

2. Expenditure Reductions

2.1 Expenditure Reductions in 2002/2003

The Project Management Team has examined selected areas of the Administration to identify areas where expenditure savings could be made. Many areas presented opportunities for small savings to be made in the short term but none of these savings were of the magnitude necessary to balance the budget by savings alone.

Examples of such savings follow:

- There appears to be an inconsistency in the payment of removal allowances for seconded staff in that some contracts provide for a fixed lump sum whilst other provide for payment of actual costs up to a predetermined amount. The Project Management Team identified savings in the education budget of \$10,000 pa if the second alternative was adopted
- Expenditure on requisites is often a large and poorly defined classification and a closer scrutiny with more accountability may result in savings
- The better utilisation of staff by grouping similar activities, eg the combining into one central place Customs, Quarantine and Immigration staff and introducing multi-skilling to enable worksharing to occur
- The better utilisation of plant and equipment so that items are not duplicated in various sections. eg common use of major plant items by Telecom, Electricity and Lighterage.

2.2 Longer Term Expenditure Reductions

ITEM (Exp. Category)	SUB DIVISION (Account No.)	DIVISION (Cost Centre)	HOW REDUCTIONS ARE TO BE MADE	ESTIMATED SAVINGS 2003/2004	FUTURE YEARS SAVINGS
Social Services Benefits	57412	170	There is potential for HMA Payments to be curtailed if the Social Services Review recommendations are implemented. With implementation annual increases of \$100,00 - \$150,000 are expected to slow. Note that this figure is not a direct savings but an estimate of the amount that can be curtailed from annual expenditure. (Attachment 3)	\$100,000	\$100,000 plus
Norfolk Island Legislative Assembly - Remuneration to Members	52010	210	<u>A paper was produced for Focus on the Legislative Assembly. It advocated that reductions can be made to the size of the Legislative Assembly with associated savings. (Attachment 4)</u> This recommendation by a member of the Focus Team is reproduced below	Considered by the author to be approximately \$80,000 from reductions to MLAs, and office support after relocation costs have occurred \$20,000 from ceasing CPA activities	approximately \$80,000 \$20,000 from ceasing CPA activities



Recommendation 1

That the following recommendation submitted by a member of the Focus team be referred to Members of the Legislative Assembly for initial consideration:

- (a) Self government be progressed
- (b) The Legislative Assembly membership be reduced from nine to seven
- (c) The number of Executive Members appointed by the Legislative Assembly be no more than three
- (d) The relevant legislation which provides for the role of a Speaker to be amended to allow the Clerk to act as chairperson at Legislative Assembly meetings
- (e) The role of Deputy Speaker be discontinued and the Deputy Clerk undertake the role of chairperson if necessary
- (f) Expenditure on CPA activities cease and more appropriate involvement occur in inter-governmental activities closer to home
- (g) Relocation of executive members closer to Administration staff
- (h) Urgent development and documentation of Government Policies
- (i) Legislative Assembly extend the committee system and require participation of a non-executive member on each committee or board
- (j) More appropriate support be provided between Administration and the Executive

2.3 Other Non-Quantifiable Savings

In addition to those areas where a savings figure was able to be calculated, other savings have been identified as highly likely to occur through changes to service delivery and work practices that will result in overall increases in efficiency and productivity.

AREA OR GBE	ISSUE	DESCRIPTION
Telecom	Telecom Shop	<p>The Shop is to discontinue operations by 30.6.03. Accounting for the Shop has never included salaries or other operational costs. Without inclusion of these costs the Shop recorded a profit of \$21,715 for 2001/2002. It is most likely that this result would have been a loss if all costs were accounted for. All goods sold can be purchased through local businesses with the exception of a few product lines, which could be available through local businesses if they choose to stock them. The Shop has never had clear operating guidelines or run according to proper business practices. It does not clearly fit within the purpose and current operations of Telecom.</p> <p>The savings for Telecom from discontinuing the Shop include the opportunity for increased productivity in responding to technical work as 50% of a full time Technician's job has been devoted to running the Shop.</p>
Telecom	Accommodation Units without a PABX	<p>Accommodation Units without a PABX system have relied on Telecom to provide individual accounts to guests on IDD charges owing. This has taken up to 2-3 hours per week to compile. This service has been discontinued with most units deciding to install their own PABX or a \$3.00 charge being placed on the service.</p> <p>This presents the opportunity for greater efficiency with completion of other clerical tasks.</p>
Works, Roads, Forestry and Electricity	Time Off in Lieu	<p>The use of TOIL in these areas has impacted greatly on capacity to plan and complete work in agreed timeframes, disrupted work productivity and hidden the real cost of overtime. Managers have been directed to cease the use of TOIL except in situations where they consider it to be the only option available.</p> <p>Decisions on applying rates for TOIL are yet to be made through the Organisational Review. It is not known if direct savings will occur at this stage, however greater efficiencies will occur through increased capacity to manage work flow and identify real job costs.</p>



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AREA OR GBE	ISSUE	DESCRIPTION
Postal Services	Post pick up from Administration	Duplication of Postal and Administration staff involved with mail pick ups was identified as occurring. Through changed arrangements at Administration approximately half an hour of Postal staff time each day has been freed and is now available for other duties at the Post Office.
Works, Roads, Forestry and Electricity	Hire of Equipment	<p>The hire of equipment from these Areas to the public has included hidden costs such as increased maintenance and at times job disruption with equipment being unavailable for staff to use. In addition public liability and insurance implications were unclear.</p> <p>It was decided to cease hiring equipment to the public with the exception of items that are not available elsewhere on the island. While this will decrease revenue it was considered that this measure would produce savings in staff time organising hiring and prevent any future exposure to liability.</p>
Works, Roads, Forestry and Electricity (eventually to be all Administration)	Equipment	<p>Costs are incurred each year through replacement of lost or damaged hand tools and equipment. Little or no system is in place to monitor equipment including regular inventory counts or identification of tools taken to a job and those returned.</p> <p>Introduction of a system that requires greater accountability is expected to result in reduced equipment replacement costs (Attachment 6).</p>
All Revenue Fund Areas	Fleet Management	<p>Availability of Administration vehicles and costs associated with staff use of private vehicles can be addressed through the introduction of a Fleet Management system. This may include additional expenses in the short term eg: purchase of new cars, however will reduce costs in the longer term. For example the current use of private vehicles by 2 Administration employees costs approximately \$6,700 per annum in fuel reimbursement and additional costs to Administration's insurance premium to cover their vehicles. With the purchase price of a new car at approximately \$8,000 savings will be made within the second year of use of the new vehicles.</p> <p>This initiative will be better applied and timely with the Administration software and hardware upgrade program. In the interim it is recommended that a Fleet Management system be introduced for start up and implementation in July 2003 (Attachment 6)</p>
Roads	Maintenance	<p>Staff have recently undergone two weeks of training in road laying and maintenance. With implementation of new techniques recently introduced it is anticipated that the overall quality of new roads being laid and maintenance of roads will improve.</p> <p>In 2001/2002 \$584,000 was spent on road construction and maintenance. Approximately 20% of these roads had to be re-visited for additional work because of the road laying techniques and materials used. It is expected that re-visiting of roads will cease with the additional skills of staff and changed practices. This represents a saving of \$116,000 based on last year's costs. With the addition of 18 new roads that Administration will be responsible for with the introduction of the Land Package (from Commonwealth to NIG responsibility), it is anticipated that little additional funding will be required, due to the productivity improvements that have been made.</p>



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Specific conclusions on expenditure savings able to be made are listed below:

AREA OR GBE	REVIEW PROCESS UNDERTAKEN	CONCLUSIONS ON REDUCTIONS ABLE TO BE MADE
Customs Office	Budget Analysis by Executive Director	Addressing spread of hours and overtime issues only real opportunity for reductions. Current Overtime budget \$50,000
Education	Initial paper developed by Executive Director on perceptions of cost of education. Paper circulated to Working Group comprising Principal, NICS staff and community member. Meeting to discuss where expenditure savings can be made	Identified savings of \$25,000 are possible for one year only. Main expenditure of salaries unable to be reduced unless radical changes are made to delivery of education on Norfolk Island. The Working Group concluded that no changes should be made to the delivery of education on Norfolk Island (Attachment 7)
Welfare	Priority of Review given to HMA payments made to the Hospital. A Working Group formed comprising of MLA, Executive Director, community member, and relevant Administration staff. Analysis of HMA payment trends resulting from detailed review of payments over the past 7 years.	The steep escalation of HMA payments over the past 5 years is able to be reduced with acceptance of the Social Security Review recommendations and other recommendations from the Working Group. For Welfare overall however, increases must be expected with increased no's of social security recipients each year (Attachment 3)
Police	Budget analysis by Executive Director and Finance Manager of the Australian Federal Police	No reductions able to be made. Identification of additional expenses being borne by AFP and not passed on to the Norfolk Island Government.
Forestry, Tanalith, Livestock and Noxious Weeds	Executive Director interviews with Manager, Supervisor, staff and community member. Individual costings completed on: cost of stock, tanalith, post production. Review of charges and fees: slaughtering, pasturage, trailer, impounding cattle, drenching cattle, driving cattle, muster, bull registration	More funds may be required for noxious weed work. No expenditure savings able to be made.
Grants and Subsidies	Analysis by Executive Director	A standardised system for considering requests for subsidies and grants is recommended below. A recommendation regarding Legal Aid appears below.
Works	Executive Director interview with Supervisor, staff and community member. Individual costings completed for: events that Works staff provide labour eg: Easter Carnival, Bounty Day, County Music, Show Day; cost of maintenance of public spaces and Burnt Pine Area,	Overall productivity savings are possible through address of work practices spread of hours, time off in lieu and overtime. Cost of involvement of Works staff in community related work eg: Show Day etc, is high. Confirmation of a limited number of hours for community work may assist in management of this. Introduction of consistent Job Costings format will ensure all costs are covered in quotes. Recommend removal of Works staff from Marquee Erection work.
Electricity	Executive Director meeting with Manager. Costings prepared on community events Electricity contributes to, to examine impact on productivity.	Major savings to be made are through address of overtime and spread of hours. Limits set on community undertakings may assist with managing time spent on free events.
Healthcare	Budget Analysis by Executive Director	Healthcare has operated with a small surplus from the Healthcare Levy income over past years. Small reductions have been made to the salaries area, however no further expenditure savings possible.
Telecom	An initial meeting with the Executive Director, Area Manager and an MLA provided initial areas for investigation. Subsequent meetings with the Manager resulted in costings being completed for the shop and under road borer. The Reach agreement has been investigated and a confidential report produced to initiate decisions on options for renewal in 2006.	Staff hours are to be reduced for Operator Assistance in evening and the Accounts position relocated to the Post Office and funded from Accounts. The decisions to be made in the next few years about telecommunications options will influence staffing requirements at Telecom. The Shop will be closed by 30.6.03. (Attachment 5)
Postal Services	Initial meeting with the Executive Director, Area Manager and an MLA provided areas for investigation. Subsequent meetings with the Manager explored these areas.	No options for expenditure reduction able to be identified. Staffing levels are below optimum and additional IT and building needs require additional resources.
Hospital	Meetings with Executive Director and Medical Superintendent	Removal and Recruitment costs to be contained and options for reducing health costs identified.

**Recommendation 2**

To ensure equity amongst community groups and organisations, and appropriate return to the Norfolk Island Government for funds provided, it is recommended that the CMG investigate and make recommendations on a standard Grants and Subsidies application process. This may include separate applications for Government Statutory Bodies and GBEs to those for community organisations or groups. The process to include:

- (a) clear application criteria including a statement of funds required to undertake specific activities and outcomes desired from those activities
- (b) reporting (preferably quarterly) on progress of outcomes
- (c) annual financial return and statement of achievement of outcomes

Recommendation 3

That the Legal Aid Committee investigate likely impacts on the Legal Aid Fund from one major claim and likely impacts on the Revenue Fund Budget for the next 1-5 years. That through the Legal Aid Committee's review of the Staniforth Report, an action plan be prepared for implementation of its recommendations