

Executive Director Norfolk Island Report - 2015/2016



Transport delivery at Kingston, Norfolk Island - December 2015

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Executive Summary

The role of Executive Director, Norfolk Island (EDNI), was challenging personally and professionally rewarding. The opportunity to work across three tiers of government in one role is unique and may not occur again in the Australian context.

Two key recommendations were not accepted by the Department (DIRD). These were:

- The future structure of the Regional Council organisation. The recommendation provided was supported by the Norfolk Island Advisory Council (NIAC) following extensive community consultation, and
- The function of Economic Development including tourism, be delivered by a company owned by the Regional Council with an independent Board of local and external skills based members.

Success of the Norfolk Island Reform Project was always expected to take longer than the initial twelve (12) months that culminated in the establishment of the Norfolk Island Regional Council (NIRC). Success is a subjective concept that needs to be defined. Ultimately, it should result in a community that is economically, socially, culturally and environmentally sustainable with strong civic leadership. It should have an open and transparent Council that is in active partnership with its community and the Commonwealth Government. To address this concept two assessment models have been developed:

- Service Delivery Agreement (SDA) reporting schedule (Appendix H), and
- NIRC Assessment Framework (Appendix G)

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Transition of the Administration of Norfolk Island (ANI) to the NIRC became compressed due to the delay in agreement for a structure. This was further compounded with a break down in relationships within the ANI Transition Project team.

Conduct of a Council election was considered routine. However, development of the necessary legal framework proved complex. This delayed the appointment of an election contractor. The cost of the election was significantly more than budgeted as the contractor was required to develop a Norfolk Island Electoral Roll and amend most of the NSW standard forms.

Failure to progress the Reform agenda will limit the future sustainability of Norfolk Island. There appears scant interest from the Regional Council in continuing an ongoing Reform program, despite the wording in the 16/17 Operations Plan

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Following an Australian Government decision in March 2015 and the unanimous decision of the Australian Parliament in May 2015 to reform Norfolk Island, the Department of Infrastructure and Regional Development (DIRD) engaged an Executive Director (EDNI) via a market selection process through McArthur Consultants. This was a compressed process with advertisements to market in late May 2015 and interviews in early June 2015 that included the Administrator, Gary Hardgrave and Executive Director External Territories, Robyn Fleming. A final appointment was made on 18 June 2015. The commencement date was 1 July 2015.

After an “on-boarding” session in Canberra which included a meeting with the Minister, The Hon Jamie Briggs, a meeting with the Executive Director, Territories and the Norfolk Island team and being provided with induction material, the Executive Director (EDNI) arrived on Norfolk Island (NI) on Monday 29 June 2015. On island induction was cursory. Temporary accommodation and a vehicle were provided with office space embedded in the Administration of Norfolk Island (ANI) in the New Military Barracks at Kingston. The initial appointment was for a two (2) year term; Appendix A has the original position description.

During the first twelve (12) months it became apparent that there was no clear mechanism to continue the Executive Director (EDNI) role beyond the Regional Council being established on 1 July 2016. A separate three (3) month contract as Norfolk Island Transition Advisor was established to:

- provide support to the General Manager NIRC, to understand the rationale for the organisation architecture, and
- provide the Department (DIRD) with an on-island resource in the delivery of their on-going responsibilities for ‘state’ services.

This resource was rarely used by the NIRC with the primary function becoming to facilitate the roll-over of incomplete upgrade works at the Norfolk Island Health and Residential Aged Care Service (NIHRACS) and the Norfolk Island Central School (NICS), as the link between the Department (DIRD) and the local project manager. A further function was to develop the assessment framework for the benefit of both the NIRC and the Department (DIRD) (Appendix E).

Executive Director Brief

With the initial Position Specification for the Executive Director provided in Appendix A the role broadened and became:

- Delegate of the Minister for Territories, to undertake any decision making required by legislation of the former Norfolk Island Government, except for education, social services, immigration and statutory appointments. (These were delegated to the Administrator);

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- Oversight of the operation of the NI Public Service including:
 - Administration of Norfolk Island (ANI);
 - NI Hospital Enterprise (NIHE);
 - NI Tourism Bureau (NITB); and
 - NI Gaming Authority (NIGA);
- Establishment of a Regional Council to undertake local services and State type services via contract on behalf of the Department (DIRD) as the “State”;
- Transition of ANI to NIRC;
- Cause the election of Councillors through a NSW Local Government election process, after the legal framework (Ordinance) was created;
- Participation in the NI Governance Steering Committee (GSC) to monitor progress and determine ongoing priorities;
- As a member of the KAVHA Steering Committee, consider recommendations from the Heritage Manager and Advisory Committee;
- Facilitate the upgrade of footpath and road works from Channers Corner to The Village;
- To undertake a Facility Audit of the School campus and Health facility, then oversee upgrade works at both sites;
- Commission a Water Supply review.

The initial plan for the Executive Director was outlined in the “Proposal for the establishment of NIRC” (Attachment B). In summary, this was to:

- Review the current state of the organisation and prepare an interim structure by 30 September 2015;
- Commence cultural awareness training with existing staff to facilitate change;
- Review existing Government Business Enterprises, for alternate service options.

Outcomes

1. ANI Structure

My original proposal for the project deliverables is provided in Attachment B. A draft structure was completed by 30 September 2015 after classifying local, State and Federal services using Venn diagrams (Appendix C) Additional resources were agreed to by the Department (DIRD) in August 2015 and engaged via a market process through consultants, McArthur. These resources were directly selected after consultation with the Governance Steering Committee (GSC) given their awareness of the Norfolk Island context. A Transition Manager, Susan Law and subsequently an Operation Manager, Peter Adams, were successful and commenced in late November and early December 2015.

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At meetings with the Department's Executive Director Territories, General Manager NI and on-island personnel in November 2015, a key principle was agreed to "isolate" business activities and 'state' type services from direct influence of the future Regional Council. This approach was supported by the NIAC as detailed in their reports.

Reference: <http://pandora.nla.gov.au/pan/156846/20160630-0255/www.norfolkislandadvisorycouncil.nf/index.html>

Recommendation 14 states:

14. The Advisory Council recommends the management of current Norfolk Island government business activities sit outside of the core functions of the Regional Council, and an alternative professional and independent management and oversight model be established by the Australian Government.

Considerable time and effort was spent in developing a 'commissioning' structure to enable this to take place. This structure proposal was provided to the GSC in late December 2015. A range of discussions were held and a formal presentation made to a joint ANI/DIRD meeting in February 2016. A decision was then made by the Department (DIRD) to reject the structure proposal. Parameters were changed to include options of separate governance arrangements for 'state' type and business activity services.

As no indication of concerns was notified prior to the February 2016 meeting alternate proposals had not been prepared. This necessitated significant re-casting of a suitable structure that was not finalised until early March 2016.

A project approach was developed to deliver the transition to the approved structure with seven (7) Elements of HR/IR, IT, Finance/EMS, Executive Director Norfolk Island (EDNI), Asset Transfer/Accommodation, Legacy issues and 'business as usual' (BAU), as detailed in Appendix D, reporting to the Transition Manager, as Project Director. A range of guidelines were developed for the Transition Project to provide transparency of the methodology for all concerned and an auditable trail for any appeals or reviews. These included:

- *Transition to Regional Council Project Stakeholder Communication Plan;*
- *Staff Transition Process to Norfolk Island Regional Council;*
- *Ongoing Employee, Voluntary Redundancy, & Fixed Period Contract Employee Contract terminations;*
- *Appointment Process Guideline;*
- *Re-deployment (Panel Guideline).*

The Transition Plan also included a Probity Auditor with "Regional Procurement" engaged for this purpose. The ANI Executive developed the

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approach and identified suitable Element leaders. Attachment E: Audit Report.

Additional contracted resources were engaged to progress key elements of the Transition Project:

- Quadrant Management Systems P/L (Chris Stratten) and LGNSW (Industrial division) for the HR/IR element; and
- Utintja Consulting (Alan Rushbrook) for the Budget element; and
- Peter Carr Associates for the Enterprise Management System element.

A limiting factor to the Transition was the practice of the ANI, since provision of Commonwealth emergency funding, to only engage staff on short term contracts. This had the advantage of increased flexibility as changes occurred but along with tight controls on employment numbers meant that several normal Local Government services ceased or were under-resourced. For example, the Public Health function of ANI was reduced to one (1) person who focussed on quarantine, (a Commonwealth function) and the operation of the “Water Assurance Scheme”; (this is a sewerage reticulation and treatment works scheme that services the Burnt Pine and Middlegate areas of Norfolk Island). Some ad hoc water testing of Emily Bay was undertaken in response to community concerns. This occurred after rainfall runoff events caused polluted water to flow into the public swimming area. Other functions of testing of public water supply, food inspections and licensing were not resourced or undertaken during the term of the Executive Director Norfolk Island.

The capability of staff was severely restricted due to little outside exposure to 21st century working practice and limited understanding of delegated authority and personal accountability. The result was that all decision making was concentrated in two executive positions ensuring little if any time or effort was spent on strategic thinking or planning.

Tensions within this Team from the HR and BAU streams meant they were not fully engaging with the Project process. This finally resulted in both Element leaders departing the organisation at a critical stage. Positive engagement was needed to progress the Transition, so the remaining members expanded their involvement with Bruce Taylor becoming the A/CEO as well as being responsible for the budget and legacy Elements. Susan Law managed the HR Element in addition to being the Transition Project Manager.

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The delay in the deployment phase of the Transition Plan was due to the:

- Late decision on an approved organisation structure;
- Dysfunctional relationships in the Project Control Group with tensions over authority and clarity of roles;
- Deferment of the Salary System project without clearance from the PCG or Executive Director (EDNI), and
- Incomplete LCP (Leadership Capability Program) due to late engagement of NIRC staff which resulted in incomplete conversation around personal accountability and acceptance of change in an ambiguous environment.

The results of the Transition Plan delivered:

- A workable organisation with 7 of 9 executive positions filled;
- Majority of staff positions filled;
- A structured business model;
- An initial one (1) year deficit budget that could trend to a balanced position over 3-5 years;
- A successful local Council election.

2. Organisation Change

The Norfolk Island Reform Program is a massive undertaking at many levels of a small isolated community. While this was acknowledged at all levels of the government, a range of factors influence the change management process. Much of this can be designed but always will require adaption as the Program proceeds. Very often, time is a significant restraint and no two processes will be the same, so there is no perfect recipe for any particular situation.

Community acceptance is often problematic as most people are uncomfortable with “change”. Government’s role is to identify and deliver the common good which is often in conflict with individuals or sections in a community. It is difficult and generally financially improbable that enough resources are available to address all elements of concern with any change management process. With key elements, greater effort and resources are possible in specific organisations.

In the Norfolk Island case the public service was a clear example which included several entities (ANI, NIHE, NITB & NIGA). The focus was limited to the Administration of Norfolk Island (ANI).

The approach taken to organisation change in this case was to develop a Leadership Capability Program (LCP). This was based on my research and experience that focussing on culture is more effective than focussing solely

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on strategy. “Companies that intentionally manage their culture well outperformed organisations that did not”. (Kotter and Haskett 1992).

The LCP had three elements of which only one and a half could be delivered due to time available and the timing of changes delivered.

The proposed elements were:

- 1) Cultural Health Check (completed)
- 2) High Performance Leadership:
 - a. Culture (completed)
 - b. Coaching (not delivered)
- 3) Continuous Improvement Process (not delivered).

Cultural Health

Organisation culture is a direct outcome of the values of its people. Identifying the Team’s values and the organisation’s aspirational values provides the opportunity to align the organisational expectations with the individuals desire to contribute to a common outcome. Leading change management professionals have espoused that culture is everything in successful change management.

The approach to organisation change aims to operationalise these principles by:

- Engaging an organisation’s management and staff in understanding their unconscious personal priority values;
- Aggregating the data to produce a group assessment and identifying the top 10 values;
- Management identifying the values they support so all their people have clarity of the organisation direction to achieve a desired culture;
- The Team identifying aspirational and toxic behaviours to define a range for measurement of the current “state” of the organisation.

This process was used with the Team at ANI to:

- Create an awareness of an individual’s role in cultural change;
- Facilitate an opportunity for staff to find their voice;
- Establish a set of organisation values, aspirations and toxic behaviours;
- Undertake an initial anonymous assessment of the staff’s view on the current organisational state against the agreed values as demonstrated by behaviours.

Attachment F provides the Survey Instrument developed by the program and the results of the Cultural Health Check (CHC). This could be used to provide an element of a Continuous Improvement Program. If management focus changes and alternate values are adopted, the instrument is easily adapted.

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High Performance Leadership

The second element of the LCP was the High Performance Leadership (HPL) Culture. This was a structured conversation offered to all staff at ANI that focussed on the individual's rights and responsibilities in the face of organisation change. This involved working in a group environment for participants to understand their individual role and a choice to be engaged or to choose other options. Feedback from the majority of participants was very positive with averages of 8-10 for effectiveness and a range of 5-10 in the content scoring.

Continuous Improvement

The HPL Coach and Continuous Improvement Process elements were not able to be programmed in the time available.

The Regional Council Management Team have not indicated any inclination to proceed with these elements or to continue with the CHC Instrument.

3. Government Business Activities

Several functions of the ANI were loosely termed Government Business Enterprises but the Deloitte Report 2014 clearly showed these were at best business activities that were not meeting full costs and had no formal dividend policy to ensure their long-term viability. In most cases, these were being subsidised by other income sources. The range of business activities was:

- Airport undertaking
- Broadcasting – radio and television
- Energy supply
- Forestry
- Gaming authority
- Liquor Bond
- Postal and philatelic service
- Rock supply
- Tanalith treatment plant
- Telecommunications – landline, mobile and internet services
- Water Assurance scheme (sewerage reticulation)
- Workers Compensation Insurance scheme
- Waste Management services

Details of these are contained in the 2014 Deloitte Report.

www.infrastructure.gov.au/territories/publications

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The approach taken to identify next steps was to commission a series of performance audits on:

- Broadcasting: *Broadcast Programming & Research Pty Ltd (BPR)*
- Tourism/Economic Development: *Morrison Lowe Consultants Pty Ltd*
- Liquor Bond: *O'Connor Marsden & Associates Pty Ltd (OCM)*
- Workers Compensation: *NERA Economic Consulting*
- Gaming Authority: *Centium Group Pty Ltd*

As part of the transition year the Postal service was replaced by Australia Post and the Philatelic service is being closed.

Outcomes of the performance audits to date are:

Broadcasting – radio service has been refocussed on public information, staff trained, programming recast with an intention to provide information to visitors along with public and emergency information. All commercial content is to pay for the exposure.

Tourism – this report recommended the establishment of a broader focussed organisation of an Economic Development Company. See later section on NITB.

Liquor Bond – the final report did not provide a recommendation that could be readily implemented; rather it included future directions for the NIRC consideration.

Workers Compensation – the recommendations are practical and can be implemented. Actions are being progressed with data systems being updated, a long-term cost model being prepared and options for external management being considered. Potential liability is elevated if this is not undertaken.

Gaming Authority – this report identified serious strategic and operational issues. See later section on NIGA.

Other external reports commissioned by the Department (DIRD) that were used in the Transition Year are detailed below and at

www.infrastructure.gov.au/territories/publications

- Economic Development – provided a framework to propose the integration of tourism as part of a broader focus on economic development. See later report on NITB.
- Mobile Telecommunications – this found that \$3.7M was needed to upgrade from 2G to 4G technology. The current 2G technology is at the end of its life cycle internationally and remains a significant risk to the local economy.
- Bio-security / Quarantine – this report detailed the results of a two-year study that provides the base line to manage future imports and

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exports to/from Norfolk Island. This function is a Commonwealth activity now provided by the Australian Department of Agriculture.

- Health Services – see later section on NIHE.
- Child and Family Support Services – this report provides background for the delivery of future services in this area. This was generally outside the scope of the role, but the Executive Director became engaged in consultation with –
 - Preschool sector around accreditation;
 - School sector around child welfare reporting and follow up;
 - Police service around child welfare and domestic violence; and
 - ANI around managing the availability of a designated Child Welfare officer due to it being a statutory requirement.

ANI had commenced several reform projects that were unable to be progressed or had to be recommenced. These included:

- Electricity supply reform. Investigation had commenced into managing the over supply of solar energy to the current reticulation system that results in daily destroying of surplus energy to protect an “aged” system. Given the delay in progressing this matter and the availability of improved storage technology the current expression of interest process needed to be terminated and recommenced. This was not achievable during the term of the Executive Director.
- Fuel supply contract. Tender assessment was at an advanced stage but had become “stale” and needed to be refreshed. This was completed but recommendations to the Commonwealth Minister were not able to be finalised by 30 June 2016. This matter became a responsibility of NIRC.
- Alternative waste management facilities. A proposal to install a waste incinerator had received capital funding from the Commonwealth. Following a challenge from local residents this matter was the subject of legal review by the Norfolk Island Administrative Review Tribunal. A revised waste strategy found the incinerator proposal was not viable and recommended alternative waste strategies including:
 - A bio bin system for organics
 - Improved sorting facilities to separate recyclables, and
 - Exporting separated legacy waste for disposal in other jurisdictions. Tyres were shredded and batteries and copper were exported by sea to New Zealand. E-waste was exported to Queensland via air freight (a back load on a charter aircraft used to import building materials for the facilities upgrade works). Asbestos and liquid waste were collected and are stored

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ready for export. Export permits were not obtained prior to 30 June 2016.

The revised waste strategy has not been exhibited and is being further reviewed by the NIRC.

4. Other Entities

- **NIHE: Norfolk Island Hospital Enterprise**

This entity was managed by a Director who worked with an Advisory Board. These members were statutory appointments. During the twelve (12) months, individual appointments expired and were not replaced. Eventually the Advisory Board was not able to operate without a quorum.

The Advisory Board met monthly to consider reports from the Director. The Executive Director's assessment was that it was dysfunctional allowing the Director to lead meetings. It endorsed reports that were incomplete, inaccurate, dealing with individual matters that did not consider personal privacy or were only minutia. An attempt was made to upgrade the approach being used with limited success i.e. the agenda was split considering items for decision before items for information but the Advisory Board continued to approve all expenditure items over \$3,000. The Board was not willing to work with the Department (DIRD) to meet the Parliament's reform program.

Operations at the Hospital did not meet minimum accreditation standards (Report of the ACHS, "Organisation-Wide Survey of The Norfolk Island Hospital Enterprise", 2014) and capacity to achieve accreditation was not evident. Further, little if any, effective asset maintenance was being delivered except for annual medical equipment assessments.

The KPMG Review eventually provided a future direction. This involved the replacement of the Hospital Enterprise with a multi-purpose health and aged care service. With the retirement of the Hospital Director, NSW Health was requested to provide a replacement and subsequently the NSW Government agreed to manage clinical services in the future. From 1 July 2016, the interim Director, Julie Morrison, stayed on as the first Manager of the Norfolk Island Health and Residential Aged Care Service (NIHRACS). As discussed in a later section, *Facilities Audit and Upgrade Works*, a significant program has been completed to address maintenance and substandard equipment and services.

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As part of the transition Peter Bell Associates were engaged to address the HR/IR issues that resulted from a staff wages claim to the NI Remuneration Tribunal. Peter Bell worked with NSW Health, the Unions and the Department (DIRD) to assist the Hospital Director and the Executive Director manage this matter.

- **NITB: Norfolk Island Tourism Bureau**

This entity was managed by a General Manager (GM) working with an Advisory Board whose members were statutory appointments. The Board did not have a quorum in July 2015 and the Chair resigned for personal reasons. No replacement appointments were made. Subsequently the GM's contract expired and was not renewed due to the uncertainty of future operations. The entity was dissolved then reporting directly to the Executive Director through the Transition Manager. A part-time Marketing consultant, James Corvan, was appointed to assist the A/GM (formerly the Operations Manager). The position of Economic Development Manager is currently vacant.

As detailed earlier, in response to the performance audit from Morrison Lowe Report and the Executive Director's previous experience, an Economic Development Company was proposed to have a broader role with tourism being a major component. A draft Constitution, Statement of Intent and Board Charter were developed with current practice in Australia and New Zealand informing the recommendation. The NIAC supported this approach in a letter to the Minister and in their final recommendations. This proposal was not supported by the Department (DIRD). The alternative was to establish a role within the Governance Group of NIRC structure to manage economic development, tourism and the radio station.

- **NIGA: Norfolk Island Gaming Authority**

This statutory entity was managed by a Director reporting to a Board whose members were statutory appointees. This authority reported to the Minister/Delegate but did not have a strategic plan or any transparency of processes to satisfy even a cursory enquiry. Delivery of financial returns was the only visible output.

The Performance Audit confirmed this situation leaving the Government with serious reputation issues and governance concerns. By ordinance the Department (DIRD) took over the authority and appointed an interim director to determine future directions.

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5. Council Elections

In September 2015 contact was made with Regional Procurement seeking their assistance in identifying a suitable contractor to undertake a Local Government election using the NSW system. From their database of previous tenders the AEC, the NSW SEC and the Australian Election Company were identified. Regional Procurement was subsequently engaged to prepare a specification and approach the market with a contract to undertake the election. Delays were encountered with finalising the Ordinance with the AEC unable to provide an electoral roll so this was added to the Brief.

After the Ordinance was finalised it became clear that neither AEC or NSW SEC could undertake the work with a customised solution requiring a new electoral roll and all the NSW standard forms needing amendment. The Australian Election Company's tender was accepted in mid-March giving ten (10) weeks to meet the initial deadline. The Administrator was delegated as the Election Manager by the Minister and the election was successfully held on 28 May 2016 with 5 Councillors declared elected on 3-June 2016.

6. Governance Steering Committee

This Committee had formal members of the Executive Director Territories, Ms Robyn Fleming, Administrator, Hon G Hardgrave and Executive Director Norfolk Island, Peter Gesling. The brief was to meet monthly to monitor progress of the Norfolk Island Reform Program, establish priorities and provide direction if needed.

The process was effective with the Department (DIRD) staff able to collect data and update project reports, identify blockages and time critical issues.

7. KAVHA

This work site is part of the eleven (11) Convict sites in Australia that are recognised with a World Heritage listing. The Norfolk Island site is the least developed and needed a new management regime. The management board of former Local Assembly members, local and Department (DIRD) representation was not effective and was dissolved. This was replaced by a Steering Committee of the Executive Director External Territories and RD Norfolk Island and an Advisory Panel of two (2) heritage experts, two (2) local appointees and chaired by a Department (DIRD) representative. The Steering Committee met twice and the Advisory Panel once. This World Heritage site is the key element to the Island's economic future and should be used to initiate accreditation, licencing and commercialisation of a major tourist product.

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Additions to the Original Brief

During the year, several additional activities were added to the brief either as new activities or ancillary to the primary scope. These included a facilities audit, a plan for Council accommodation and a water quality review. A further scope occurred in participating in projects that were the responsibility of the existing government entities, for example, a review of the sewer system, Channers Corner road reconstruction works and assessment of tenders to deliver an upgraded Enterprise Management System.

a) Facilities Audit and Upgrade Works

In mid-November 2015, the Executive Director Norfolk Island was approached to assist DIRD to undertake a Facilities Audit of the NI education and health precincts. Briefs were prepared to have consultants engaged for this work. To achieve this a Lead Consultant was engaged to co-ordinate project activities. Mr Robert Round of KSGV PTY LTD was appointed. He visited Norfolk Island several times and was also engaged to undertake a review of Council accommodation options, develop concept plans and then working drawings for the chosen option to modify the existing Customs House as a Council Chambers while the main administrative functions remained in temporary or rented spaces.

Following selective EOIs to contractors who had recently worked on NI:

- GHD was engaged to undertake asbestos surveys, condition assessment, access audits, fire, electrical, medical and general equipment reviews;
- Advisian was engaged to complete a sewer assessment;
- Don Taylor, Surveyor, was engaged to complete site surveys with utility locations;
- Premier Biomedical Engineering Services Pty Ltd was engaged to undertake the medical equipment audit; and
- Baulkham Hills Business Machines was engaged during their routine business visits to advise of standard and condition of office equipment and printers.

In February 2016, the Department (DIRD) decided to commit funds to address priority works identified in the Facilities Audit. This was to focus on water supply, fire engineering, WHS, electrical safety and accessibility. Spreadsheets of works were developed and costings from the consultants were used to provide a preliminary budget. The Operation Manager, Mr Peter Adams, was deployed to initiate and manage the process. A Project Manager was sourced through a local EOI process with Mr Dick Massicks being appointed from five (5) candidates. EOIs for interested trades resulted in 38 people being engaged on individual hourly rate contracts to undertake the

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work. Two (2) contractors were elevated to Site Supervisors to manage on-site issues.

The Facility Managers, the School Principal and Hospital Director, were tasked to develop and deliver site inductions for all participants that included consideration for working in active sites.

Considerable work was completed on weekends and after hours due to the need for both sites to continue usual operations.

To transfer work spreadsheets to specifications, an external building assessor was engaged to scope, specify and audit project works to meet Australian standards or to formalise alternative solutions to address existing conditions. Cushman-Wakefield was engaged and then subcontracted other specialists as needed; for example architect, fire engineer, etc. Local plumbing firm, Island Plumbing, was used for water, sewer, oxygen, piping and guttering design and installation services.

Works commenced in early April 2016 and continued into FY 17. A consistent aspect of the work has been latent conditions at the Health campus with little, if any, effective maintenance completed in the last decade. This has stretched the available budget, along with the need to upgrade critical equipment to maintain approved services in education and health. For example, this has included:

- Guttering schedule for repair and maintenance had to be replaced due to faulty installation and no routine maintenance;
- Sewer pipes found to be cracked and requiring replacement;
- Water supply contaminated by bore water and no effective source management or specific treatment;
- A “hotch potch” of electrical reticulation that needed to be upgraded significantly;
- The need to re-engineer the kitchen as a fire cell to protect the remainder of the Health facility.

A visit from NSW Education (DEC) Asset professionals in May 2016 resulted in being able to defer some identified accessibility works under the DEC Asset Management system. **A similar visit from NSW Health has been requested but is still to be programmed.** Personal consultation with Health Asset staff was undertaken to obtain a third-party assessment of the fire engineered solution. This was facilitated by Department (DIRD) staff through NSW Health officials. Consultation with Prince of Wales Hospital engineering staff is acknowledged.

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b) Water Quality Review

A significant issue is the lack of management of water resources on NI. Water supply is a private concern sourced from rain water storage or bores. The bore field in the Burnt Pine area is polluted from septic ingress prior to the construction of a sewer scheme through the area (Water Assurance Scheme) piped to a Treatment Works before disposal to sea. The level of treatment and condition of final effluent is not high and no evidence was found of any testing results or a monitoring system.

To address the public health issues of water supplied to the public areas, GHD were successful in being appointed to deliver a review of and recommend a regime for water testing at:

- Health facility;
- School campus;
- Public supply point(s);
- Kingston Beach areas.

This project attempted to:

- Assess the existing alternatives for testing;
- Reviewed the existing public water systems, and
- Recommend a testing regime to provide a base level of water quality assurance.

Testing Options

Local legislation provides the framework for water testing, Reference: *Health Act 1913 (NI) Section 24, and Health Regulation Section 25*. With the ANI approach to reducing/not replacing staff, key functions of a local authority were ceased despite tourism being the largest component of the local economy. Two (2) potable water supply contractors operate on Norfolk Island providing treated water in the market for domestic and commercial premises. They are not subject to any third-party assessment. Ad hoc testing of the School campus and Health facility was undertaken but there was no formal, regular, quality assured testing completed. There was no reporting system in existence.

The Administrator's Office utilised a local bio-chemist to undertake some sampling for the Commonwealth (DIRD). ANI used their environment officer to undertake sampling of recreational water after rainfall events causing flows into Emily Bay from the uncontrolled catchment. In recent times ANI accessed test results completed by the bio-chemist for validation. The Norfolk Island Hospital Enterprise (NIHE) used their Pathology service to undertake e-coli checks. These were random and irregular.

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The Water Audit sought to review these three approaches with limited success concluding that a testing service was necessary and could be fashioned by upgrading some of the existing facilities.

The recommended water assurance regime would involve regular testing at the Education and Health campuses; the main swimming areas of Emily Bay and Slaughter Bay; and the supply locations used for public purposes at the Airport bore and Rawson Hall. No integrated proposal exists to monitor water quality.

For the Department (DIRD) there is a need to have a monitoring system for the school precinct, Health precinct and the KAVHA area. With the proposal to apply the NSW Health Act as applied law on Norfolk Island the Department (DIRD) will have State based responsibilities to the community. Currently, these are most likely to be contracted to NIRC. This would require:

- Establishing a suitable laboratory for testing;
- Upgrading skills to undertake and manage a testing regime and provide advice to clients;
- Engaging a third party to ensure testing is appropriate and rigorous;
- Expanding current Operations budgets to include funding to purchase the testing service, and
- Facilitating, by regulation, the framework to require Tourist operators to participate in a testing and monitoring program.

For Norfolk Island Regional Council (NIRC), there is a need to test and monitor water quality in the main swimming areas of Emily and Slaughter Bays and from any source where water is supplied to the public for human consumption.

For private operators, the proposed application of the NSW Health Act would require all businesses providing water to consumers to participate in a testing and monitoring program.

Details of recommended locations and frequency of testing are contained in the GHD report, *“Drinking Water & Recreational Waters Monitoring Program”*, 2016. Recent research has identified that in NSW Councils access the Government testing facilities at NSW Government Division of Analytical Laboratories, Lidcombe, NSW, to have a common system of testing and reporting. Further investigation of this potential option is warranted.

NIRC is engaging with the Bio-chemist to develop options and costs for the establishment of laboratory testing facilities. Ideally, this would be accredited but collaboration would be required. A private sector proposal will most likely require underwriting or funding a public proposal jointly.

A possible model would be to fund by a loan the capital cost of an accredited laboratory with costs amortised into user charges over a five (5) to ten (10)

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year term. User charges, by test, would cover capital repayments, testing, training, accreditation and interpretation of results. The GHD report proposes weekly, monthly and quarterly testing. Other potential users are:

- Department (DIRD) with the KAVHA area and
- Businesses who provide water for human consumption.

NIRC Assessment

Since completing the EDNI role, a specific brief from DIRD was to develop a framework to assess the effectiveness of the new Regional Council. Various models were reviewed including the NSW Office of Local Government's 'Better Practice Review' and the Australian Centre for Excellence in Local Government's 'Service Delivery Review Model'. Both would need significant adaptation to be usable at this early stage of the NIRC entity.

It is recommended that the model developed to assess Geelong City Council provides a usable model with the elements modified or excluded. A draft was prepared and discussed with the General Manager who agreed there was merit in the model with minor adjustments. The Executive Director Territories from DIRD agreed and sought an Assessment Code so both parties were clear on expectations of the Framework.

Attachment G is the NIRC Assessment Framework and includes the Assessment Code for the NIRC Framework.

Some references need to be updated to the Norfolk Island and Commonwealth legislation which has not been finalised.

It is recommended that the Framework be trialled with the 6th Review scheduled for January 2017 and then adjusted by agreement between the parties. The option of using an external facilitator to provide objectivity and transparency should be considered.

Service Delivery Agreement (SDA)

This Agreement was made between the former organisation, Administration Norfolk Island (ANI) and the Department, (DIRD), to provide a contract for the delivery of State Type Services by NIRC. Given this new approach, quarterly reviews are proposed to allow adjustment based on the experience gained in delivering the nominated services.

An extended schedule was developed in August 2016, (Attachment H), to provide a brief Service Specification or expected 'Outcomes' for service delivery. NIRC is working up a model to report on actual data from service delivery.

Reflections

1. As Delegate of the Minister I understood that I would have access to independent legal advice.
2. While the services of Department (DIRD) staff, both in Canberra and on Island, were provided, there were occasions when access was restricted and I did not experience “open” access as I was assured. My personal style of decision making is to seek informal advice to crystallise issues before obtaining formal advice. In particular, dealing with Customs, Company & Association Registrations and Quarantine issues were problematic.
3. The Executive Director position had access to ANI resources. These were limited and not equipped to support a major social and cultural change. Availability of administrative support for the Executive Director and key staff was restricted due to the policy and practice on staff replacement. Further, there were obvious concerns on confidentiality with some local staff, which were resolved with the assistance of my partner, Susan.
4. Oversight of the existing Entities, namely ANI, NIHE, NITB and NIQA was superficial and should have had a more structured approach. This role was under resourced for the situation. More time/resources were required on the cultural change journey. Determination of the Organisational Structure was delayed resulting in limited deployment of the Leadership Capability Program (LCP).
5. Establishment of the Regional Council including appointing the General Manager and the election of Councillors was achieved despite the compressed time frame.

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6. Difficulties in finalising the Election Ordinance placed pressure on the Consultants to establish a roll and to amend the required Election forms. Having worked previously with the Australian Election Company and given their success in completing this project it is recommended that the Department (DIRD) formalise a procurement process to establish an election contractor as soon as possible for future election needs.

Activation of the KAVHA site is critical for the economic and cultural sustainability of Norfolk Island. Many small changes are possible to improve the product without major capital investment. For example, provision of an identifiable “uniform” such as a monogrammed shirt, would enhance the look and feel of the existing services. The necessity to progress commercialisation and user accreditation with fees for site use by tourism operators is acknowledged. A robust mechanism for decision making and action has not been established.

7. Establishment of Asset Management Plans (AMPs) is the basis for developing long term maintenance and investment requirements. Dedicated resources are necessary to provide information for long term management of all facilities and services. This should be a common system between the Commonwealth and the Norfolk Island Regional Council.
8. Protection and Stewardship of Natural Resources is critical for a sustainable future for Norfolk Island. A laissez-faire approach to resource management is not in the interest of the community as the market on Norfolk Island is not mature and will need government support. Water and rock supply are both critical to life on the Island as foundation resources.
9. Good Governance will be essential. Honest, open and transparent communication between the Commonwealth, the

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Norfolk Island Regional Council and the community is essential so that all stakeholders are participating in their future.

10. The need for Ongoing Reform was the basis of the Organisation Structure adopted. While the Service Delivery Agreement (SDA) and Assessment Framework has been developed, there is no imperative to deliver ongoing training, cultural assessment or continuous improvement. Without this focus the NIRC and the Island cannot achieve sustainability.
11. There is a Local Perception that the reform program is striving to change local cultural practice. A designed communication strategy is needed to correct this misconception and to reinforce that the reform program is not seeking to change any authentic practice or tradition.
12. As recommended by the NIAC it is in the interest of both the Commonwealth and the local community that the Department (DIRD) negotiates and publishes a legislative amendment program for the future of Norfolk Island. There will be many aspects of stakeholder interest that need to be considered including economic development, community safety and consumer protection.

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Abbreviations

- ANI: Administration of Norfolk Island
- BAU: ‘business as usual’
- DIRD: Commonwealth Department of Infrastructure & Regional Development
- ED: Economic Development
- EDNI: Executive Director, Norfolk Island
- EMS: Enterprise Management System
- GSC: Governance Steering Committee
- HR/IR: Human Resource/Industrial Relations
- IT: Information Technology
- KAVHA: Kingston Arthurs Vale Heritage Area
- NI: Norfolk Island
- NIAC: Norfolk Island Advisory Council
- NICS: Norfolk Island Central School
- NIGA: Norfolk Island Gaming Authority
- NIHE: Norfolk Island Hospital Enterprise
- NIHRACS: Norfolk Island Health and Residential Aged Care Service
- NIRC: Norfolk Island Regional Council
- NITB: Norfolk Island Tourism Bureau
- PCG: Project Control Group
- SDA: Service Delivery Agreement