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22 February 2012

Mr Chris Fry  
Chief Executive Officer  
Indigenous Business Australia  
PO Box 38  
Woden  
ACT 2606

Dear Chris,

**Sustainable Financial Future Project**

As requested I enclose a copy of the final report and appendices.

Yours sincerely,

Andrew Fleming  
Executive Director





## **Sustainable Financial Future Project**

Indigenous Business Australia

Submitted by MAXimusSolutions Australia



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# Indigenous Business Australia

## Sustainable Financial Future Project

### Introduction

Maximus Solutions Australia (MSA) was approached by Indigenous Business Australia (IBA) to assist with the Sustainable Financial Future Project. An initial meeting with Andrew Fleming (Maximus) and Dianne Rimington (IBA Deputy Chief Executive Officer (Commercial)) and Chris Fry (IBA Chief Executive Officer) was held on 16 March 2011 at which the requirements of the project were discussed.

At this meeting it was agreed that the project be progressed as follows:

- Conduct confidential one on one discussions between Andrew Fleming and each of the members of the IBA Executive team;
- Perform relevant financial modelling and desk top research; and
- Facilitate a plenary planning session with the Executive team to gain agreement on targets and actions for the future.

On 28 March 2011, a Scope of Work (**Appendix 1**) was prepared by IBA which detailed the requirements of the project to be delivered by MSA.

The Scope of Work set out the purpose of the project as follows:

To facilitate the development of a set of recommendations to the Board on IBA sustainable financial futures, with specific focus on identifying the critical issues relating to funding program expenditure and overheads and identifying a sustainable approach to achieving an optimum balance between meeting stated objectives and quality of service.

And the deliverables as follows:

- An agreed position on the optimum level of activities of all enabling programs. Where non-value adding or additional services required is identified, timing for effecting change to those services. If appropriate, prioritisation of services to be provided may be documented.
- Clarity regarding what each program wants from other programs as service providers.
- An agreed position on how to match funding sources to expenditure/deliverables.
- Provision of benchmark guidance on overhead costs over medium term for an entity such as IBA.

- Where identified, capture and report potential overlap or duplication of enabling service within IBA (e.g. activity being undertaken in program areas and enabling areas)
- Report on review outcomes including material relevant for IBA's preparation of Board report.
- An agreed position on where current cost structures are either too high or too low.

## Work Performed

The work performed by MSA is described in the paragraphs below.

### Executive Interviews

After an initial meeting with Chris Fry, Kaely Woods (IBA Deputy Chief Executive Officer (Business Support)), Dianne Rimmington and Satish Kumar (IBA Chief Financial Officer) on 31 March 2011, Andrew Fleming conducted one on one interviews of around 1 hour in length with each member of the Executive team commencing on 14 April 2011 in line with the timetable at **Appendix 2**. On the same day Chris Fry sent an email (**Appendix 3**) to the Executive team to set the scene for the interviews.

While individual executives had differing views a number of common themes emerged from these meetings which covered both strategic and financial issues. The main points which executives wanted addressed could be summarised as follows:

#### Strategic Issues

- Clarity of Direction and what we should be doing
- Refocus on our core activities
- Executive working together
- All executives with a better understanding of where we are and where we should be going
- Clear decisions and then let's get on with it
- Flatter structure and reduced bureaucracy

#### Financial Issues

- Control over the growth of support costs
- General agreement that support costs must be lower but which costs to cut and by how much?
- Allocation methodology for support costs
- Look at all costs not just support costs
- More transparency over performance of Delivery areas
- Better financial reporting

In addition, these meetings were extremely useful to understand the history of IBA particularly since 2005, when IBA took over the Homes portfolio from AT&S and the Business Development Program from the Department of Employment and Workplace Relations. This dramatic expansion in service delivery drove a similar expansion in support services resulting, at least in part, in the financial sustainability concerns today.

Importantly, the meetings provided the individual requirements and thoughts of each of the members of the Executive team particularly in relation to the cost and nature of the corporate support services (enabling services).

### **Financial Analysis**

MSA was provided with a Board paper titled Overview of Future Financial Position (**Appendix 4**) which was presented to the Board on 29 March 2011. MSA also examined the IBA internal 2011-12 Budget papers (**Appendix 5**) and the Portfolio Budget Statements 2010-11<sup>1</sup> and performed financial analysis with the assistance of Satish Kumar. This analysis is shown at **Appendix 6** and summarised in **Table 1** on the following page.

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<sup>1</sup> Budget Related Paper No.18 pp213 onwards

**Table 1****IBA 2011-12 Budget Operating Statement by Output Area**

\$m	Business Development	Home Ownership	HOIL	Equity and Investment	Other <sup>2</sup>	Total
Restricted Revenue		31.5	5.9			37.4
Free Revenue	27.1	13.0	4.1	21.2	3.3	68.8
Total Revenue	27.1	44.5	10.0	21.2	3.3	106.2
Direct <sup>3</sup> Costs	23.4	9.6	2.8	6.6		42.4
Support costs charged out on usage	1.8	1.2		1.3		4.4
Support costs allocated prorata	9.5	4.1	1.1	3.0		17.6
Operating Surplus/deficit	(7.5)	29.5	6.1	10.3	3.3	41.7
Required Surplus to cover restricted revenues	NIL	31.5	5.9	2.0 <sup>4</sup>		39.5
Increased surplus required	7.5	2.0	NIL	NIL	NIL	9.5

The analysis shows the budgeted operating statement for each Commonwealth program output after allocation of all corporate support costs (enabling costs) on a pro rata basis to the output delivery areas shown below:

- Business Development
- Home Ownership
- Home Ownership on Indigenous Land (HOIL)
- Equity and Investment

Importantly, the operating statement highlights the revenues that must be reinvested in each program (restricted revenues) and that while at a consolidated IBA Corporate level the total operating surplus of \$41.7m is sufficient to cover restricted revenues of \$39.5m; this is not the case at the individual program level.

<sup>2</sup> Represents interest earned on cash reserves not yet allocated to output areas

<sup>3</sup> Excludes write down allowances and impairment required by AASB 139

<sup>4</sup> Equity accounted profits from investments not immediately available



In effect, the Equity and Investment program and interest earned from free cash available as a result of project spending shortfalls are funding the deficit on the Business Development program (\$7.5m) and insufficient surpluses on the Homes program (\$2.0m).

This position is apparent after allocation of the Support Costs and while different allocation methodologies may be applied, for example based on the proportion of Full Time Equivalent staff, and this does affect the split of the shortfall in surpluses in the Business Development and Homes programs, it does not materially affect the overall shortfall in surplus. Allocation based on the proportion of FTE's rather than Direct Costs in fact marginally increases the shortfall to \$10m.

In summary, future financial sustainability will require improvements of up to \$9-10m in the results of the Business Development and Homes programs through reductions in Support Costs and Direct Costs as well as increases in revenues.

### **Analysis of Corporate Support (Enabling) Costs**

IBA has recently performed significant analysis of the corporate support costs including an Activity Based analysis of the 2010-11 costs which was provided to the Board and is included in **Appendix 4**. Further analyses of individual cost centres were also provided to MSA including Policy and Partnerships (**Appendix 7**), Finance (**Appendix 8**) and Corporate Services (**Appendix 9**).

MSA also noted that executive managers had been containing or trimming costs over recent months given a collective realisation that the costs were too high.

The 2010-11 budgeted support costs are included in the budget papers shown at **Appendix 5** and total \$17.6m or 27.3% of total costs.

### **Benchmarking**

There is limited publically available benchmarking data relating to Corporate Services. However, most surveys of the cost of the finance function indicate around 1 to 2% of total costs. In December 2000, the Australian National Audit Office (ANAO) released a finance function benchmarking study<sup>5</sup> which examined the costs and resourcing of the financial functions of 19 Commonwealth organisations (Commonwealth Group) analysed by a number of financial activities and compared the results with 'The Global Group' which comprised over 500 organisations on the Arthur Andersen database at the time. In June 2002 the ANAO produced a follow-on Report<sup>6</sup> which included benchmarking data for the three years 1998-99, 1999-2000 and 2000-01 for 14 (of the original 19) participating Commonwealth Group organisations.

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<sup>5</sup> ANAO Audit Report No.25 2000-2001 Benchmarking the Finance Function

<sup>6</sup> ANAO Audit Report No.62 2001-2002 Benchmarking the Finance Function Follow-on Report

In overall terms the ANAO found that finance staff in the Commonwealth Group comprised some 3.5% of total staffing and that the finance function represented a median cost of 1.0% to 1.3% of total expenditure (compared to 1% for the Global Group).

In relation to other corporate costs a UK benchmarking study<sup>7</sup> published in 2009 collected data from virtually all central government departments and agencies consisting of 153 entities with a total head count of close to 800,000 FTE's. The study examined the costs of five back office functions: Finance, Human Resources, Information Technology, Procurement and Property. The median results are shown in **Table 2** below:

**Table 2**

Function	Median cost of function as a percentage of total organisation <sup>8</sup>	Median number of FTE's in function as a percentage of total organisation <sup>9</sup>
Finance	0.9% to 2.1%	Not Available
Human Resources	1.1% to 1.9%	2.1% to 2.9%
Information Technology	4.6% to 12.6%	Not Available
Procurement	0.27% to 0.52%	Not Available

In addition Chris Fry obtained benchmarking information from Aboriginal Hostels Limited which is shown in **Table 3** below:

**Table 3**

Support Area	AHL	IBA
Board	0.8%	0.9%
Executive	1.8%	2.8%
Legal	0.3%	0.3%
HR	3.7%	2.3%
Information Technology	1.3%	2.6%

<sup>7</sup> HM Government Benchmarking the Back Office: Central Government

<sup>8</sup> Spread driven by size of organisation in survey. Information Technology costs are operational "run and maintain" costs and exclude transformation costs.

<sup>9</sup> Spread driven by size of organisation in survey

Caution should be exercised in reviewing this data since the figures may not be comparable. For example, the Information Technology, Legal and HR costs for IBA are shown after significant charge outs on a usage basis to output delivery areas.

The benchmarking data is summarised at **Appendix 10** and was discussed at the Executive Seminar. Consistent with the benchmarking information gathered, the Executive team then agreed to target Support costs at 20% of total costs compared to the current level of 27.3%. Based on 2011-12 budgeted costs this represents a reduction in Support Costs of \$6.0m to \$11.6m

### **One Day Executive Seminar**

The full executive team gathered for a one day session at University House on 11 May 2011. The Running Order is at **Appendix 11** and the Power Point Presentation is at **Appendix 12**. The Executive Officer took notes of the proceedings and outcomes and this is shown at **Appendix 13**.

Key outcomes from the day included:

- Agreement that Support costs should be reduced from 27% to 20% of total costs and that this should be achieved within 2 years. Executive Managers would produce revised expenditure forecasts for 2011-12 by 31 May 2011.
- Agreement to split the Policy & Partnerships cost centre into two areas consisting of;
  - a support cost centre comprising government relations and corporate strategy, and
  - a new output area aligned with the strategic objective of Promoting and Encouraging Indigenous Australian's self-management and economic self-sufficiency<sup>10</sup>. The new output area would not be included in Support costs and would be separately funded.
- Agreement to reduce Direct Costs by 2.5% or \$1.0m based on 2011-12 budgeted costs. Executive Managers would produce revised expenditure forecasts for 2011-12 by 31 May 2011.
- A portion, to be determined by the CEO and Board but up to 50%, of the Equity and Investments surpluses, would be retained for the next two years to fund capital requirements (e.g. Investments in Information Technology including the Finance System, Property rationalisation) and the transition to more sustainable corporate support costs.

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<sup>10</sup> P214 Portfolio Budget Statements 201-11 Budget Related Paper no.18

- Corporate Services would work on a new IT Strategy and improve HR delivery services
- Finance would investigate improved financial reporting and finance system replacements/upgrades to support the financial needs of IBA
- Legal would recommend appropriate controls to ensure requests for outside legal assistance by business areas are justified and represent value for money
- The CEO and DCEO's would examine the current property portfolio and examine possible rationalisation to reduce cost and meet future accommodation needs
- The CEO to review the function of the State Coordinators in the context of a proposed \$1m reduction in costs.

## **Satisfaction of Deliverables**

### ***Agreed position on optimum level of activities of all enabling programs***

The benchmark target of 20% and % targets for each of the individual support areas is an agreed position on the level of cost and activities. Further agreement will be reached on submission and review of forecasts by 31 May 2011

### ***What each program wants from service providers***

Initial agreement will be gained on submission of revised forecasts on 31 May 2011. In future, the annual budgeting process should be revised to include initial sessions with the objective of obtaining agreement from Output Delivery areas and Corporate Support areas on the services to be provided and the associated costs.

### ***How to match funding sources to expenditure/deliverables***

The Operating Statement by Output area at **Appendix 6** delivers this and should continue to be used by IBA to ensure clarity of funding and transparency of surpluses and deficits.

### ***Benchmark Guidance***

Included in this report and accepted by executives to gain agreement on the reduction in support costs from 27% to 20%.

### ***Report potential overlaps or duplication of enabling Services***

Some possible overlaps identified during the One day executive seminar and included in **Appendix 13**. Implementing a transparent and cooperative budgeting process between output delivery areas and corporate support areas will be vital in ensuring fresh service duplications do not get built in to the cost structure in future.

### ***Report on Review Outcomes***

This report summarises the work done and outcomes of the review.

### ***Agreed position on where current cost structures are too high or too low***

Achieved as one of the key outcomes of the One Day Executive Seminar.

### **Conclusion**

The requested outcomes have been delivered including agreed actions to deliver support costs at 20% of total costs in 2 years.

Importantly, this exercise has also gained agreement for a simple pro rata allocation of the corporate support costs to delivery output areas after the allocation method was shown to be less important than the underlying necessity to allocate the costs and examine the fully costed delivery area operating statement.

Financial reporting in future should mirror this output basis reporting to highlight the financial returns for each output area and ensure transparency of the associated funding.

The budgeting process in future should include the following key features:

- High level financial return targets for each output area
- Presentation of support cost budgets to output delivery areas to gain agreement on the nature of support services to be provided and the associated costs
- Presentations by the output delivery areas to the executive team of fully allocated operating statements for each output delivery area
- Agreement on where surpluses should be invested.

In summary, the future financial sustainability of IBA will be significantly enhanced through generating improved operating surpluses by:

- Targeting Support costs at a benchmark level of 20% of total costs;
- Cutting Direct Costs by 2.5%; and
- Funding a new output area aligned with the strategic objective of Promoting and Encouraging Indigenous Australian's self-management and economic self-sufficiency.



## **Sustainable Financial Future Project**

### **SCOPE OF WORK**

#### **Purpose**

To facilitate the development of a set of recommendations to the Board on IBA sustainable financial futures, with specific focus on identifying the critical issues relating to funding program expenditure and overheads and identifying a sustainable approach to achieving an optimum balance between meeting stated objectives and quality of service.

#### **Background**

IBA is currently structured with 3 operational Branches (Homes, Enterprises and Equity and Investments) delivering 4 Commonwealth programs:

1. Equity and Investment
2. Home Ownership Program
3. Business Development Program
4. Home Ownership on Indigenous Land

Delivery of these programs is supported by several enabling Branches, namely, Board, Executive, Policy and Partnership, Corporate, Finance and Legal.

The outputs are funded from internally generated revenue and Commonwealth contributions towards revenue and loan funding. Enabling services are currently funded by program surpluses or underspends and interest on bank funds and represent 36% of IBA costs (27% after direct attribution).

While IBA does not have immediate problems meeting enabling costs in this manner, there is a need to review these cost levels and achieve a balance with meeting IBA's objectives. It is contemplated this would involve rationalising overhead costs to a level sustainable for IBA's operations and prioritising the use of scarce funding resources to focus on value adding activities only.

#### **Work to be performed**

Facilitation of this phase of the Sustainable Financial Future Project will require, primarily, liaison with IBA Executive, though consultation with other parties may be necessary and is likely to involve arrangements determined by the consultant but similar to the following:

1. One to one interviews with members of the Executive (CEO, DCEO Commercial, DCEO Business Support, CFO, General Counsel, and AGMs Corporate, Partnerships, Investments, Homes and Enterprises).
2. One half-day plenary session with the Executive. Additional plenary sessions may be called for but these, if they occur, will be part of later phases of the Sustainable Financial Future Project.
3. Transcript of the plenary session (assisted by the Executive Officer, if required).

4. Further consultation as required to achieve the purpose of this scope of work. It is anticipated that the consultative process would be completed within approximately one month elapsed time.

### Timings & Location

It is anticipated that all works, including the plenary session, will be conducted at IBA's offices in Woden and, subject to staff availability, to the following schedule:

1. One to one interviews will be completed by 8 April 2011.
2. The Executive plenary session will be held in the week ending 15 April 2011.
3. The transcript of the plenary session will be presented in the week ending 22 April 2011.

### Material available

Detailed material will be made available to the consultant as background to the task. This will include:

- an Executive paper outlining a review of the funding process within IBA, enabling cost structures for 2010-11, allocation of costs incurred by enabling services across program and a mechanism to fund ongoing enabling costs
- emails from AGM Corporate and Partnerships providing more detailed costing of the enabling services provided to programs and an indication of mandatory and discretionary activity
- other material as requested and access to Finance staff should further costing work be required

### **Deliverables**

Following consultation, it is expected that deliverables will include:

- An agreed position on the optimum level of activities of all enabling programs. Where non-value adding or additional services required is identified, timing for effecting change to those services. If appropriate, prioritisation of services to be provided may be documented.
- Clarity regarding what each program wants from other programs as service providers.
- An agreed position on how to match funding sources to expenditure/deliverables.
- Provision of benchmark guidance on overhead costs over medium term for an entity such as IBA.
- Where identified, capture and report potential overlap or duplication of enabling service within IBA (eg activity being undertaken in program areas and enabling areas)
- Report on review outcomes including material relevant for IBA's preparation of Board report.
- An agreed position on where current cost structures are either too high or too low.



**Contact Officer**

The contact officer for the Sustainable Financial Future Project is:

Paul Coker  
(02) 6121 2606 and 0407 457 217  
paul.coker@iba.gov.au



## Schedule of appointments with IBA

RE: Sustainable Financial Future Project

Date	Time	Name	
<b>Thursday 14 April 2011</b>	9.00 am	Chris Fry, CEO	Level 5-BHW
	12.00 noon	Satish Kumar, Chief Financial Officer	Level 3-BHW
	2.00 pm	Gary Wright, AGM Enterprises	Level 1-BHE
	3.30 pm	Colin Clements, AGM Homes	Level 2-BHE
<b>Friday 15 April 2011</b>	9.00 am	Graeme Boulton, AGM Partnerships	Level 4-BHW
	10.30 am	Kirsty Gowans, General Counsel	Level 5-BHW
	12.00 noon	Peter O'Neill, AGM Corporate	Ground -BHE
<b>Tuesday 19 April 2011</b>	9.00 am	Kaely Woods, DCEO (Business Support)	Level 5-BHW
	11.00 am	Chris Smith <i>AGM Investments</i>	Level 1-BHE
	2.00 pm	Dianne Rimington, DCEO (Commercial)	Level 5-BHW



**LEVET, Amanda**

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**From:** LEVET, Amanda on behalf of FRY, Chris  
**Sent:** Thursday, 14 April 2011 12:02 PM  
**To:** O'NEILL, Peter; WRIGHT, Gary; KUMAR, Satish; CLEMENTS, Colin; SMITH, Christopher; GOWANS, Kirsty; BOULTON, Graeme  
**Cc:** WOODS, Kaely; RIMINGTON, Dianne; 'Andrew Fleming'  
**Subject:** Sustainable Financial Future Project [SEC=UNCLASSIFIED]  
**Categories:** UNCLASSIFIED

Colleagues,

I have this morning had my initial meeting with Andrew Fleming (Executive Director of Maximus Solutions Australia) who is our facilitator of this important process. I thank you all for setting aside time with Andrew over coming days.

Please take comfort that your discussions with Andrew will be on a confidential basis, and I have asked Andrew that any summary updates he provides me are to be of a general nature and to ensure that any comments can not be attributable to any individuals or operational areas.

Please enter your one-on-one discussions with Andrew with an open mind and wearing your IBA Director's hat, as consistent how I am asking all of us to approach our Executive meetings. This is one of the key planks of my strategy for IBA over this calendar year, and we get only one opportunity to reshape the direction on IBA. It might be beneficial to attend your meeting with Andrew any organisational charts, summary of key functions or your area's strategic plan for the year. However I would not go to additional effort, for essentially Andrew is after your thoughts.

Please be advised that Andrew has signed all confidentiality agreements and I have given him permission to seek whatever information he requires, since he is acting independently from me and the rest of the Executive..

Finally, I can advise that we have booked a full day session for an offsite plenary session on 11/5/11 for Andrew to facilitate with the Executive our recommendation of the future directions for the Board.

Grasp the opportunity, accept the responsibility and enjoy the journey !

Chris Fry | Chief Executive Officer (General Manager IBA) | Indigenous Business Australia  
W + 61 2 6121 2600 | M 0488 014 827 | F + 61 2 6246 6668 | PO Box 38, Woden ACT 2606  
[www.iba.gov.au](http://www.iba.gov.au) | Freecall™ 1800 107 107 (Calls to 1800 numbers from your home phone are free but from public and mobile phones may be timed and charged at a higher rate)



## BOARD-IN-CONFIDENCE



Australian Government  
Indigenous Business Australia

Date of Meeting	29 March 2011	Board Meeting No.	69
Location of Meeting	Canberra	Agenda Item No.	4 b
Title	Overview of Future Financial Position		
Major Budget Implications	Not Applicable		
Author & Position	Satish Kumar, CFO		
File Reference			


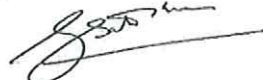
## PURPOSE

To inform the Board of issues surrounding the sustainability of IBA's funding position and to seek the Board's guidance on priorities for operational expenditure.

## RECOMMENDATION

It is recommended that the Board:

- Note the principles for funding operational and enabling expenditure within IBA
- Indicate preferences for a sustainable mechanism to fund strategic policy costs and overheads.

<b>AUTHORISATION</b>	
Chief Executive Officer: Mr Chris Fry	Signature: 
Chief Financial Officer: Mr Satish Kumar	Signature: 

## BOARD-IN-CONFIDENCE

IBA is organisationally structured into the following branches:

### Commonwealth Programs (outputs)

- 1.1 Equities & Investments (EI)
- 1.2 Home Ownership Program (HOP)
- 1.3 Business Development Program (BDP)
- 1.4 Home Ownership on Indigenous Land (HOIL)

### Enabling Branches (services)

- Board
- Executive
- Policy & Partnership
- Corporate
- Finance
- Legal

The outputs are funded from internally generated revenue and Commonwealth contributions towards revenue and loans funding. Enabling services are currently funded by program surpluses or underspends and interest on bank funds. IBA's funding structure is represented in Attachment 1.

This paper attempts to

- identify the critical issues relating to funding program expenditure and overheads
- stress the need for a sustainable approach to achieving an optimum balance between meeting stated objectives and quality of service delivery.

### 1. Critical issues to funding

- IBA does not have any immediate problems in meeting its costs with the current level of available cash at \$60 million (\$55 million in term deposit). This does not include funds identified to HOP / HOIL / Investments and BDP loans, all of which are capital / quarantined.
- However, using past reserve cash (\$55 million) for funding current expenditure is not appropriate nor sustainable in the long run
- BDP receives \$13.7 million every year from the Commonwealth for new loans. Current levels of new loan settlements match this funding. The cash from repaid principal and discharges are however not locked down in new lending. Ideally, provided the demand exists, the repayments should be channelled to increase the loan base.
- Enabling costs within IBA are currently funded by BDP grants underspend, general interest income and BDP loan repayments.
- Any future Commonwealth action on realigning programs, such as BDP, could result in IBA funding its overheads out of past reserves.
- The dividend income of the Investment program, after meeting direct costs, are reinvested into future investible funds and do not fund indirect overheads. There is a need to determine the balance between sustaining capital growth in Investments through revenue surpluses, against meeting indirect overheads for IBA's total operation.

### 2. Indirect Overheads (Activity Base):

Indirect overheads currently form 27% of IBA's total costs. There is a need to review these cost levels and achieve a balance with meeting IBA's Commonwealth objectives. This would involve:

- rationalising overhead costs to a level sustainable for IBA's operations
- prioritising the use of scarce funding resources to focus on value adding activities only.



**BOARD-IN-CONFIDENCE**

A detailed, activity based, analysis of indirect overheads are provided in Attachment 2.

**3. Funding for overheads**

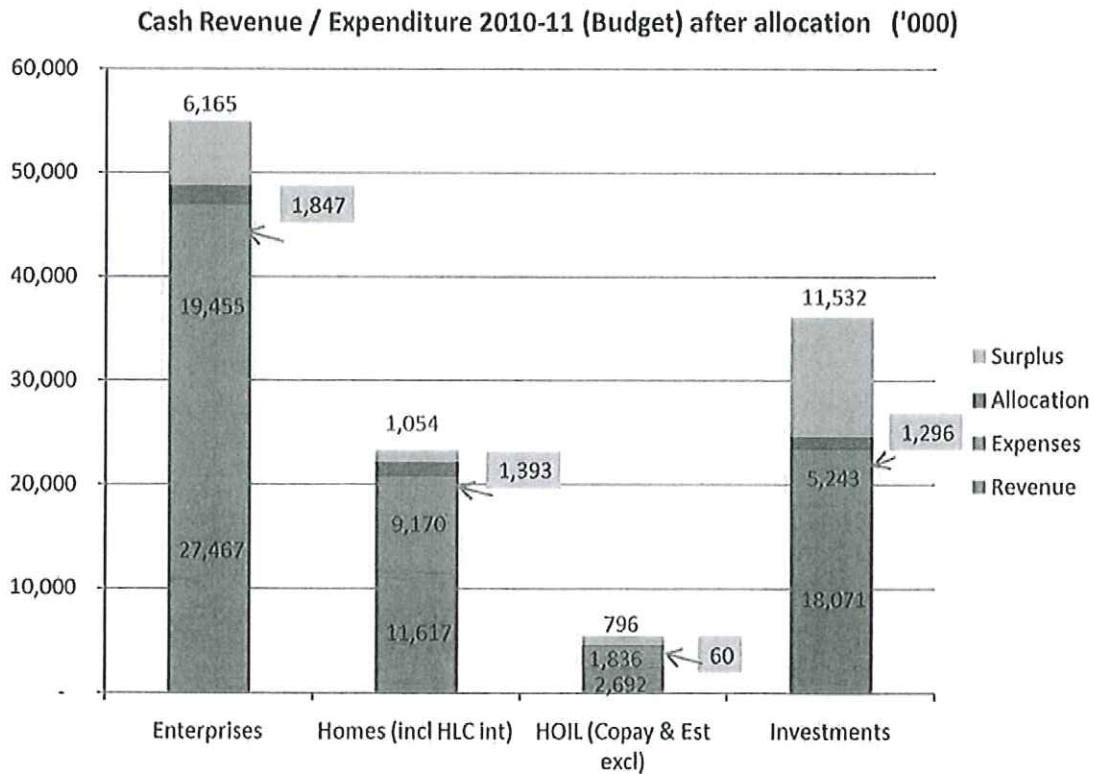
**Historical**

- Investments program revenue surpluses have traditionally (pre March 2005) provided the funding for enabling expenditure.
- However from 2005-06, after the loans programs were transferred in, the organisation staffing levels grew from 17 to 163 and increased staffing levels were funded by the loans programs. Investment program surpluses were ploughed back into investible capital and not contributed to meet overheads.
- From 2006-07, interest on general funds, BDP underspend and BDP loan repayments have funded overheads. This however exposes IBA to operational funding risk in the event of any future external reorganisation of program outputs.

**2010-11**

- Overheads for 2010-11 after allocation are forecast at \$17.5 million. Chart 1 below analysis the available surplus in Commonwealth programs after allocation of direct costs.
- The total program (Homes, BDP and Investments) surplus available to cover overheads is \$19.5 million. Interest revenue on general account is \$3.4 million. The combined fund of \$22.9 million is, on paper, adequate to cover overheads.
- However, the surplus revenue from Investments of \$1.5 million does not contribute funds to meet overheads, leaving a shortfall of \$6 million to be funded out of BDP loan repayments

**Chart 1**



## **BOARD-IN-CONFIDENCE**

### **4. Sustainable funding**

For the future it would be advisable to identify revenue sources to fund rationalised overheads on a sustainable basis and not rely on program underspends. To avoid the risk of funding overheads through capital or reserves as against revenue resources, following steps need to be considered:

- Formulate a mechanism to attribute Board, Executive support and policy and research costs to programs
- Prioritise and manage overhead activities optimally. Identify and eliminate non value adding activity.
- Designate a determined quantum of Investment cash surpluses and BDP revenues to meet overhead costs.
- Channel BDP loan repayments to increase the business loan base.

### **FINANCIAL COSTS AND OTHER RESOURCE IMPLICATIONS**

Not applicable.

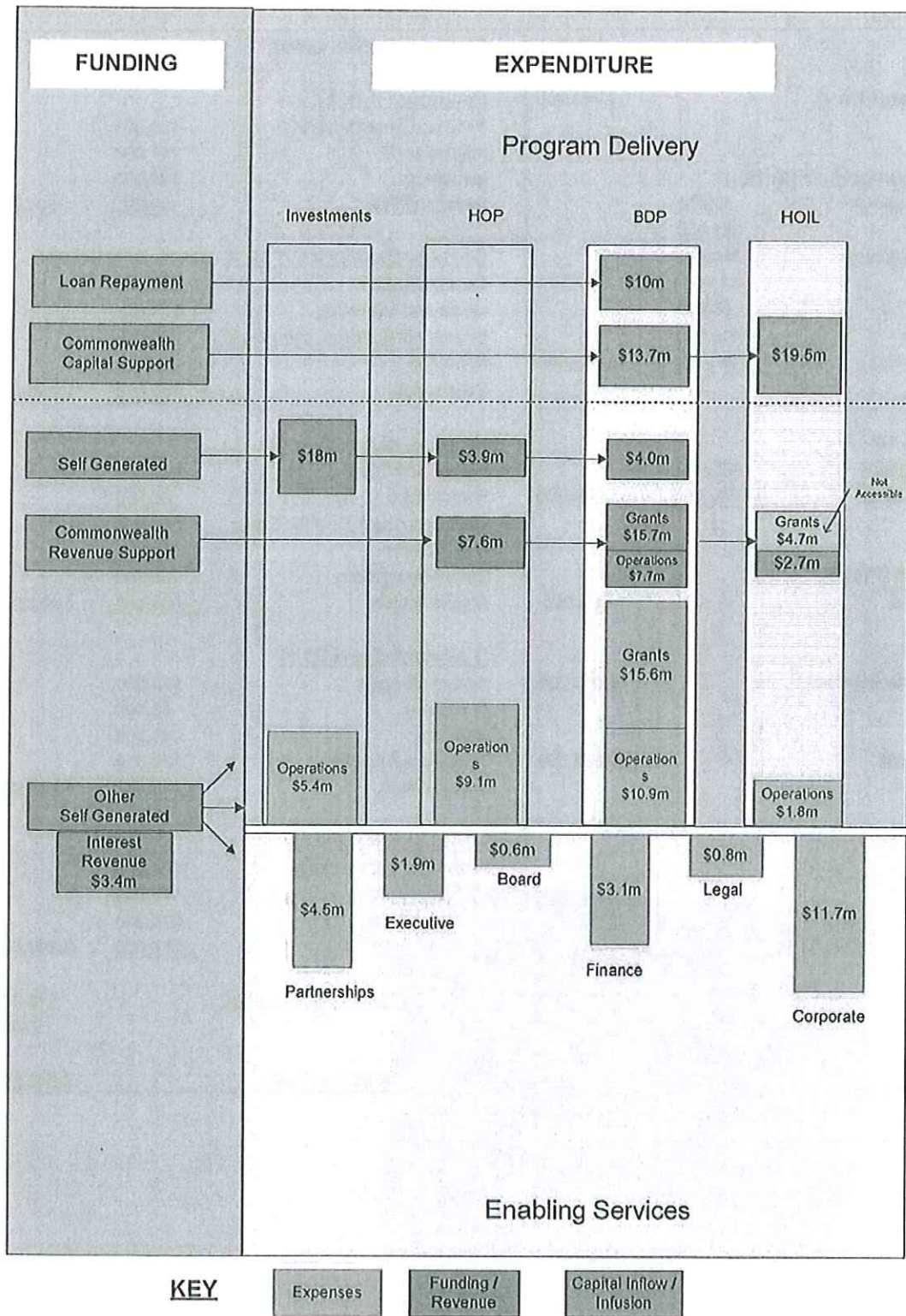
### **ATTACHMENTS**

1. IBA Expenditure and Funding 2010-11
2. Activity based analysis of overheads

### **ALIGNMENT WITH STRATEGIC PLAN AND INDIGENOUS ENGAGEMENT**

Not applicable

IBA Expenditure and Funding 2010-11



BOARD-IN-CONFIDENCE

Attachment 2

Activity based analysis of overheads 2010-11

<b>Board Costs</b>	623,000	<b>Corporate Branch costs:</b>	
<b>Executive Cost (FTE: 7)</b>	1,746,000	<u>Governance (FTE:2)</u>	
<b>Policy and Partnership (FTE: 16)</b>		Exec and Board support:	129,000
Strategic engagement	47,000	Internal audit:	147,000
Research	661,000	Insurance:	126,000
Strategic development	744,000	Fraud and Risk	<u>99,000</u> 501,000
Policy	544,000	<u>Corporate Development (FTE:9)</u>	
EDI	15,000	Communication	596,000
Administration	490,000	Media and Marketing	505,000
State Coordinators	<u>1,711,000</u> 4,212,000	Events, conferences, sponsorship	360,000
		Reporting	276,000
		Scholarship	<u>498,000</u> 2,235,000
<b>Finance (FTE: 14)</b>		<u>HR Administration (FTE: 7)</u>	
Finance - Budgeting	425,000	Payroll and Super	220,000
Financial Reporting	<u>1,483,000</u> 1,908,000	Recruitment	60,000
		OHS/Learning & Dev/ W. Comp	255,000
<b>Legal Services (FTE: 3)</b>		H R Projects	318,000
General support	383,000	Employee relations	163,000
		Administration	<u>454,000</u> 1,470,000
<b>Total Corporate Services</b>	8,650,000	<u>IT Administration (FTE: 6)</u>	
		System Support	985,000
<b>Total Overheads</b>	17,522,000	IT security	68,000
		Software	229,000
		Telephone / Admin	385,000
		Travel Admin	<u>145,000</u> 1,812,000
		<u>Office Services (FTE: 8)</u>	
		Property mgmt / security	827,000
		mgmt	416,000
		olicies	275,000
		ion	<u>686,000</u> 2,204,000
		Employment Strategy	416,000
			12,000
		<b>Corporate Services</b>	<b>8,650,000</b>

Homes & HOLL 71.25  
 HoP 20.5% 10%  
 Investment 22  
 Enterprises 70.8  
 all others 63.4  
 Total FTE 227.45

INDIGENOUS BUSINESS AUSTRALIA

APPENDIX 5

Income Statement	IBP		HON		HOEL		Equity & Investments		Construction		Policy & Partnerships	
2010-11 and 2011-12	2010-11 Budget \$'000	2011-12 Budget \$'000	2010-11 Budget \$'000	2011-12 Budget \$'000	2010-11 Budget \$'000	2011-12 Budget \$'000	2010-11 Budget \$'000	2011-12 Budget \$'000	2010-11 Budget \$'000	2011-12 Budget \$'000	2010-11 Budget \$'000	2011-12 Budget \$'000
<b>Program analysis</b>												
<b>INCOME</b>												
Revenue from Govt	23,428	23,894	7,618	7,771	7,412	7,456	-	-	-	-	-	-
Grants and Services	25	20	89	92	2,135	2,560	6,026	6,450	1,489	95	-	-
Interest	3,392	3,200	34,036	36,620	-	-	10,244	12,690	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Rents	21	18	-	-	-	-	2	159	212	-	-	-
Other Income	20,894	27,132	41,343	44,483	9,547	10,016	16,272	19,208	1,796	-	-	-
<b>Total Revenue</b>												
<b>Costs</b>												
Net Costs from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-
Construction - Loan Writero / Workback (reimbursement on investment)	-	-	-	-	-	-	-	-	-	-	-	-
Other joint	603	570	260	230	-	-	-	-	-	-	-	-
<b>Total Costs</b>	27,467	27,702	42,203	44,713	9,547	10,016	16,272	19,209	1,796	-	-	-
<b>TOTAL INCOME</b>												
	6,222	7,134	5,732	6,758	638	706	2,605	3,096	605	-	2,674	2,296
	4,615	4,835	3,404	2,992	976	1,990	2,570	3,236	1,070	-	1,242	1,074
	6	30	30	50	10	12	-	-	-	-	13	9
	100	120	85	96	17	18	57	79	7	25	20	20
	30	30	175	200	50	250	14	14	11	11	11	12
	984	1,250	22	100	335	410	683	690	920	499	201	201
	-	-	2	21	-	-	-	-	-	-	-	-
	10	5	5	5	-	-	-	12	-	-	-	-
	10	5	162	162	244	612	-	-	-	-	-	62
	30	30	182	182	10	20	180	201	7	-	-	-
	459	242	582	340	31	50	189	201	7	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	505	1,060	825	570	140	240	642	1,020	-	10	10	10
	5	5	20	25	2	7	7	2	-	2	2	2
	120	100	75	75	4	6	3	50	3	40	40	40
	20	25	10	10	1	6	82	83	3	31	31	31
	1,184	963	838	751	44	40	308	305	46	337	270	270
	25	25	20	20	2	2	2	2	2	1	1	1
	25	25	20	20	5	6	5	24	1	6	6	6
	60	60	15	20	5	20	25	106	-	15	15	15
	-	-	-	-	-	-	-	-	-	-	-	-
	40	140	75	85	5	3	44	110	3	36	36	36
	620	650	370	385	80	110	507	521	82	223	212	212
	18,501	11,000	-	-	-	-	5	-	-	283	283	283
	30	30	14	10	25	2	68	22	10	2	2	3
	5,380	7,137	44,495	30,200	1,800	3,120	190	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	1,224	450	985	250	235	65	65	250	-	-	-	-
<b>TOTAL EXPENSES</b>	29,615	30,626	51,649	30,826	3,892	5,882	6,619	6,603	1,685	4,201	3,652	3,652
Share of Op result of assoc's akc using equity method	-	-	-	-	-	-	1,800	2,000.00	-	-	-	-
<b>Operating result</b>	852	(2,923)	(12,616)	4,887	5,665	4,134	11,663	14,605	110	(4,201)	(3,652)	(3,652)
Income Tax	352	(2,923)	(12,616)	4,887	5,665	4,134	11,663	14,605	110	(4,201)	(3,652)	(3,652)
<b>Operating Result (before enable)</b>												
	500	(2,923)	(12,616)	4,887	5,665	4,134	11,663	14,605	110	(4,201)	(3,652)	(3,652)
<b>Enabling cost allocation</b>												
Real Vehicle	13	10	-	-	-	1	-	1	-	-	-	1
Office services cost	108	96	-	-	-	5	-	30	-	-	-	29
IT costs	644	582	-	-	-	31	-	181	-	-	-	160
Legal support costs	17	85	-	-	-	4	-	26	-	-	-	25
Executive costs	310	33	-	-	-	2	-	172	-	-	-	75
Finance support costs	165	29	-	-	-	2	-	852	-	-	-	59
Other General Program	415	395	-	-	-	21	-	4	-	-	-	4
<b>Total Enabling Costs allocated</b>	1,704	1,241	-	-	-	66	-	1,322	-	-	-	208
<b>Surplus (Deficit) after enabling costs allocation</b>	852	(4,007)	(12,616)	3,642	5,665	4,068	11,663	13,283	110	(4,201)	(3,942)	(3,942)
Net cash Adjustments	5,386	7,137	44,495	30,200	1,800	3,120	(6,379)	(6,540)	110	(4,201)	(3,942)	(3,942)
Unavailable Income	6,238	2,499	2,546	2,226	1,076	1,248	9,853	11,243	-	-	-	-
<b>Available cash surplus</b>												
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
	2,014	2,417	2,014	2,417	1,800	2,800	1,800	2,800	110	(4,201)	(3,942)	(3,942)
	1,685	1,800	1,800	2,800	1,800	2,800	1,800	2,800	110	(4,201)	(3,942)	(3,942)
	42,840	29,200	42,840	29,200	0	320	0	320	0	0	0	0
	44,495	30,200	44,495	30,200	1,800	3,120	1,800	3,120	110	(4,201)	(3,942)	(3,942)

\* FV account (ABS157) (314) ✓ 687  
 Bed debits 5,700 ✓ 6,500  
 Total WDA & impairment 5,386 7,137



Income Statement		Corporate Activities		Legal		Board		Executive		Finance		Total IBA Corporation	
2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Program analysis</b>													
<b>INCOME</b>													
Revenue from Govt	-	-	-	-	-	-	-	-	-	-	-	38,488	39,121
Goods and Services	-	-	-	-	-	-	-	-	-	-	-	1,112	1,112
Interest	-	-	-	-	-	-	-	-	-	3,371	3,315	46,053	52,145
Dividends	-	-	-	-	-	-	-	-	-	-	-	10,244	12,600
Grants	-	-	-	-	-	-	-	-	-	-	-	21	18
Herb	-	-	-	-	-	-	-	-	-	-	-	213	159
Other Revenue	-	-	-	-	-	-	-	-	-	3,371	3,315	96,593	104,154
<b>Total Revenue</b>	-	-	-	-	-	-	-	-	-	3,371	3,315	196,455	206,924
<b>EXPENSES</b>													
Salaries	-	-	-	-	-	-	-	-	-	-	-	803	800
Materials from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Concessional Loan Waiver / Waiverback	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment valuation increment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gain	-	-	-	-	-	-	-	-	-	3,371	3,315	803	800
<b>Total Profit</b>	-	-	-	-	-	-	-	-	-	3,371	3,315	196,455	206,924
<b>TOTAL INCOME</b>	-	-	-	-	-	-	-	-	-	3,371	3,315	196,455	206,924
Employees	4,659	4,174	503	329	349	1,451	1,498	1,451	1,498	1,425	1,575	26,464	27,595
Suppliers	6,763	7,676	287	204	258	440	466	440	466	1,101	635	22,563	23,448
Advertising/Marketing/Public Relation	216	483	-	-	-	-	-	-	-	4	-	280	584
Admin Fees	83	110	-	-	-	-	-	-	-	375	163	258	300
Communications (Telephone/Data/Internet)	208	226	6	2	3	19	19	19	19	25	27	544	609
Computer Charges (IT Expenses)	2,160	2,987	15	14	14	3	3	3	3	8	8	2,466	3,505
Consultancies	801	484	20	18	36	-	50	-	50	100	120	4,087	3,461
Director's Clubs	-	-	-	-	-	-	-	-	-	-	-	25	21
Freight & Carriage	264	225	-	-	-	-	-	-	-	-	-	209	242
Other Supplier	445	579	-	2	2	5	6	6	6	5	5	716	1,277
Other labor related expenses	-	-	-	-	-	-	-	-	-	-	-	224	420
Office Costs	-	-	-	-	-	-	-	-	-	-	-	1,072	640
Office (Concession)	-	-	-	-	-	-	-	-	-	-	-	285	343
Investment Property	88	92	-	-	-	-	-	-	-	-	-	-	-
Leases	47	60	200	2	2	80	60	80	60	2	2	2,401	3,222
Levy	41	50	6	6	6	3	3	3	3	3	3	87	104
Maintenance	26	41	3	6	12	11	12	11	12	5	7	281	344
Motor Vehicles	60	55	-	4	4	2	2	2	2	1	1	216	217
Office Accommodation	1,428	1,262	-	140	140	140	72	72	72	144	144	4,622	3,858
Office Property, Furniture & Equipment	164	133	-	-	-	1	1	1	1	441	50	636	262
Printing & Stationery	232	120	1	75	30	42	48	48	48	30	31	320	266
Postage	152	139	-	-	-	-	-	-	-	-	-	109	120
Computer	83	81	-	-	-	-	-	-	-	-	-	81	69
Storage/Retrieval System	257	208	6	3	3	16	24	16	24	28	21	2,476	2,476
Travel	206	201	9	187	192	103	163	103	163	63	35	2,401	2,476
Bank fees	-	-	-	-	-	-	-	-	-	-	-	88	25
Others	-	-	-	-	-	-	-	-	-	52	43	8,845	11,283
Depreciation and amortisation	1,110	992	-	-	-	-	-	-	-	52	43	1,336	1,092
Withholding tax	-	-	-	-	-	-	-	-	-	-	-	51,680	40,507
Income tax on bank of staff	-	-	-	-	-	-	-	-	-	-	-	388	-
Other Expenses (GDT)	-	-	-	-	-	-	-	-	-	-	-	4,000	1,015
<b>TOTAL EXPENSES</b>	11,932	12,842	790	623	604	1,891	1,964	1,891	1,964	2,778	2,524	115,475	104,940
Share of Op result of assets's sale using equity method	-	-	-	-	-	-	-	-	-	-	-	1,800	2,000
<b>Operating result</b>	(11,932)	(12,842)	(790)	(623)	(604)	(1,891)	(1,964)	(1,891)	(1,964)	593	1,461	(13,220)	2,015
Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating Result (before enable)</b>	(11,932)	(12,842)	(790)	(623)	(604)	(1,891)	(1,964)	(1,891)	(1,964)	593	1,461	(13,220)	2,015
<b>Enabling cost allocation</b>													
Other Vehicle	-	(27)	-	-	-	-	-	-	-	-	-	-	0
Other equipment used	-	(206)	-	-	5	-	11	-	-	-	-	-	(0)
IT costs	-	(1,400)	-	-	24	-	65	-	-	-	-	-	(0)
job costs	-	(252)	-	-	-	-	-	-	-	-	-	-	(0)
Legal support costs	-	-	-	-	(570)	-	(270)	-	-	-	-	-	(0)
Executive costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance support costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Support Projects	-	(890)	-	-	-	-	-	-	-	-	-	-	(0)
IT equipment cost	-	(44)	-	-	1	-	2	-	-	-	-	-	(0)
<b>Total Enabling Costs allocated</b>	-	(2,355)	-	-	(481)	-	(183)	-	-	-	-	-	(0)
<b>Surplus (Deficit) after enabling costs</b>	(11,932)	(9,484)	(790)	(623)	(604)	(1,891)	(1,781)	(1,891)	(1,781)	593	1,743	(13,220)	2,015
Net cash Adjustments	-	-	-	-	-	-	-	-	-	-	-	51,680	40,507
<b>Available cash surplus</b>	(11,932)	(9,484)	(790)	(623)	(604)	(1,891)	(1,781)	(1,891)	(1,781)	(13,220)	(1,522)	30,900	3,065





Indigenous Business Australia

Budgetted 2011-12 Income Statement by Output

	Enterprise	HOP	HOIL	Investments	Other	Total	% of Revenue	% of Total Costs
<b>Income</b>								
Government without restrictions	23,894	7,771	1,516			33,181		
Government with restrictions			5,940			5,940		
Free Interest Income	3,200	5,104	2,560	6,450	3,315	20,629		
Restricted Interest Income		31,516				31,516		
Dividends & Other	38	92		14,759		14,889		
<b>Total</b>	<b>27,132</b>	<b>44,483</b>	<b>10,016</b>	<b>21,209</b>	<b>3,315</b>	<b>106,155</b>	<b>100%</b>	
<b>Expenses</b>								
Directly Incurred by Output businesses	30,625	39,826	5,882	6,603		82,936		
Less AASB139 FV discount	-7,187	-30,200	-3,120			-40,507		
Net Direct Expenses	23,438	9,626	2,762	6,603	0	42,429	40%	66%
Managed Centrally but charged out based on usage	1,764	1,245	66	1,342	0	4,417	4%	7%
Expenses before Corporate Allocation	25,202	10,871	2,828	7,945	0	46,846	44%	73%
Support Costs Allocated based on % of Delivery area FTE's	9,461	4,081	1,062	2,983	0	17,586	17%	
<b>Total Expenses</b>	<b>34,663</b>	<b>14,952</b>	<b>3,890</b>	<b>10,928</b>	<b>0</b>	<b>64,432</b>	<b>61%</b>	<b>100%</b>
<b>Operating Surplus</b>	<b>-7,531</b>	<b>29,531</b>	<b>6,126</b>	<b>10,281</b>	<b>3,315</b>	<b>41,723</b>	<b>39%</b>	
Required surplus to cover restricted revenue	0	31,516	5,940	2,000		39,456		
Increase in operating surplus required	7,531	1,985	NA	NA	NA	9,516		



Enabling Costs Review  
Policy & Partnerships  
FY 2010-11\$'000

APPENDIX 7

Activity Group -->	1. Strategic Engagement	2. Research	3. Strategic Developme	4. Policy	5. State Coordinators	6. EDI	7. Admin/Alloc	TOTAL
<b>EMPLOYEE COSTS</b>								
No. Average FTE	0	2.09	1.1	2.75	7.67	0	2.39	16
Total Employee Costs	0.0	352.0	185.0	462.0	1,289.0	0.0	403.0	2,691.0
Notes:								
1. 1 FTE subsequently reduced from Research								
2. 1 FTE subsequently reduced from Policy								
3. State Coordinator includes 50% allocation of AGM time.								
4. Admin includes 2 FTE that should be allocated to the new EDI function.								
5. Admin - will reduce by 1 FTE in next month								
6. 2 FTE are on 12 months LWOP. May or may not return to IBA.								
7. 50% of AGM in Admin group.								
8. 16 headcount divided by average employee cost of \$168K to derive average FTE per Activity Group								
<b>SUPPLIER COSTS</b>								
Advertising	1.3	3.8	3.8	1.3	0.0	1.3	0.0	11.5
Telephone	2.3	2.3	3.4	3.4	5.7	0.0	2.3	19.3
Computer	1.3	1.3	1.9	1.9	3.2	0.0	1.3	10.7
Consultants	0.0	254.4	183.0	16.5	10.4	0.0	0.0	464.2
. Research:								
- Bowchung - Enterprises - Longitudinal Study - \$80K left to run next FY						100.4		
- Urbis - Homes - Cost Benefit HOP vs public housing - no further financial commitment						49.9		
- Mapmakers - Enterprises - Density Maps - no further commitment						14.1		
- DKCRC Survey - Enterprises - Survey of Indig businesses - no further financial commitment						10.0		
- RMIT Linkage Grant - Enterprises - no further financial commitment						10.0		
- Project not started						40.0		
- Project not started						30.0	254.4	
<b>. Strategic Developments</b>								
- Maningrida ICIB - Enterprises - remote sm bus dev - no further financial commitment						38.0		
- NSW ICIB project - Walgett NSW - no further financial commitment						50.0		
- State Coordinator project - MG Corp /Many Rivers contribution - not spent - one off						30.0		
- WA State Coordinator project - collab/contrib housing model - one off						50.0		
- NSW State Coordinator - Indig Tourism Champions Program - technical assistance - one off						15.0	183.0	
<b>. Policy</b>								
- APUS Business Solutions - temporary staff cost - as needed						16.5	16.5	
<b>. State Coordinators</b>								
- Think One Team - facilitation of SC review/regional planning - one off						10.4	10.4	464.2
Legals	0.0	4.0	4.0	0.0	0.0	2.0	0.0	10.0
Library	0.0	1.6	0.0	0.4	0.0	0.0	0.0	2.1
Meetings	3.9	3.9	7.8	3.9	15.5	3.9	0.0	38.8
Motor Vehicles	0.0	0.0	0.0	0.0	30.7	0.0	0.0	30.7
Office Accommm	28.0	28.0	42.1	42.1	154.3	0.0	28.0	322.5
Office Equip	0.0	0.0	0.0	0.0	0.4	0.0	1.6	2.0
Printing & Stationery	0.0	0.0	0.0	0.0	1.6	0.0	5.8	7.4
Recruitment	1.6	1.6	1.6	1.6	1.6	7.8	0.0	15.5
Training	4.2	4.2	6.4	6.4	10.6	0.0	2.1	33.9
Travel	4.5	4.5	22.3	4.5	187.2	0.0	0.0	222.8
Grants	0.0	0.0	283.0					283.0
- Indigenous Business Council of Australia - funding agreement \$704K in total \$283K next FY						283		
Total Supplier Costs	47.0	309.6	559.2	81.8	421.1	14.9	41.1	1,474.6
<b>TOTAL COSTS</b>	<b>47.0</b>	<b>661.6</b>	<b>744.2</b>	<b>543.8</b>	<b>1,710.1</b>	<b>14.9</b>	<b>444.1</b>	<b>4,165.6</b>

Types of Activities in Each Activity Grouping

1. Strategic Engagement

Stakeholder database development and maintenance  
 Speech writing/presentations  
 Writing strategy documents  
 Business Conversations events  
 Relationship development and maintenance

Comments:

- . 0 FTE currently allocated to these activities
- . 2 FTE moved from this activity to work on EDI transfer
- . Database is in production
- . Limited capacity to develop the database further
- . We no longer do these. FTE working on this resigned and not replaced.
- . No specific activity assigned

2. Research -

Research projects and costs are detailed on Costs page

- . 1 FTE (Rebecca Devitt) does this activity now.
- . Staffing reduced by 2 FTE during last year.
- . Out-year commitments:
  - . Bowchung - enterprises \$80K next FY
  - . ARC Linkage Grant - enterprise study - \$100K, \$50K, \$50K over next 3 Fys

3. Strategic Developments

Major projects e.g. DEEWR/IBA realignment  
 Strategic plan development  
 Business plan coordination  
 New concept development

- . Largely 1 FTE (Kirsti McQueen) plus other staff allocations of time
- . \$183k of supplier costs are state collaborative projects with SCS (see Costs page)

4. Policy

Preparation of written submissions/reports/briefs/minutes/papers  
 Response to ad hoc requests  
 Input to interagency developments  
 Cross program input/work  
 - M Policy development including NPPs  
 Reporting of events/progress etc

- . 2 FTE at present - Roger Hall and Scott Nesbitt
- . 1 FTE is on LWOP at Treasury (may not return?)

5. State Coordinators

Relationship development and maintenance  
 Reporting and intelligence  
 Providing advice  
 Regional plans  
 New SEDIs

- . 4 x SC Level 7 positions plus a L5 assistant position in Brisbane
- . 1 SC in Brisbane has been on long term sick leave
- . Tom Jenkins has moved into this group after Constructions Branch dissolved (L7)
- . Headcount is 6, but allocation of FTE is 7.68 due to support from other FTE

6. EDIS Economic Development Initiatives

- . This activity recently transferred from Enterprises
- . Activity is being done within existing FTE by existing staff (Kyle and Nicole)
- . State Coordinators are now sponsors for each SEDI

7. Admin/Support

Finance payments  
 Budgets  
 Travel bookings epec/mainly for SCS  
 Office management  
 General office duties

- . 50 % of AGM allocated here for the present
- . 1 FTE for office admin (both P/T: Nicky Nowell+ Jocelyn Kidd = 1 FTE approx)
- . 2 FTE for the EDI function are costed here but should be in 6. EDIS

Finance 9204	Total	Investments (4+0.5+0.5)	Financial reporting	Budgets (1+0.5+0.5)
<b>FTE</b>	<b>14</b>	<b>5</b>	<b>7</b>	<b>2</b>
		<b>36%</b>	<b>50%</b>	<b>14%</b>
<b>EXPENSE</b>				
Employees	1,575	555	784	236
Audit Fees	165	58	83	25
Communications (Telephony/DataComms)	27	9	14	4
Consultancies	120	42	60	18
Office Accommodation	144	50	72	22
Office Property, Plant & Equipment	50	18	25	8
Recruitment	31	11	16	5
Training	23	8	12	3
Bank fees	25	9	13	4
Other	51	18	26	8
Depreciation	43	15	22	6
Allocation	169	59	85	25
<b>Total</b>	<b>2,423</b>	<b>852</b>	<b>1,208</b>	<b>363</b>



Function & Activity	Activity Considered as Mandatory or Discretionary	Impact on Org if Activity Dropped or Budget &/or FTE Reduced (High, Medium, Low)	Direct Budget/Supplier Spend of Function/Activity	2010 - 11 Budgeted & Approved FTE	Actual FTE	Indirect Cost of Function/Activity (Salaries + super)	Function/Activity Cost Direct & Indirect (not inc attributions)	Spend Attributable (either current or proposed)	Total Cost of Function/Activity Direct & Indirect (inc Corporate share of rent & IT)
<b>Corporate - 9201</b>									
Admin (Mngt, Training, travel, recruitment, phones etc)			26,000	2.0	1.0	227,400	253,400		
<b>Corporate Development - 9209</b>									
Communications (includes int/ext & design)	M & D	Med - High	656,666	8.6	7.1	812,000	1,468,666		2,098M
Marketing (includes advertising, & collateral)	D	Med	71,560		3.0	333,000	404,560		
Sponsorships	D	Low - Med	174,700		0.3	37,500	212,200		
Events & Conferences	D	Low - Med	100,000		0.4	35,500	135,500		
Media (media monitoring, crisis mngt)	D	Low - Med	40,000		0.3	28,000	68,000		
Reporting (includes AR, Ministerial & Parliamentary)	M	High	54,228		0.6	70,000	124,228		
Admin (Mngt, Training, travel, recruitment, phones etc)	D	Med - High	74,500		0.9	95,000	169,500		
			141,678		1.6	213,000	354,678		
<b>Scholarships - 9743</b>									
	D	Low - Med	266,000	0.0	1.1	100,000	366,000		
<b>Governance - 9240</b>									
Exec & Board Committee Support	M	Med - High	201,000	2.0	2.0	202,500	403,500		494,180
Audit	M & D	Med - High	20,000		0.3	30,000	50,000		
Fraud	M	Med - High	83,000		0.5	54,500	137,500		
Risk	M & D	Med - High			0.3	29,500	29,500		
Insurance (Comcover)	M & D	Med - High	88,000		0.3	29,500	117,500	197,000	
Protective Security	D	Med - High			0.3	29,500	29,500		
Admin (Mngt, Training, travel, recruitment, phones etc)	D	Med - High	10,000				10,000		
<b>HR - 9205</b>									
HR Payroll Processing	D	Low - Med	426,763	6.2	6.0	722,500	1,149,263		1,491M
Comcare	M	Med - High	60,850		1.5	139,000	200,000	60,850	
Super	M	Med - High	108,525		0.4	61,000	172,500	108,525	
Recruitment	M	Med - High	42,000		0.5	45,500	87,500	42,000	
OH&S	D	Med	4,000		0.4	34,000	38,000		
Learning and development	M	Med - High	5,000		0.2	20,000	25,000		
Organisational HR Projects (e.g. PAS, CA)	D	Low - Med	110,308		0.2	20,000	130,308	12,000	
ER Matters	D	Med - High	230,881		0.5	62,500	293,381		
Workforce planning & reporting	D	Low - Med	16,124		0.9	126,500	142,624		
Admin (Mngt, Training, travel, recruitment, phones etc)	D	Med - High	60,450		1.2	20,000	200,000		
						191,000	251,450		
<b>IES - 9232</b>									
	D	Med - High	131,000	1.0	0.4	40,000	171,000	245,000	416,000
<b>Office Services - 9210</b>									
Accommodation (Rent & Outgoings)	D	Low - Med	872,101	11.0	8.0	645,365	1,517,466		1,774M
ICC Contribution	D	Low - Med			0.8	62,344	62,344	3,260M	
Records management	M & D	Med - High	70,000		1.6	129,567	199,567	100% direct costs attributable next budget cycle	
Security	D	Med	60,000		0.2	15,586	75,586	?	
Admin (1800, fax machines, switch phones, security lines, regional mini maxs, regional admin support)	D	Med			2.6	176,254	176,254	50% direct costs attributable in next budget cycle	
Fleet	D	Low	30,750		0.2	15,586	46,336	100% direct costs attributable next budget cycle	
Couriers, Freight & Postage	D	Low - Med	219,500		0.6	43,234	262,734	80% direct costs attributable next budget cycle	
Office PP&E	M & D	Med - High	135,400				135,400		
Printing & Stationery	D	Low	59,200		0.2	15,439	114,639	100% direct cost attributable next budget cycle	
Relocations	D	Low	257,251		1.0	125,011	558,516	945,000	
Admin (Mngt, Training, travel, recruitment, phones etc)	D	Med - High							
<b>IT&amp;T - 9206</b>									
IT - systems support	M & D	Med - High	900,600	4.8	4.8	416,500	1,347,100	2,000,000	1,646M
IT - security	M & D	Med - High	802,600		2.0	147,500	950,100	151,000	
IT - Software (SAP)	M & D	Med - High	18,000		0.2	25,000	43,000	25,000	
Telephony (Landlines, Mobiles, Blackberrys, Modems)	M & D	Med - High	30,000		1.2	124,000	154,000		
IT - Admin	M & D	Med - High	22,000		0.4	40,000	62,000		
Travel Administration	D	Med	28,000		1.0	110,000	138,000		
Notes									
37 Positions Budgeted 2010 - 11									
32 Filled									
1 GRW, 1 GRW (alt), 1 vacant									
6 PF									
2 Non - Ongoing									
<b>Assumptions</b>									
All figures based on actuals where possible & current volume of activity ie 100% Rate of Effort									
No new initiatives/projects or additional requirements of existing activities budgeted ie figures for reforecasted 2010 - 11 budget only									
Depreciation has not been accounted for									
My costs have been attributed as a 1/5 across each function									
Annual leave & LSL accruals not included									
<b>TOTAL</b>			<b>3,490,130</b>	<b>37</b>	<b>32</b>	<b>3,306,265</b>	<b>6,796,395</b>		<b>7,919,180</b>





Indigenous Business Australia

Analysis of Budgetted 2011-12 Support Costs

Support area	2011-12 Budget \$000	% of Total Costs	Benchmarking	% of Total Costs
Policy & Partnerships	3,942	6.1%	Research & Development, Corporate Strategy and Government relations probably no more than 3% but additional functions included here (State Coordinators)	3.0%
Corporate Activities	9,484	14.7%	Human Resources (1-2%), IT mainly charged out (no more than 3%), Office Services (say 2%), Other (3%)	10.0%
Legal	203	0.3%	Mostly charged out - represents corporate activity	0.3%
Board	604	0.9%	Need to examine but high	0.9%
Executive	1,781	2.8%	High at 2.8%	2.0%
Finance	1,572	2.4%	Specialist work for Investments already charged out. Normal 1-2%	2.0%
Total	17,586	27.3%		18.2%



**Indigenous Business Australia**

**Sustainable Financial Future Project – Plenary Session**

**Wednesday 11 May 2011**

**Venue: Seminar Room, University House, 1 Balmain Crescent, Acton**

**Running Sheet**

9.00 am	Session commences
10.30 -11.00 am	Morning Tea
12.30 – 1.00 pm	Lunch
3.00 – 3.30 pm	Afternoon Tea
5.00 pm	Session concludes

**Indigenous Business Australia**  
**Sustainable Financial Future Project – Plenary Session**  
**Wednesday 11 May 2011**

**Venue: Seminar Room, University House, 1 Balmain Crescent, Acton**

**Attendees**

***Facilitator***

④ Andrew Fleming, Maximus Solutions Australia Pty Ltd

***IBA***

- ① Chris Fry
- ② Dianne Rimington
- ③ Kaely Woods
- ④ Peter O'Neill
- ③ Gary Wright
- ① Satish Kumar
- ⑤ Colin Clements
- ⑥ Chris Smith
- ⑤ Kirsty Gowans
- ⑥ Graeme Boulton
- ② Paul Coker (Secretariat)

# IBA Facilitation Running Order

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<b>9.00 -9.15</b>	<b>Welcome</b>	<b>Andrew</b>	<b>Margaret Mead</b>
<b>9.15-9.30</b>	<b>Why we are here</b>	<b>Chris</b>	
<b>9.30-9.45</b>	<b>Feedback from the One on ones</b>	<b>Andrew</b>	
<b>9.45-10.30</b>	<b>Financial Position</b>	<b>Andrew</b>	<b>Accountancy</b>
<b>10.30-11.00</b>	<b>Morning Coffee</b>		
<b>11.00-11.45</b>	<b>Review of Support Costs</b>	<b>All led by Andrew</b>	<b>Discussion</b>
<b>11.45-12.00</b>	<b>Review of Direct Costs and Revenues</b>	<b>All led by Andrew</b>	<b>Discussion</b>
<b>12.00-12.15</b>	<b>Agree targets</b>	<b>Andrew</b>	
<b>12.15-12.30</b>	<b>Set up Break out Groups for post lunch session</b>	<b>Andrew</b>	<b>Discussion</b>
<b>12.30-1.30</b>	<b>Lunch</b>		
<b>1.30 -2.30</b>	<b>Break Out Groups flesh out the targets</b>	<b>Groups</b>	<b>Gifts interview</b>
<b>2.30 - 3.00</b>	<b>Afternoon Tea</b>		
<b>3.00-4.00</b>	<b>Presentations</b>	<b>Groups</b>	
<b>4.00-5.00</b>	<b>Wrap up</b>	<b>Andrew/Chris</b>	



# Indigenous Business Australia

Sustainable Financial Future

Meeting of the Executive

11 May 2011

# Road Map for the Day

- Welcome
- Why we are here – the Burning Platform
- Feedback from the one on one sessions
- Financial Position
- Review of Costs
- Agree targets
- Lunch
- Break out to flesh out targets
- Report Back
- Wrap Up



**Never doubt that a small group of  
thoughtful, committed people can  
change the world**

**Indeed, it is the only thing  
that ever has**

**Margaret Mead**

# The Burning Platform

- Current Funding Arrangements will not survive external scrutiny
- Insufficient financial returns to support current initiatives
- Lack of clarity on the strategic imperatives - What should we be doing and how should we fund them?
- Timing is right
  - New CEO
  - Consolidation post 2005
  - Desire to get on with it

# Desired outcomes for the Day

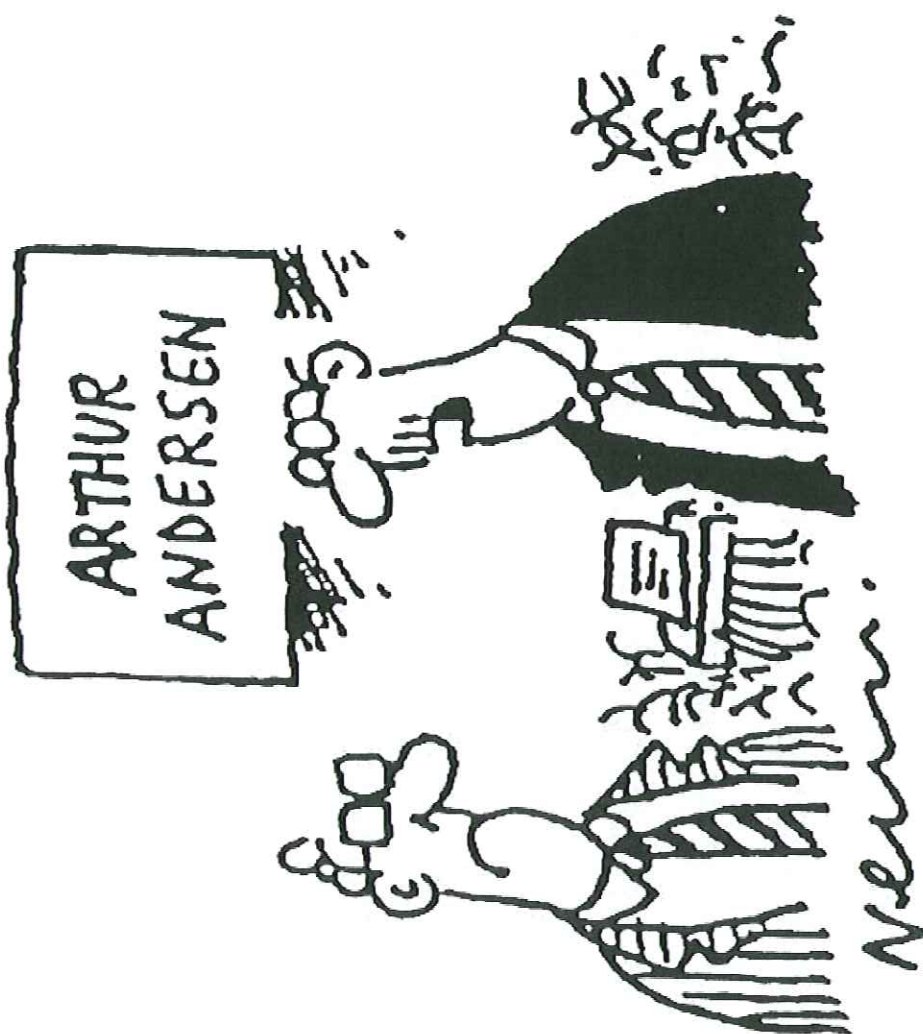
- Common understanding of the Financial Position
- Agreed financial targets for support and direct costs
- Agreement on the strategic imperatives for 2011

# What you are looking for

- Strategy
  - Clarity of Direction and what we should be doing
  - Refocus on our core activities
  - Executive working together
  - All executives with a better understanding of where we are and where we should be going
  - Clear decisions and then let's get on with it

# What you are looking for

- Financial
  - Control over the growth of support costs
  - General agreement that support costs must be lower but which costs to cut and by how much?
  - Allocation methodology for support costs
  - Look at all costs not just support costs
  - More transparency over performance of Delivery areas
  - Better financial reporting
  - Flatter structure and reduced bureaucracy



*'It was the danger and excitement that  
attracted me to accountancy.'*

# Financial Position

- Examine the Budget Income Statement for 2010-11

# Increase Operating Surplus by \$10m

- Increase Revenues
  - More Lending/Better Returns
- Reduce Direct Delivery Costs
- Reduce Support Costs

We will now examine these options as a group and  
develop high level targets

After lunch you will break into groups and flesh out  
detailed deliverables



# Support Costs

- Examine each of the Support areas led by the Executive in charge
- Increase understanding of services provided
- Capture the “must have” service provisions

# Benchmarking Information

- Review slide on Excel

# Revenues and Direct Costs

- Examine each of the Delivery areas led by the Executive in charge
- Increase understanding of services provided
- Identification of any duplicated costs

# High Level Targets

- Support costs as a % of total cost
- % increase in revenues
- % decrease in Direct Costs
- Treatment of Policy and Partnership
- Investment strategy targets

Review excel spreadsheet

# The Task

- Delivery Areas
  - Improvements in Revenue
  - Cuts in Direct Costs
  - Investment Strategy
- Support Areas
  - New Budgets to meet the financial targets and deliver the ‘Must haves’
  - Treatment of Policy and Partnerships



## SUSTAINABLE FINANCIAL FUTURE PROJECT

### 11 May 2011 Workshop Summary

**Attendees:** Chris Fry, Kaely Woods, Dianne Rimington, Colin Clements, Chris Smith, Satish Kumar, Kirsty Gowans, Graeme Boulton, Gary Wright, Peter O'Neill

**Facilitator:** Andrew Fleming, MAXimus Solutions Australia (MAXNetWork Pty Ltd)

After welcoming participants, Andrew Fleming ran through the agenda for the day:

- Why we are here – the Burning Platform
- Feedback from one-on-one sessions
- Financial position
- Review of costs
- Agree targets
- Flesh out targets

Andrew offered the following quote:

“Never doubt that a small group of thoughtful, committed people can change the world. Indeed that is the only thing that ever has.” Margaret Mead.

### THE BURNING PLATFORM

Chris Fry said that the day was about controlling our destiny before others control it for us. He made the following key points:

1. Current funding arrangements will not survive external scrutiny.
2. Insufficient financial returns to support current initiatives.
3. Lack of clarity on the strategic imperatives – what should we be doing and how should we fund them?
4. The timing is right new CEO; consolidation post 2005; desire to get on with it.

Outcomes for day:

1. Common understanding of the financial position
2. Agreed fin targets for support and direct costs.
3. Agreement on the strategic imperatives for 2011.

### FEEDBACK FROM ONE-ON-ONE SESSIONS

Andrew Fleming made the following points:

- Strategy
  - Clarity of direction and what we should be doing
  - Refocus on our core activities
  - Executive working together
  - All executives with a better understanding of where we are and where we should be going
  - Clear decisions and then let's get on with it
- Financial
  - Control over the growth of support costs

- General agreement that support costs must be lower but which costs to cut and by how much
- Allocation methodology for support costs
- Look at all costs not just support costs
- More transparency over performance of delivery areas
- Better financial reporting
- Flatter structure and reduced bureaucracy

In relation to "Strategy" Peter O'Neill said there was a lack of business strategy.

## **FINANCIAL POSITION**

Andrew Fleming suggested that a Budgeted Income Statement was a good place to start. In relation to this, Dianne Rimington said that using an Income Statement approach may mean some restrictions in relation to appropriations.

Andrew highlighted that unassigned support costs of \$17.6 million were 27% of total costs. Taking a Budgeted Income Statement approach, and allocating support costs on a percentage of delivery area FTEs, means that Enterprises would have a deficit of \$7.5 million in 2011-12 and Homes a deficit of \$2 million with an overall \$9.5 million operating surplus shortfall. Changing the allocation basis changed the relative proportions between program areas but not the total significantly.

The Executive expressed no great surprise with this situation and commented that it had been like this since taking over BDP in 2005. It was actually getting worse.

Discussion focussed on the need to increase the operating surplus by \$10.0 million. This can do this in several ways:

1. Increase revenues
2. Reduce Direct Delivery Costs
3. Reduce Support Costs.

Chris Fry emphasised that he was not looking to cut \$10 million in one year, maybe three years. Dianne Rimington suggested this should be more like 18 months to two years. The consensus view was that the operating surplus needs to be increased by \$10 million by 30 June 2013.

## **SUPPORT COSTS**

Andrew Fleming queried what were the "must haves" for each support area:

### **Board**

- Main costs are director's fees and travel.
- Jenny Morison should be a Board cost.
- Our Board is relatively low cost.

### **Executive**

- CEO, two DCEOs, EO, two EAs, "surplus" AGM (\$200k with on-costs).
- Need to consider whether we need two Deputies and two EAs.



## **Policy/Partnerships**

- A number of things are not must haves, they are discretionary.
- Have lost 4 permanent staff in recent times. The research capability has gone from two to one FTEs as an example.
- 2 people in Policy.
- 5 FTE State Coordinators.
- State Coordinators take up a lot of the travel cost in the Branch.
- Some costs are deliverables to external customers, so are not really support costs. Colin Clements queried whether we should have picked up some of these external functions. Some things have been discontinued such as "Conversations" but some things have been taken on such as Scholarships and State Coordinators.
- The rationale for maintaining State Coordinators was queried. Does the original problem and reason for their existence still apply?
- Chris Fry said we need to work out and tell Board which activities are good value and which are not.

At this point Chris Fry pointed to the State Coordinators as being one of "elephants in the room". He said we need senior people out in the States in one form or another and we need to assume them as part of structure for today - but maybe this can be done at lower cost. Dianne Rimington said that at least some program areas, such as Investments, were not getting value from State Coordinators and, accordingly, were looking at different ways of doing business. The number of State Coordinators was queried. There was broad consensus that \$1 million should be stripped from the State Coordinators budget.

There was some discussion about treating Partnerships on a two compartments basis - policy and external functions. It was suggested that we may need to change Policy & Partnership's name to Policy only.

It was noted that we need to recast the budget.

## **Finance**

- In more recent times numbers dropped from 16 to 14.
- Better system software would save one person. If brutal could drop two (\$150k) but would need around \$700k capital.
- Hard to recruit in budget and subsidiaries areas, the latter involving the preparation of consolidated financials. The person doing the budget function is an IBA5 but should be an IBA6. More cross-skilling might be worth some consideration.
- The possibility of outsourcing some functions was discussed. Satish Kumar explained that this is done for matters such as tax but is expensive. Could look at outsourcing all of Investments-related work. Chris Smith said that his team had looked at this but it would only be a tiny saving at best.
- It was noted that it took three weeks to upload budget changes; there needs to be an investment in systems.
- Chris Fry raised the issue of critical business risk - if we lose Satish, this would be exacerbated by poor systems. Satish Kumar to prepare a report on a Finance systems upgrade by the end of June.

## Legal

- Currently have two FTEs.
- A lot of work is generated by Investments.
- The team must keep it certification up to date.
- Need to use external parties as efficiently as we can; to do this they need to be properly tasked and briefed. Kirsty Gowans said that we currently rate a 6/10 for getting people to source their legal requirements through Legal. Chris Fry said that a clear protocol is required.
- Currently looking for 5% claw back from consultants.

## Corporate

- Mandatory activities are considered to be those that are legislative requirements or those that have the potential to hurt the organisation if they were not performed.
- Have already been reducing costs. There is likely to be a \$1.3 million underspend this year so this saving has effectively been already secured for future years. So far staff numbers have fallen by six, down to 32; people are not being replaced as they leave. There has been no drop off in service.
- It was observed that we currently enjoy a relatively high-end suite of services in the media/communications/marketing areas and yet people primarily hear about us from word of mouth. Dianne Rimington said that there had been a lot of mileage out of Daniel working the media in relation to the IN to Business workshops but there would be little out of a new letterhead. Kaely Woods said that we need to keep in mind that there are expectations amongst our stakeholders that things like our Annual Report and website need to be maintained to a certain standard.
- Dianne Rimington said she would like less out of governance and more out of HR.
- Chris Smith noted that there were a lot of empty workstations in regional offices and we have some elaborate settings such as Sydney and Brisbane.

In the ensuing discussion Chris Fry queried whether or not we needed a Rolls Royce with our marketing? Dianne queried what a Holden-style Corporate Branch might look like. In response to this Peter O'Neill suggested we could drop the current rebranding proposal; drop our internal designer; reduce Registry by one; use trainees in Reception; and drop one staff member in Property Services. He also said that two staff in the governance area was not on-going and the carriage of the Scholarships program was absorbed using existing resources. He expected Corporate's costs to be around \$9.4 million in 2011-12.

There was some discussion about governance. It was observed that our focus should be on reducing process. Kirsty Gowans observed that if there was little or no compliance to things like GMLs and policies then it was pointless having them. Lots of detailed directions are not followed. Chris Fry observed that the first line of defence is organisational culture.

Gary Wright queried if we have got our offices in the right locations. It was suggested that we could sub-let space in Sydney and Perth and the question was

raised whether or not we needed our Sydney office to be located in the CBD. Parramatta or Newcastle were offered as reasonable alternatives and it was pointed out that these would be closer to our customers. It was agreed that pivotal to these questions was our business strategy and this was related to where our leads were coming from. It was agreed that we need a Property Strategy but this linked to the Business Strategy. The CEO and DCEOs to work on this.

Property-related savings of \$200K were considered feasible through measures such as sub-letting.

### Roundup on Support Costs and Benchmarking

- Exec a bit high.
- Unassigned support costs at 27.3% were too high. 20% is a reasonable target. If 20% then it would be about \$11.5 million.
- In relative terms AHL's Executive and IT costs are considerably less.
- By way of comparison, Dianne Rimington said that such costs were 21% in ANAO and 23-24% in AMSA (but AMSA's costs were abnormally high because of their 24/7 IT requirements plus international relations).
- Potential support cost savings were tallied:

Support Cost Savings	\$'000s
Executive – DCEO, EA & "spare" AGM	550
State Coordinators	1000
Finance – 2 FTEs	150
Corporate	1300
Property – sub leasing, etc	200
<b>Total</b>	<b>3200</b>

### PROGRAM COSTS

#### Enterprises

- A couple of extra staff needed to complete BEP.
- Videoconferencing may help reduce travel costs (possibly \$200K).
- Structure now reflects a lower number of IBA7s. Structure is now right. Staff trimming would be at the IBA5 level and below.
- CAPM is in Brisbane – any there any savings moving the function to Canberra? Gary Wright said that it was the wrong time to move CAPM.
- Potential savings in legal costs were around \$100K.
- Some offices may be closed such as Mt Isa.
- Some resources from Cairns may be diverted to Townsville.
- Freight is a big ticket item at \$220K; much of this is related to securities management. Will be better placed in 12 months time to properly consider possible savings.

#### Homes

- We do charge for discharge of mortgages.
- A tight reign is kept on travel but there may be some savings.
- When vacancies occur the position is scrutinised as to whether it needs to be filled or not.

- Mobile lending has been considered.
- Legal costs are on a fixed price basis so not much potential for savings. Kirsty Gowans reiterated that behavioural change was required to reduce legal costs overall.
- Colin Clements observed that if costs had to be cut then staff would be first area he would look at followed by travel.
- Travel tends to be going to see clients so there was not the same level of cost savings possible as with Enterprises in their use of videoconferencing and teleconferencing.
- Combining HOIL with HOP would give a \$500K saving.

### Investments

- At the moment there is 19 staff. Currently advertising for a new Portfolio Manager and a Finance and Reporting Officer. Assuming 22 staff on an ongoing basis.
- Assuming consultancies will average \$10K each per year for the existing portfolio and \$25K each for 10 new projects. Number of transactions is the critical factor.
- Legal costs for 2010-11 budgeted at \$1020K but expecting \$880K, a saving of \$140K.
- It may be possible to reduce travel by 10%, say \$50K. Videoconferencing/teleconferencing does not help much, maybe a little bit for subsidiary board meetings.
- It may be possible to trim back recruitment costs by \$50K.
- There was some discussion about getting greater return from cash reserves. Satish Kumar mentioned managed funds but this was dependent on investment timeframes.

### Roundup of Program Costs

Potential program cost savings were tallied:

<b>Program Cost Savings</b>	<b>\$'000s</b>
Homes – combining HOP & HOIL	500
Enterprises – travel 200, legal 100	300
Investments – legal 140, recruit 50, travel 50	240
<b>Total</b>	<b>1040</b>

### Final Words on Support and Program Costs

- Partnerships outward facing activities such as regional development cost around \$2 million.
- With regard to Corporate's \$1.3 million saving in 2010-11, it was confirmed that this saving would be on-going in subsequent years.
- With regard to delivering a \$6 million service, Peter O'Neill queried whether the cost saving of around \$3 million would be over one year or two. It was agreed that savings should be maximised in year 1 with the balance in year 2. Peter O'Neill to develop two scenarios – the \$9.4 million option and a \$6 million service.

- Dianne Rimington queried what the costs might be in eliciting cost savings, using redundancies as an example. Kirsty Gowans suggested allowing \$100K per person, using State Coordinators as an example. With this in mind the cost saving in the first year for State Coordinators would be more like \$500K and not \$1 million. Peter O'Neill observed that it would be hard to negotiate the Enterprise Agreement if redundancies were being discussed.

## TARGETS

It was agreed that unassigned support costs would be reduced from 27.3% of total costs to 20% over two years.

It was also agreed that program costs would be reduced by 2.5% each year for the next two years.

## INVESTMENT STRATEGY

We potentially have \$120 million in capital to invest. After current deals this becomes \$98 million (Tiwi, Cicada, Milbi, and Stradbroke Island). Factoring in deals over the next year (Tjapukai \$12 million, Nambucca \$20 million, plus another two new deals at \$20 million), and plus a \$10 million dividend this would reduce the Capital Fund to around \$36 million:

Capital Fund Movements	\$'000s	S'000s
Current Position		120
- Tiwi Forestry Project	5	
- Milbi	6	
- Cicada Lodge	4	
- Stradbroke Island	7	
less	22	98
- Tjapukai	12	
- Nambucca Retail Project	20	
- New Deal 1	20	
- New Deal 2	20	
less	72	26
- Dividends	10	
plus	10	36
30 June 2012 Position		36

Chris Fry queried whether or not the \$10 million in dividends should go back in the pot for investing. May need to keep some back whilst phasing in cost reductions over the next two years.

Satish Kumar pointed out that after reducing unassigned support costs to 20% of total costs, we now have \$11.6 million to fund.

Of the \$60 million currently in general funds, around half came from appropriation underspends and half from capital repayments from business loans.

Colin Clements floated the possibility of quarantining a pool of money for high return investing. Chris Smith said this would have to be on a no-strings-attached basis. Returns would be used to subsidise costs.

## **NEXT STEPS**

- Details for new costings from Branches due at the end of the month.
- Where does the \$11.6 million (support costs after the cutback to 20%) come from?
- Additional services required from HR, particularly managing underperformance; recruitment; and learning and development. L&D difficult for an organisation like IBA. Peter O'Neill to come back with options.
- Finance system upgrade is awaiting IM Strategy. Satish Kumar to lead this.
- Kirsty Gowans to take responsibility of legal controls within the Branches. Clarity is required around protocols. A brief template would be helpful.
- Property Strategy and Business Strategy to be driven by DCEOs and CEO.
- CEO to play a role with the proposed State Coordinators cost cutting.
- Key messages from today:
  - The message must be clear.
  - A common story.
  - Some people may be nervous/fearful.
  - Email message to include – meeting held; culmination; view of revenue and expenses; identified targets for reduction in 2 year timeframe; working on detail; prudence; cost control; 2 year transition; what we expect the timeline to look like; a positive message is that we are freeing up costs to invest on behalf of our clients; needs to be put to the Board; ask staff for suggestions.