

EXPERTS WITH IMPACT

In Complex Liquidations



This unique appointment banded together our diverse and passionate team to deliver a result that included the continued employment of most FSG Australia staff and, importantly, the ongoing care of clients in need. Our team operated efficiently and quickly to achieve this outcome whilst also being respectful of the highly sensitive nature of the appointment and the complexities uncovered.”

- Joanne Dunn

When the Board of FSG Australia, a not-for-profit charity, discovered they were insolvent and unable to continue providing critical services to those in need, they appointed FTI Consulting’s John Park and Joanne Dunn as Voluntary Administrators of the Company.

FSG Australia was providing a range of services in the areas of disability, mental health, aged care, family and children’s services, all whilst employing 896 staff. It also operated social initiatives including cafés, retail and co-working spaces, FSG Travel, a plant nursery and an indoor rock-climbing gym.

It was one of Queensland’s largest community organisations servicing around 2,500 people per month, so their collapse had far-reaching and imminent consequences for a vulnerable group of stakeholders, adding to the complexity of the engagement.

OUR ROLE

Our restructuring team took control of the company operations on 30 June 2018 and began investigations into the affairs of the company.

Our efforts revealed the failure was primarily due to the inability of the business to adapt to changes in the funding model brought about by the commencement of the National Disability Insurance Scheme. In addition, FSG Australia were running non-funded and under-funded programs. Unfortunately, the continued losses caused excessive strain on the company’s working capital, resulting in the company’s ultimate demise. As the prospect of obtaining external funding was no longer an option,

FTI Consulting recommended FSG Australia be wound up. As a result of the liquidation, employees were afforded access to the Commonwealth Government’s Fair Entitlements Guarantee Scheme to claim entitlements owed to them.

There were three time-critical and complex challenges at the time of our appointment

1. CONTINUITY OF CARE

The first challenge was liaising with Queensland State Government and the Cerebral Palsy League Of Queensland, trading as ‘Choice, Passion, Life’ (CPL) to maintain and manage the transfer of services and assets to CPL and other service providers utilising FSG Australia’s assets. To ensure continuity of care, our team mobilised swiftly. They liaised and negotiated with government departments as well as CPL and other incoming service providers to transition services and employees, with the aim of minimising the downtime and disruption to FSG Australia’s many clients.

2. TEAM INTEGRATION

A key factor safeguarding the continuity of client care was to ensure the transition of FSG Australia staff to the new service providers. Our team were integral in almost 70% of the FSG Australia staff being offered positions with CPL and other service



providers. This allowed the experienced FSG Australia staff, who were already in place, to be absorbed by their new employers and resulted in limited disruption to clients.

2. REAL ESTATE SOLUTIONS

The third challenge was that FSG Australia leased over 65 properties, a number of which were subleased to individuals who received services from FSG Australia. As FSG Australia could not continue to meet the lease obligations or continue to provide services, we facilitated the transfer of services to new providers whilst maintaining a duty of care and ensuring minimal disruption to those occupants receiving care.

KEY LEARNINGS

Not for profits must still be run as a commercial operation to ensure they remain solvent and are able to meet their obligations to employees, customers and regulators.

As was the case with FSG Australia, they did not have the necessary systems in place to track the financial viability of programs, nor produce timely and accurate financial reporting to meet compliance obligations imposed by funding deeds for the programs.

What other not for profits can learn from FSG Australia's collapse is that it is critical to have the right structure and reporting processes implemented to monitor the feasibility of programs and services and be agile enough to adjust offerings to ensure they are financially sustainable.

IMPACT

JOBS SAVED AND CRITICAL SERVICES CONTINUE

Our multi-functional team of corporate finance, restructuring, real estate and strategic communications experts banded together to deal with a myriad of issues including leases, suppliers, clients and staff.

Our team continued to trade FSG Australia and re-employed a considerable number of existing staff and maintained essential services and care to its' clients with minimal disruption. We were able to transition most services to new service providers and continued consistent assisted living arrangements by dealing with and transferring 69 leases to new providers to ensure existing clients were not displaced in the process.



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