to position the organisation for a sustainable future.
- Ongoing engagement with key stakeholders, including the shareholder department, the Australia Post management team and the board.

### Background

Australia Post delivers logistics, postal and integrated services across Australia. The organisation generates \$7 billion annual revenue, employs 80,000 people and delivers 40 million parcels during peak months.

Australia Post was facing structural decline and sought to transform its operations, like many national postal organisations worldwide.

### Approach

We were engaged by the shareholder to review Australia Post's draft corporate plan.

Our review identified key assumptions and risks to achieving the corporate plan and conducted detailed financial analysis, including sensitivity analysis of the key assumptions.



# How we can help you

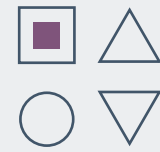


## Focused advisory and program management

Clients seek our assistance in providing commercially focused advisory and program management services.

This may include:

- Business and corporate plan reviews, where we independently assess the strategic plans and forecasts, including the financial outlook of public sector organisations.
- Financial analysis and forecast reviews, where specialised support is required to evaluate financial projections and outcomes.
- The establishment and ongoing implementation of complex program management offices and functions.
- Third-party contract support, including reviewing high-risk contractual situations (for example, Public Private Partnerships) and providing contract negotiations and implementation support.

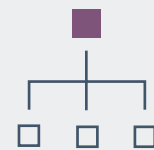


## Turnaround and transformation

We work with clients through the diagnosis, planning and implementation of turnaround and transformation processes in respect of entire organisations or more focused engagements.

Our work can include:

- Development of detailed financial forecasts and associated modelling.
- Cost-out identification and implementation.
- Cash flow and working capital management and optimisation.
- Interim management roles and filling critical vacant positions.
- Workforce and industrial relations negotiations and engagement.
- Stakeholder and media management.



## People and organisation design

An effective organisational framework is imperative for ongoing success. We can design and implement crucial changes to the organisational structure and HR practices to deliver substantive change.

We help organisations to understand their internal culture and how best to align their internal functions to support the overarching strategy of the organisation.

Additional activities include:

- Developing a labour framework aligned to operational needs and financial objectives.
- Improving labour management and controls, such as recruitment and optimisation of labour base.
- Actively assisting with industrial relations challenges, including strategy, negotiations and implementation of transformation reform.



## Financial management and controls

We understand the importance of stabilising financial performance. We identify an organisation's key drivers of financial performance to better inform decision making and implement improved financial management.

We review and improve an organisation's processes, policies and procedures to better manage finances and associated operating controls.

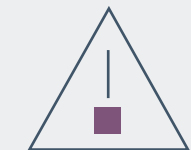
We also develop detailed ground up budgets and forecasts, design and implement procurement controls to rapidly reduce spending, including support functions, and provide CFO services, such as team structuring, organisational controls and management and risk reporting.



## Performance improvement and cost-out

We prepare and implement cost reduction strategies focused on achieving and sustaining cost reduction, avoiding pursuit of short-term targets at the expense of long-term success.

To ensure performance improvement, we redesign and implement changes to key internal functions and processes to better align with organisational strategy. We manage improvement through regular performance meetings centred around clear and measurable KPIs, structured reporting and engagement.



## Interim and crisis management

We can assume interim c-suite or leadership roles within the organisation.

This may involve:

- Embedding turnaround specialists into operational teams to provide leadership support and project management capabilities.
- Leveraging our extensive experience with complex stakeholder management at all levels (including government, financial, political and media) to help guide organisations through sensitive and high-risk transformations.
- Drawing on our wide network of industry experts to take specialised interim management or board positions.

“In a relatively short period of time KordaMentha submitted an impressive, insightful and detailed written review, identifying key opportunities, risks and challenges facing the business. They also identified a range of quick wins and management priorities that could immediately enhance financial performance together with longer term strategic initiatives.

Several years later management is continuing to implement a range of initiatives that KordaMentha identified in the initial report.”

Director, Aged care and retirement living

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