

LORD HOWE ISLAND BOARD

Business Paper

OPEN SESSION

ITEM

Options for Organisational and Cost Review

RECOMMENDATION

That a review of Organisational and financial sustainability opportunities be undertaken during first the two quarters of the 2020/21 financial year and a report presented to the Board that includes recommendations from the review.

BACKGROUND

The Lord Howe Island Board has been impacted financially by a number of situations in recent times. The most recent being the COVID-19 pandemic which as heavily impacted revenues and costs. The Board requested at its April meeting that the administration provide a financial assistance package to business and individuals who have been affected by the cessation of tourism due to travel, social distancing, as well as trading and other restrictions.

Fiscal restraint has been in place that has assisted in containing expenditure for the remainder of the 2019/20 financial year.

It is always important to periodically review operations, organisational structure, practices and to explore other opportunities to deliver optimal value, direct limited resources to priorities and to provide services to the community.

This report responds to a resolution of the Board for a paper that outlines how a review might occur that is appropriate for the current situation with limited funds and significant demands on staff time and resources.

OBJECTIVES

It is suggested that a review could have the following objectives:

- Maximise value in delivering services using limited available resources;
- Identify problems, gaps in delivery of priority services, outcomes and processes;
- Identify opportunities to improve service delivery, for efficiencies or to make savings;
- Identify revenue opportunities;
- Adapt to changing circumstances, priorities and technologies;
- Develop an action plan that is realistic and able to be progressively implemented.

OPTIONS

To facilitate a focussed discussion, the options that are available fall broadly into the following:

- A. Develop a brief, undertake a tender or procurement process, and engage an external consultancy to review the organisation and produce a report.
- B. Investigate past reviews to identify previous report recommendations, assess their status, currency and relevance. A new aggregated action plan could be produced from these past reviews. A series of external reviews were completed in 1990, 1995, and 2013.
- C. Undertake a relatively concise internal review. This could comprise establishing current challenges; shortcomings or inefficiencies; review of the Corporate Risk Register; review of resource allocation, internal structure and process issues; investigate past reviews (see B above). These step would lead to a report identifying opportunities, risks and an action plan for implementation progressively.

DISCUSSION

Time and funds to undertake a review are limited. In addition, past experience in corporate reviews has shown that different benefits can result from different approaches. While obviously subject to debate, the following attributes are suggested to allow some consideration of the merits of the three options listed above.

Internal Resource Demand. Many organisational reviews consume significant time. It can be tempting to overlook the time involved in not only the review itself, but in writing briefs detailed sufficiently for procurement processes, tendering, assessment of proposals, etc.

Coverage. Reviews can be broad and comprehensive or more limited and focussed. Clarity in the objectives, complexity and cost, and areas for opportunity can allow narrower more focussed scopes.

Independence. External reviewers have the advantage of seeing with fresh eyes and less potential conflicts of interest. Balanced against this is the exhaustive process and costs involved in simply getting to a point of sufficient understanding to begin a review that results in practical and achievable outcomes. Independence can also be compromised by pressure to validate their review report by “reinventing the wheel” regardless of merit.

Ownership. Internally driven reviews can be limited in independence as discussed above. However, they are more likely to engage participants and develop an ownership of the recommendations. This can lead to better implementation and reviews not simply “gathering dust”.

Value. The cost in terms of funds and time that a review requires, compared to the resultant benefits and outcomes from the review.

A broad assessment of the merits of each option are shown in Table 1 below. The higher the allocated number, the better the assessed merit of each option against each criteria. This is objective and the relative merits can vary according to other factors such as project scope and details.

Table 1 – Assessment of Options

Option	Internal Resource Demand	Coverage	Independence	Ownership	Value for \$
A. External review	3	4	4	2	1
B. Investigate past reviews	4	2	3	3	4
C. Internal concise review including B above.	3	3	2	4	4

Note: Scale of 1 to 5. 1 being poor; 3 being moderate; and 5 being very good.

Not undertaking a review at this time is definitely an even though it has not been listed above. It is always good however, to pause and take stock. The Board could consider the option that no review occur in the short term.

Given the pressures on limited staff and the financial constraint currently necessary, Option B would be an exercise that could be undertaken relatively quickly and may offer opportunities for efficiencies or financial sustainability gains. Review of past reports (Option B) should occur because it seems that significant work has been done in the past and many of the recommendations from those reports have not been adopted or implemented. It may be that they now offer opportunities that have either not been acted upon or that are now more attractive than in the past.

Alternatively, it is considered that Option C which includes Option B, offers value, is broader than Option B alone, and may be the most appropriate if undertaken over coming months.

Option C can be designed to be achievable and concise. It is therefore recommended as a way forward.

RECOMMENDATION

That a review of Organisational and financial sustainability opportunities be undertaken during first the two quarters of the 2020/21 financial year and a report presented to the Board that includes recommendations from the review.

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Attachments:
Nil