

## Senate Additional Estimates Hearings – February 2015

SB15-000007

## NORFOLK ISLAND REFORMS

**Key Points**

- The Commonwealth Government is committed to extending the Australian taxation and social security systems to Norfolk Island. As part of its response to the Joint Standing Committee on the National Capital and External Territories (JSCNCET), the Commonwealth is also considering reforms to address serious governance problems which are resulting in economic stagnation, ongoing fiscal pressure on the Commonwealth and poor standard of services to the community.

**Norfolk Island reform package**

- The Government has provided \$2.0 million to support the delivery of a number of governance reforms on Norfolk Island in 2014/15, of which \$0.3 million had been spent, as at 31 December 2014 (note this underestimates actual activity).
- Areas of reform include the development of improved financial management practices and performance audits of Norfolk Island Government business units. Funding will also support the continued engagement of the Commonwealth Financial Officer to provide oversight and advice to the Norfolk Island Government on its budgeting and expenditure processes.
- Projects already underway or completed include:
  - economic modelling by the Centre for International Economics (CIE) (COMPLETE);
  - Chief Financial Officer costs (ONGOING);
  - review of the Norfolk Island's Government Business Enterprises (GBEs) (Phase 3 to commence February 2015); and
  - Australian National Audit Office Audit of the Norfolk Island Government's 2013/14 Financial Statements (COMPLETE).

*The following projects are not for public release as they will be announced with the Government's response to the JSCNCET:*

- *a health service plan (NOT STARTED);*
  - *an economic development strategy for Norfolk Island (NOT STARTED);*
  - *an international visitors survey (NOT STARTED);*
  - *Information and communications technology capital plan (NOT STARTED); and*
  - *a roads strategy and design (NOT STARTED).*
- Deloitte Access Economics has reviewed the operations of the GBEs. The aim of the review is to assist the Norfolk Island Government to assess the operational efficiency of 19 GBEs and to support future decision making around their structure and operations. The second phase of the work will commence on 20 February 2014 and will examine the service cost levels and governance structures of the GBEs.
- The CIE has reviewed the economic issues facing Norfolk Island. CIE has reported the extension of the Australian and taxation and social security systems would lead to substantial economic improvements. The report indicates Norfolk Island households will receive around \$4.9 million by means of welfare type payments while saving approximately \$5 million in healthcare related costs. It is expected household consumption will increase in excess of \$20 million as a result of the reforms.

## Senate Additional Estimates Hearings – February 2015

### Community consultation

- On 20 October 2014, the JSCNCET handed down its report regarding the economic development opportunities available on Norfolk Island. The report recommends the *Norfolk Island Act 1979* be repealed and a local government type body established on Norfolk Island.
- The Hon Gary Hardgrave, the Administrator of Norfolk Island, led community consultation on Norfolk Island from November – December 2014. The Administrator has reported to Assistant Minister Briggs on the outcomes of the consultation. The Commonwealth is currently considering its response to the JSCNCET. Further information is contained in **SB15-000021**.
- On 1 December 2014, the Norfolk Island community presented a petition with 749 signatures to the Australian Parliament. The petition requests greater community consultation before implementing any proposed reforms. The Commonwealth is currently considering its response to the petition, which is due 1 March 2015, 90 days from receipt of the petition.

### Background

#### Implementation of \$2 million Reform Package

On 19 December 2014, the Administrator of Norfolk Island released two reports:

- *Economic impact of Norfolk Island reform scenarios*, by the CIE; and
- *Norfolk Island government business analysis*, by Deloitte Access Economics.

These reports provide more detail on the economic issues facing Norfolk Island and on the operational efficiencies of the Norfolk Island GBEs.

#### Community consultation

On 21 October 2014, Assistant Minister Briggs wrote to all Norfolk Island residents informing them the Administrator would lead community consultation on the recommendations of the JSCNCET on Norfolk Island. On 20 December 2014, the Administrator reported to Assistant Minister Briggs on the outcomes of the community consultation. The consultations included:

- Five community-wide mail outs;
- Two public meetings, attended by 500 residents;
- Five meetings with the Members of the Norfolk Island Legislative Assembly;
- Two meetings with the Council of (Pitcairn) Elders;
- One meeting with the Norfolk Island Chamber of Commerce;
- 35 meetings with individuals; and
- 150 items of written correspondence.

### Financial Information (if applicable)

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Appropriation Budget	2.0	0	0	0
Less:				
Actual Expenditure YTD at 31-Dec- 2014	0.3			
Total Committed Funds at 31-Dec- 2014	0	0	0	0
Total Uncommitted Funds (balance)	1.7	0	0	0

*Note: Committed funds relate to funds committed under a Funding Agreement, Contract or Program of Works where the Project, Profile and Conditions have been agreed to, or a formal offer has been made pending agreement, by the recipient.*

## Senate Additional Estimates Hearings – February 2015

SB15-000008

## NORFOLK ISLAND FINANCES

**Key Points**

- Norfolk Island's financial position is poor. It has a decreasing revenue base and a declining economy. The Government's financial information system, management practices and capabilities are poor.
- The Norfolk Island Government has forecast negative net cash flows from operations of \$7.5 million; \$6.4 million; \$5.5 million; and \$5.5 million for each of the respective four fiscal years commencing 2014-15. The minor reduction on negative net cash flows over the forward period is driven by an increase in utilities income, expected implementation of municipal rates and the finalisation of debt repayments to NSW Education.
- These figures were agreed by the Australian National Audit Office (ANAO) in its recent annual financial statements audit. The ANAO conclusion was there is insufficient evidence to form an audit opinion as to whether the Norfolk Island Government remain a going concern.
- Norfolk Island has progressively used its capital and cash reserves to fund service delivery. Since 2010, the Commonwealth has supported Norfolk Island through direct emergency funding to ensure the continuation of essential services, such as health, education, policing and utilities, and indirectly through the provision of other activities including: underwriting regular public transport air services; capacity and capability building support; an on-Island Commonwealth Financial Officer; annual ANAO financial statements audits; and assessment and review of the Norfolk Island Government Business Enterprises.
- The Commonwealth funding assistance to Norfolk Island since 2010, including \$12.5 million committed in 2014-15, totals \$48.2 million. There is currently no commitment to provide funding assistance to Norfolk Island beyond the current financial year, 2014-15 (Table One refers).

**Funding Agreements**

- In 2014-15, the Commonwealth provided up to \$7.5 million under a Funding Agreement to assist Norfolk Island to meet its financial obligations and deliver essential services including health, education, policing and utility services to the community of Norfolk Island.
- The funding is contingent on the Norfolk Island Government implementing agreed reform measures and meeting agreed milestones over the 2014-15 year.
- In respect of the first milestone payment (\$2.0 million), \$1.3 million was paid on the achievement of agreed milestones. The \$0.7 million shortfall was a result of milestones not being met. The next milestone payment is scheduled for consideration in February 2015.
- In 2013-14, the Commonwealth provided up to \$4.4 million to Norfolk Island subject to the satisfactory completion of agreed milestones. Some milestones were not met and a total of \$3.5 million was paid over the 12 month period.

**Australian National Audit Office 2013-14 Norfolk Island Financial Statements Report**

- The ANAO audit of the 2013-14 financial statements for Norfolk Island shows it is unable to meet its financial obligations, nor afford to provide essential services to the community.
- Norfolk Island tabled its 2013-14 financial statements and the related ANAO report in its Legislative Assembly on 19 November 2014.
- The ANAO on 18 December 2014 tabled in both houses of the Federal Parliament its usual 'Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2014'. This report included high-level comments on the audit findings for Norfolk Island.
- Under the *Norfolk Island Act 1979* (Cth), the financial statements and audit reports are required to be tabled in both houses of Federal Parliament by the Assistant Minister for Infrastructure and Regional Development, the Hon Jamie Briggs MP, as soon as practicable. The Assistant Minister is yet to table the ANAO Norfolk Island financial statements and audit reports.

## Senate Additional Estimates Hearings – February 2015

### Background

**Table One**  
**Commonwealth Funding 2010-11 to 2014-15 (\$m)**

Description	2010-11	2011-12	2012-13	2013-14	2014-15 (Budgeted)	Total
Essential Services Emergency Funding	6.4	2.9	4.5	3.5	7.5	<b>24.8</b>
Air Nauru contract finalisation		10.5				<b>10.6</b>
Norfolk Island reforms and capacity building including: ANAO audits, Commonwealth Financial Officer; Pest & Disease Survey; GBE review; and a Capacity Building team.		0.4	1.8	1.3	2.0	<b>5.5</b>
Airline Underwriting ( <i>not for disclosure</i> )		0.2	2.5	1.7	3.0	<b>7.4</b>
	<b>6.4</b>	<b>14.0</b>	<b>8.8</b>	<b>6.5</b>	<b>12.5</b>	<b>48.2</b>

### Funding Agreements

The Funding Agreements reflect the Commonwealth's expectations for Norfolk Island including aligning with the priority areas identified in the *Norfolk Island Road Map 2011* and the ANAO audit findings. The agreed milestones are critical for Norfolk Island to strengthen its financial management and governance arrangements; meet its financial obligations; deliver essential services to the community; and move towards becoming a going concern.

### ANAO 2013-14 Norfolk Island Government Financial Statements Report

In accordance with the *Norfolk Island Act 1979*, the ANAO is the auditor of Norfolk Island's financial statements. These auditing arrangements took effect from 1 July 2011.

ANAO reports on the 2011-12; 2012-13; and 2013-14 consolidated financial statements all contained disclaimers of opinion and an inability to determine whether Norfolk Island was a going concern.

In 2011-12 the ANAO identified significant weaknesses in relation to: management of GST compliance; management practices and controls; and governance structures. Many of these matters remain unresolved in 2013-14.

### **Financial Information**

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Appropriation Budget	12.5	0	0	0
Less:				
Actual Expenditure YTD at 31-Dec- 2014	4.5			
Total Committed Funds at 31-Dec- 2014	7.5	0	0	0
Total Uncommitted Funds (balance)	0	0	0	0

*Note: Committed funds relate to funds committed under a Funding Agreement, Contract or Program of Works where the Project, Profile and Conditions have been agreed to, or a formal offer has been made pending agreement, by the recipient.*

## Senate Additional Estimates Hearings – February 2015

47E

**Cleared by Executive Director:** Robyn Fleming

**Version Number:** 05

**Date:** 09/02/2015

## Senate Additional Estimates Hearings – February 2015

SB15-000019

## NORFOLK ISLAND PROPOSALS

**Key Points****Cannabis**

- Current Australian Government legislation and policy does not support the wholesale growth of medicinal cannabis on Norfolk Island and this position has been communicated to the Norfolk Island Government.
- The Norfolk Island Administrator, the Hon Gary Hardgrave, using his power in section 13 of the *Dangerous Drugs Act 1927* (NI), acted on Assistant Minister Briggs' instructions to cancel the licence the Norfolk Island Government issued for the proposal.
- The licence was issued under a provision in Norfolk Island law intended to support an industrial hemp industry. Growing and processing cannabis for medical treatments is inconsistent with this intention.
- The need to control cannabis is also recognised at the international level and the Australian Government has ratified a number of international agreements that require this control. The Norfolk Island Government had not identified how the proposal would satisfy these obligations and had not consulted with relevant federal authorities.
- Cannabis trials being considered by New South Wales are a matter for that jurisdiction.

**Same Sex Marriage Bill 2014**

- A Private Members Bill - Same Sex Marriage Bill 2014 (NI) - was considered by the Norfolk Island Legislative Assembly on 17 September 2014; however, no motion was passed in relation to the Bill.
- The Australian Government supports nationally consistent marriage laws as defined in the Marriage Act 1961. The Australian Government is currently considering the Same Sex Marriage Bill 2014 (NI) and its consistency with the Marriage Act 1961 which applies across all of Australia.
- The Department is not aware if the Norfolk Island Government will further its proposed legislation on same sex marriage.

**Cascade Pier**

- The Australian Government, in December 2013, committed \$13 million towards an upgrade and extension project to the Cascade Pier. This funding is committed from the Community Development Grants program to enable the strengthening, widening and extension of the Cascade Jetty.
- A revised version of the funding agreement between the Commonwealth and the Norfolk Island Government was issued to Norfolk Island on 9 December 2014.
- The Joint Standing Committee on the National Capital and External Territories (JSCNCET) made a recommendation in its Report *"Same country: different world"* that the Commonwealth Government assume responsibility for the Cascade and Kingston Pier upgrades and that the Commonwealth Government expedite the works in line with Australian standards and occupational health and safety requirements as soon as practicable.

## Senate Additional Estimates Hearings – February 2015

- The Norfolk Island Government endorsed this recommendation and advised Assistant Minister Briggs in a letter dated 24 December 2014 that it would be prudent for the Norfolk Island Government to consider its position on signing the agreement subject to the outcome of the Australian Government's response to the JSCNCET recommendation.
- The Australian Government is currently considering its response to the JSCNCET Report.

### Background

#### Cannabis

On Tuesday 5 August 2014, the Norfolk Island Government informed the Administrator, the Hon Gary Hardgrave, that a licence had been issued to Tasman Health Cannabinoids Pty Ltd to grow and process cannabis on Norfolk Island for export.

The Norfolk Island Government did not consult with the Department of Health (responsible for the *Narcotics Drugs Act 1967* (Cth) and Australia's obligations under the Single Convention on Narcotics); Border Force (responsible for Customs regulations on prohibited imports which would apply to the movement of any cannabis through the Australian mainland); or the Australian Federal Police (responsible for enforcing the drug provisions of the Commonwealth Criminal Code). In addition, the Norfolk Island community was not consulted.

#### Same Sex Marriage

Under the *Norfolk Island Act 1979* (the Act) the Norfolk Island Legislative Assembly has power, with the assent of the Administrator or the Governor-General to make laws for the peace, order and good government of Norfolk Island. The Commonwealth has constitutional power over marriage, pursuant to which it has enacted the *Marriage Act 1961*.

#### Cascade Jetty

The Norfolk Island Port Facilities project is to support the visitation of cruise ships and containerisation of freight to Norfolk Island using purpose built barges designed in conjunction with Carnival Cruises Australia. The total project value is \$18.8 million and comprises the following components:

- strengthening and extension of Cascade Jetty to enable a 100-tonne mobile crane to safely operate on it;
- a crane lifting pad for Kingston Jetty to enable the crane to also operate at this jetty;
- the procurement, delivery and commissioning of a 100-tonne mobile crane;
- strengthening of Pier Street Bridge to handle the weight of the crane to increase the capacity of both jetties for passenger operations and cargo at Cascade Jetty; and
- purchase and commissioning of three barges and trailers.

The Administration of Norfolk Island (ANI) submitted an application for \$15 million for the project as part of Regional Australia Development Fund Programme Round 4. In its application, the Administration of Norfolk Island committed to contribute partner funding to the project of \$5.8 million for the purchase of the crane, barges and trailers and associated on Island infrastructure to support the project. ANI's application was successful and ANI was offered \$13 million of the \$15 million towards the Cascade Jetty construction costs. The funding was reallocated under the Department of Infrastructure and Regional Development Community Development Grant Programme.

## Senate Additional Estimates Hearings – February 2015

SB15-0000021

## JSCNCET REPORT – ECONOMIC DEVELOPMENT OF NORFOLK ISLAND

**Key Points**

- On 20 October 2014, the Joint Standing Committee on National Capital and External Territories (JSCNCET) handed down its report regarding the economic development opportunities available on Norfolk Island. The JSCNCET made significant recommendations on the future of Norfolk Island, including repealing the *Norfolk Island Act 1979* and establishing a local government type body. The Commonwealth is undertaking essential infrastructure investment on the ports and roads and supporting the economic opportunities through tourism initiatives and the local cottage industry.
- The Government is currently considering its response to the JSCNCET which is due in February 2015.
- Assistant Minister Briggs tasked the Administrator of Norfolk Island, the Hon Gary Hardgrave, to lead community consultation on Norfolk Island from November – December 2014 on the recommendations of the JSCNCET.

**Background**

The JSCNCET made the following recommendations:

1. to repeal the *Norfolk Island Act 1979* and establish a local government type body on Norfolk Island;
2. to establish formal mechanisms for community consultation during the reform process;
3. the Commonwealth assume responsibility for the cascade and Kingston Pier upgrades;
4. the Commonwealth purchase multipurpose barges for use on Norfolk Island;
5. the Commonwealth ensure the public road infrastructure is assessed against current Australian design, building and engineering standards;
6. the Commonwealth appoint officers to strengthen Norfolk Island's economic and human resource capacity and develop tourism opportunities;
7. the Commonwealth assist Norfolk Island's cottage industry; and
8. the Commonwealth take charge of the psyllid eradication effort on Norfolk Island.

**Community Consultation**

On 21 October 2014, Assistant Minister Briggs wrote to all Norfolk Island residents informing them the Administrator would lead community consultation on the recommendations of the JSCNCET on Norfolk Island.

On 20 December 2014, the Administrator reported to Assistant Minister Briggs on the outcomes of the community consultation. The consultations included:-

- Five community-wide mail outs;
- Two public meetings, attended by 500 residents;
- Five meetings with the Members of the Norfolk Island Legislative Assembly;
- Two meetings with the Council of (Pitcairn) Elders;
- One meeting with the Norfolk Island Chamber of Commerce;
- 35 meetings with individuals; and
- 150 items of written correspondence.



## Senate Budget Estimates Hearings – May 2015

SB15-000104

## NORFOLK ISLAND REFORMS

**Key Points****Reform funding (2015-16 to 2018-19)**

- The total reform package is \$136.2 million over the forward estimates. \$78.9 million are expenses directly related to the Infrastructure portfolio and are associated with providing state and local-government level services and capital expenditure.
- The remaining \$57.3 million is associated with the extension of federal level services to Norfolk Island; such as; Australian taxation, social security, healthcare and employment arrangements, immigration, customs and biosecurity functions. This has been distributed to these Departments directly. Table One provides a full breakdown of the Norfolk Island reform funding.

**Norfolk Island Reform Bills**

- Assistant Minister Briggs introduced a Norfolk Island Legislation Amendment Bill 2015 and associated Taxation Bills into the House of Representatives on 26 March 2015. The Bill is expected to be passed in the Winter sitting and will commence on proclamation thereafter.
- The Australian Government will establish the Norfolk Island Advisory Council. Nominations have already been requested. The Norfolk Island Administrator will manage affairs for 2015-16.

**Community engagement**

- The Department and the Administrator of Norfolk Island consults with the Norfolk Island community. A government shopfront will be established on Norfolk Island which is expected to be opened in the second half of May 2015.

**Reform plan and implementation**

- The Norfolk Island Legislative Assembly and Executive Council will be abolished on proclamation of the Norfolk Island Legislation Amendment Bill 2015.

**Response to JSCNCET report**

- The Australian Government agreed wholly or in-principle (subject to budget) to all recommendations made by the Joint Standing Committee on the National Capital and External Territories in its report on Norfolk Island (see [Attachment A](#)).

**Norfolk Island referendum**

- The Norfolk Island Legislative Assembly voted to hold a referendum on Norfolk Island on Friday 8 May 2015. The referendum question can be found in the background. The outcome of the referendum is not binding.

**Background****Reform funding**

Table 1 provides a breakdown of the per agency cost of the proposed reforms.

Table 1 - Norfolk Island Reform Funding:

	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	2017-18 (\$m)	2018-19 (\$m)	Total FE (\$m)
Health	0.0	0.0	2.9	3.2	3.3	9.4
Customs	0.1	6.1	1.4	1.5	1.5	10.7
Immigration	0.0	0.6	0.2	0.2	0.2	1.194
Agriculture	0.0	1.3	1.7	1.5	1.4	5.9
DHS	0.0	5.7	1.2	0.3	0.4	7.6
DSS	0.0	0.8	10.5	10.7	11.2	33.3
DIRD	0.0	10.4	17.3	24.2	27.1	78.9
Employment	0.0	0.2	0.4	0.3	0.3	1.1
ABS	0.0	0.2	0.2	0.0	0.0	0.5

## Senate Budget Estimates Hearings – May 2015

ATO	0.0	2.3	1.2	0.6	0.2	4.4
<b>Total Cost</b>	<b>0.1</b>	<b>27.7</b>	<b>37.1</b>	<b>42.6</b>	<b>45.6</b>	<b>153.2</b>
<b>Taxation Revenue</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>	<b>9.0</b>	<b>6.0</b>	<b>17.0</b>
<b>Total Underlying Cash Impact</b>	<b>0.1</b>	<b>27.7</b>	<b>35.1</b>	<b>33.6</b>	<b>39.6</b>	<b>136.2</b>

*Note: Above costs have been rounded to one decimal place, any discrepancy between agencies individual costs and the final cost of the reforms are the result of rounding.*

### Legislation

The Assistant Minister for Infrastructure and Regional Development, the Hon Jamie Briggs MP, introduced the Norfolk Island Legislation Amendment Bill 2015 and associated taxation Bills into Parliament on 26 March 2015.

This package of Bills implements the Government's election commitment to extend taxation, social security and healthcare arrangements to Norfolk Island. It also satisfies the recommendations of the Joint Standing Committee on the National Capital and External Territories that the current Norfolk Island Legislative Assembly be replaced with a more sustainable regional council model, and that national functions such as immigration, quarantine and customs be transferred to the Australian Government.

These Bills also amend taxation and superannuation legislation to extend Australia's income tax, Medicare levy and superannuation guarantee system to Norfolk Island. These reforms will generally apply from 1 July 2016, with transitional arrangements applying in relation to capital gain tax and the superannuation guarantee.

### Transition and interim arrangements

Following the commencement of the Norfolk Island Legislation Amendment Bill 2015 the Norfolk Island Legislative Assembly will be dissolved, with the Administration to continue to operate and provide services to the local community. From 1 July 2016 a Norfolk Island Regional Council will be established. The Norfolk Island Regional Council will have responsibility for the delivery of all local level services and may have a wider range of roles than an average mainland council to reflect the unique circumstances of the local community.

In the interim the Australian Government will establish a five member Norfolk Island Advisory Council (Advisory Council) drawn from the local community. The principle function of the Advisory Council will be to advise the Administrator of Norfolk Island on matters affecting the peace, order and good government of Norfolk Island.

The Norfolk Island Advisory Council will be established with Ministerial functions under Norfolk Island law to be executed by the Commonwealth Minister or his delegates. From 1 July 2016 taxation, social security and other Commonwealth programs will commence.

The Advisory Council will provide a forum for the community to raise issues and provide feedback to the Administrator and Assistant Minister Briggs. The Advisory Council will not have any authority to act on behalf of, or to commit, Government to any actions.

### Final arrangements

From 1 July 2016, Australian immigration, health, social services and taxation systems will apply in Norfolk Island in the same way they currently apply to mainland Australia with the exception of indirect taxes, including GST, excise duties and customs duties. This approach is consistent with the current taxation arrangements in Australia's other external territories such as Christmas Island, and will result in an overall positive impact on the Norfolk Island economy. It will also ensure that the most vulnerable are protected by the social safety net that is available to all other Australians.

The superannuation guarantee regime is to be extended to Norfolk Island. The superannuation guarantee will be phased in at a rate of 1 percentage point per year until it reaches parity with the

## Senate Budget Estimates Hearings – May 2015

mainland's superannuation guarantee rate. This transition will minimise any negative impact on business.

The indirect tax regime, including GST and customs duty, will not be extended to Norfolk Island at this time. The Government intends to remove indirect taxes currently imposed by the Norfolk Island Government, such as the 12% GST and customs duties from 1 July 2016. This is consistent with tax treatment in Australia's other external territories.

The Government has announced electoral reform will take place on Norfolk Island by 1 July 2016, with voting becoming compulsory and Norfolk Island residents represented in a single electorate. To give effect to this commitment a second tranche of legislation is proposed to be introduced to Parliament in the Autumn sitting of Parliament 2016. The proposed legislative package will also seek to implement essential workplace relations reform, including application of the Australian minimum wage, and see the general application of Commonwealth laws on Norfolk Island, however this will be phased in to minimise impacts on business.

### Consultation

The Norfolk Island community has been extensively consulted on the proposed reforms. Consultations by the JSCNCET during their enquiry into economic development on Norfolk Island and the subsequent consultation by the Administrator have shown there is broad support in the community for the reforms.

The Norfolk Island Advisory Council will also provide the community with an opportunity to provide feedback on the reform process. Specifically the Advisory Council will be asked to consider a possible new local government model, the restructure of the Norfolk Island Administration and the priority and preferences for the introduction of NSW laws. The Advisory Council's views will be shaped by input from the Norfolk Island community.

The community will continue to be consulted throughout the transition process, this will be led by the Advisory Council and the Administrator of Norfolk Island.

On 13 April 2015 Commonwealth officials from the Australian Taxation Office and the Department of Human Services visited Norfolk Island to meet with the community and answer questions regarding the Australian taxation and social security systems. Further visits by Commonwealth officials will occur throughout the transition process. These visits will be supported by the establishment of a shopfront on Norfolk Island which will host visiting Commonwealth officials and provide the community with free internet and telephone access to Government websites and call centres on the mainland.

### Norfolk Island referendum

The Norfolk Island Legislative Assembly voted to hold a referendum on Norfolk Island on Friday 8 May 2015. The referendum will ask whether the people of Norfolk Island should have the right to self-determination and whether the community should be consulted prior to the introduction of the proposed reforms. The referendum will pose the following question:

"Should the people of Norfolk Island have the right to freely determine their political status, their economic, social and cultural development and be consulted at referendum or plebiscite on the future model of governance for Norfolk Island before such changes are acted on by the Australian Parliament? - YES or NO"

The outcome of the referendum is not binding.

SUMMARY OF JSCNCET RECOMMENDATIONS AND RESPONSE

**Recommendation 1: Agreed**

**The Committee recommends that, as soon as practicable, the Commonwealth Government repeal the Norfolk Island Act 1979 (Cth) and establish an interim administration, to assist the transition to a local government type body, determined in line with the community's needs and aspirations. This will require the development of a new legislative framework.**

The Australian Government supports the recommendation and proposes to transition the current Legislative Assembly to a Regional Council. The Australian Government notes there is broad support from the community to alter the current arrangements for self-government. The Australian Government will amend the *Norfolk Island Act 1979 (Cth)*. The amendment of the act will allow the Norfolk Island Administration and associated entities, including the Norfolk Island Government Business Enterprises to continue to provide services to the community during the transitional phase. The Assistant Minister will hold delegations for Norfolk Island during the transition period and ensure an interim Advisory Council is established, drawn from the community, to advise him on decisions during that period.

**Recommendation 2: Agreed**

**The Committee recommends that formal mechanisms for community consultation be established which allow for regular and ongoing communication between any transitional administration and the community about the reform process and new governance arrangements.**

Following the commencement of the Norfolk Island Legislation Amendment Bill 2015, the Australian Government will establish an Advisory Council with community representation to guide the transition process. Formal mechanisms will be established for the Administrator and the Advisory Council to consult with the community on key issues. From 1 July 2016 the Norfolk Island Regional Council will be established. The Norfolk Island Regional Council will provide the Norfolk Island community with an ongoing voice in governance and in government.

**Recommendation 3: Agreed**

**The Committee recommends that the Commonwealth Government assume responsibility for the Cascade and Kingston Pier upgrades and that the Commonwealth Government expedite the works in line with Australian standards and occupational health and safety requirements, as soon as practicable.**

This recommendation is agreed subject to the transfer of \$13 million in funding from the Community Development Grants Programme to the *Services to Territories* outcome (Outcome 4) in the Department of Infrastructure and Regional Development. Further scoping and feasibility studies will need to be undertaken to identify the optimum solution, taking on board heritage and environment considerations and the condition of other related infrastructure such as roads.

**Recommendation 4: Agree in principle**

**The Committee recommends that the Commonwealth Government purchase multi-purpose barges for use on Norfolk Island in conjunction with upgrades made to Cascade and Kingston Piers. Barge use must be integrated into the design and functionality of the upgrades.**

The Australian Government supports the recommendation to improve passenger and cargo access to Norfolk Island. This recommendation is agreed in principle subject to the outcomes of re-scoping of the project for the Kingston and Cascade piers and consideration in a future budget context.

## Senate Budget Estimates Hearings – May 2015

### Recommendation 5: Agree in principle

**The Committee recommends that the Commonwealth Government ensure that, as part of the new governance arrangements, the public road infrastructure on Norfolk Island is assessed against current Australia-wide design, building and engineering standards and, where needed, work is undertaken to remedy deficiencies.**

This recommendation is agreed in principle, subject to funding in a future budget context. The maintenance and management of road infrastructure should continue to be an on-island responsibility in line with the responsibilities of a Regional Council. The Australian Government will work with the Administrator and the Advisory Council on the development of a long term roads strategy for Norfolk Island.

### Recommendation 6: Agreed

**The Committee recommends that the Commonwealth Government appoint officers in the transitional administration to strengthen Norfolk Island's economic and human resource capacity. Officers from Commonwealth agencies like Tourism Australia and Austrade should be tasked to provide advice and support to define the tourist market, develop tourist product and promote and market tourist and other products and services, including new ones.**

The Australian Government agrees building on-island capability is critical to the effective delivery of services and to broader economic development. Through the Commonwealth Financial Officer posted on-island, the Australian Government continues to support the development of financial management capability within the Norfolk Island Administration.

Austrade and the Department of Infrastructure and Regional Development will work together to identify new opportunities for tourism and to undertake targeted research to better define tourism markets, inform a tourism strategy and identify opportunities for growth

### Recommendation 7: Agree in principle

**The Committee recommends that the Commonwealth Government provide a dedicated officer to assist Norfolk Island cottage industry owners and operators to brand their products, set up a cooperative shopfront, and look at ways to market and export their products.**

This recommendation is agreed in principle, subject to consideration in a future budget context. In the interim the Australian Government, through the Office of the Administrator, will support an economic development strategy for Norfolk Island. The strategy will be guided by the interim Advisory Council, and an economic advisory group drawn from key stakeholders.

### Recommendation 8: Agreed

**The Committee recommends that the Commonwealth Government take charge of the psyllid eradication effort on Norfolk Island, and that responsibility for quarantine control matters be transferred to the Commonwealth of Agriculture, Fisheries and Forestry.**

The Australian Government acknowledges this is more properly a national responsibility and a small jurisdiction such as Norfolk Island cannot sustain adequate and effective quarantine and border control arrangements. As a first step in supporting more effective quarantine arrangements, the Australian Government has provided \$1.5 million for the conduct of a pest and diseases survey to identify potential quarantine and biosecurity issues. The Australian Government has also worked to build capability on-island and improve the effectiveness of current quarantine arrangements through the gifting and deployment of a trained quarantine detector dog.

The Australian Department of Agriculture has provided advice to the Norfolk Island Administration on the management of this pest however a management or eradication regime is yet to be implemented. The Departments of Agriculture and Infrastructure and Regional Development will work together to identify the best options for addressing the current infestation.

## NORFOLK ISLAND – HOT ISSUES

### Key Points

#### *Legislation*

- There are two further legislation bids to normalise Commonwealth arrangements on Norfolk Island:
  - Territories Legislation Amendment Bill 2015, scheduled for introduction in Spring 2015 parliamentary sittings, will provide for compulsory voting in a single federal electorate and Senate representation for Australian citizens on Norfolk Island. It will also address unintended consequences under social security legislation for New Zealand citizens on Norfolk Island and extend the child support framework to Christmas Island and the Cocos (Keeling) Islands.
  - Territories Law Reform Bill 2016, scheduled for introduction in Autumn 2016 parliamentary sittings, will implement further reforms for Norfolk Island by repealing section 18 of the Norfolk Island Act 1979 and amending the definition of Australia in the Acts Interpretation Act 1901 to include Norfolk Island.
- There is a bid for 7 Norfolk Island Ordinances for the Autumn 2016 legislative period. These include amending continuing Norfolk Island laws to improve public safety, budget adjustments and the application of parts of the *Customs Act 1901 (Cth)*.

#### *NSW Engagement*

- On 24 August 2015, the Hon Mike Baird MP, Premier of NSW agreed to establish an officials-level bilateral working group to facilitate delivery of various state-type services by the NSW Government. The Department is making arrangements for the first round of discussions with NSW and is determining the appropriate instrument to formalise the service delivery agreement.

#### *Reform Reports*

- The Department commissioned six reviews/studies to assist the Administration of Norfolk Island transition its operations to a Regional Council on 1 July 2016. Further details of the following reports are provided in the Background:
  - Roads Audit and Strategy Report (WorleyParsons);
  - Mobile Network Review Report (GQI Consulting);
  - Economic Development Strategy report (SGS Economics and Planning);
  - Government Business Analysis; Phase three analysis (Deloitte);
  - Norfolk Island Quarantine Survey 2012-2014 (Department of Agriculture); and
  - Health Services Plan (KPMG).
- The reports will be publicly released when completed.

#### *Health and Aged Care*

- The Norfolk Island reforms announced in May 2015 includes a commitment to deliver modern Health and Aged Care services on Norfolk Island that are comparable to those provided in remote mainland communities and suited to the needs of the community. KPMG have been engaged to prepare a Health Services Plan which will assist the Commonwealth to determine an appropriate mix of health and aged care services, and sustainable delivery strategies.
- Consultation with other Commonwealth agencies including the Departments of Health, Social Services, Human Services and Veterans Affairs, as well as NSW Health will continue, following the delivery of the KPMG Health Services Plan, towards developing an appropriate model for the Norfolk Island community. We anticipate that representatives from the Commonwealth Department of Health will visit Norfolk Island in October 2015.
- The Department expects that officials from the relevant Australian Government Departments will be on the island in early to mid-October to inspect the current delivery arrangements for health and aged care services and infrastructure.

*Kingston and Arthur's Vale Historic Area*

- The governance arrangements for KAVHA are set out in the 2015-16 Norfolk Island Territory Funding Agreement. These include establishing a steering group to be responsible for KAVHA operations in 2015-16 which is comprised of the Department's Executive Director of Local Government and Territories Division and the Executive Director of Norfolk Island.
- The membership and role of the former KAVHA Board will be refreshed, and the name changed to the KAVHA Advisory Committee to more accurately reflect the function of this body: to provide the Steering Group with expert advice and community input into the management of the site. The revised approach is consistent with recognised contemporary best practice principles for cultural site management, and with the revised draft Heritage Management Plan.
- The KAVHA Advisory Committee will include a minimum of five members, with no less than two members who are expert in heritage and collections management, and no less than two community representatives. A senior Department of Infrastructure and Regional Development official will chair the committee.

*Cascade Pier*

- In 2013, the Commonwealth, through the Community Development Grants Programme committed \$13.0 million to the Administration of Norfolk Island to extend Cascade Jetty to facilitate the use of purpose-built barges to off-load cruise ship passengers and containerise freight to Norfolk Island.
- The Australian Government agreed with a recommendation of the 2014 Joint Standing Committee on the National Capital and External Territories report, *'Same country: different world – The future of Norfolk Island'* that the Commonwealth take responsibility for delivering the Cascade Pier and expedite the works as soon as possible.
- WorleyParsons has been appointed to lead the design review and costing for the pier refurbishment and extension. WorleyParsons has been engaged to review the suitability of the design previously proposed by the Norfolk Island Government, seek further stakeholder input and finalise and test appropriate models.
- Review of the proposed design of the Cascade Pier is nearing finalisation. The tender for the construction of the pier will be issued in late 2015.
- WorleyParsons has been engaged to assist the Department with the approach to market and for a head construction contractor and the contract administration of the same.
- Pending successful completion of the design and award of a construction contract, it is anticipated that construction on the pier will commence in the last quarter of the 2015-16 financial year.
- It is anticipated that in the 2015-16 financial year, the Commonwealth will spend \$3.0 million on the Norfolk Island Pier Refurbishment and Extension Project.

*Footpath*

- The former Assistant Minister announced in July 2015 that the Australian Government will construct a new footpath connecting the existing footpath on Queen Elizabeth Avenue and the shopping village to improve safety and amenity.
- The Department is in the process of engaging an engineering firm to complete the works design and consult with key stakeholders. It is anticipated the Administration of Norfolk Island will undertake the civil works under contract to the Department. Works are scheduled to commence in February 2016. Construction is expected to be complete by mid-2016.

*Executive Director of Norfolk Island*

- On the 24 June 2015 the former Assistant Minister for Infrastructure and Regional Development, the Hon Jamie Briggs MP, appointed Mr Peter Gesling as the Executive Director of Norfolk Island.
- The Executive Director will work with the Administrator of Norfolk Island, the Hon Gary Hardgrave, to facilitate a smooth transition of the Administration of Norfolk Island to a Regional Council.

*Norfolk Island Advisory Council*

- On 1 July 2015 the Norfolk Island Advisory Council was established to support the transition to the Regional Council and to represent the community in the reform process. There are five local residents in the Norfolk Island Advisory Council who offer a broad range of skills and experience in local tourism, transport, environment, business, culture and heritage.
- On 31 July 2015, the Norfolk Island Advisory Council released its first Discussion Paper: *A future Norfolk Island Council*. On 19 August 2015, 49 people attended a public consultation meeting on the Discussion Paper. There were 129 written responses received on the Discussion Paper.
- A second discussion paper: *A Future Norfolk Island Service Delivery Model* was released on 14 September 2015. This paper seeks the views of the community about the range of services the Regional Council should provide and how the services should be funded and delivered.
- The Department supports both papers.

*Elections for the Norfolk Island Regional Council*

- Elections for the Norfolk Island Regional Council are expected to take place early 2016, in preparation for the Regional Council's commencement date on 1 July 2016.
- The Norfolk Island Regional Council election is a matter for the Executive Director, Mr Peter Gesling.

## **Background**

### Legislation

The Territories Law Reform Bill 2016 will have the effect of extending a range of key Commonwealth laws to Norfolk Island including: *Fair Work Act 2009*; *Corporations Act 2001*; *Competition and Consumer Act 2010*; and *Broadcasting Services Act 1992*. The Bill will make transitional and consequential amendments to other Commonwealth legislation.

The bid for seven Norfolk Island Ordinances for the Autumn 2016 legislative period includes the following:

1. Norfolk Island Continued Laws Amendment Ordinance No. 2 – will amend a range of continuing Norfolk Island laws to provide improvements in public safety, reflect local governance changes and vary government fees and charges;
2. Norfolk Island Mid-Year Appropriation Ordinance – will amend the Norfolk Island appropriation and budget to account for changes made in the Mid-Year Economic and Fiscal Outlook;
3. Norfolk Island Local Government and Elections Ordinance – will establish a framework for local government elections, to allow the election of councilors prior to the commencement of the Norfolk Island Regional Council on 1 July 2016; will provide similar requirements for the holding of elections and qualifications for councilors that exist under New South Wales legislation; and will declare a body to be the Norfolk Island Regional Council;
4. Norfolk Island Continued Laws Amendment Ordinance No. 3 – will amend a range of continuing Norfolk Island laws to ensure these laws can operate effectively after the final transition time commences on 1 July 2016;
5. Norfolk Island Administration Ordinance – will establish under Ordinance the position of Administrator of Norfolk Island and associated office; similar in nature to the Administration Ordinance 1968 (Christmas Island (CI));
6. Norfolk Island Customs Ordinance – will apply parts of the Customs arrangements as specified under the Customs Act 1901 (Cth) to the Territory of Norfolk Island, except to the extent that they deal with customs duties; will make similar arrangements for the Territory of Norfolk Island to those of Christmas Island as outlined by the Customs Ordinance 1993



(CI). The Ordinance establishes a Norfolk Island Customs Service and permits the Minister to make regulations in relation to the *Customs Act 1901* (Cth) for the Territory of Norfolk Island; and

7. Norfolk Island Applied Laws Ordinance – will make transitional arrangements to ensure the smooth transition from Norfolk Island law to certain NSW applied laws; will contain a schedule of NSW laws not to be applied in Norfolk Island and will be similar in nature to the Applied Laws (General) Ordinance 1992 (CI).

### Reform Reports

#### *Roads Audit and Strategy Report*

- WorleyParsons were commissioned to prepare the Norfolk Island Roads Audit and Strategy Report which includes undertaking an audit of the Island's road system, assessing the condition of infrastructure and identifying priority improvements and redesigns to reduce risks.

#### *Health Services Plan*

- The Health Services Plan is expected to inform a decision on the type of health system model which will be provided on Norfolk Island (refer to 'Health' above).

#### *Mobile Network Review Report*

- The Norfolk Island Mobile Network Review Report was commissioned to identify the telecommunications infrastructure required to provide 3G/4G mobile services on the Island, and the likely timeframe in which the roll-out of a 3G/4G network could take place. GQI Consulting undertook the Norfolk Island Mobile Network Review and as part of their work, assessed the state of existing 2G telecommunications infrastructure and whether it could be upgraded to provide 3G/4G mobile services, or if new infrastructure is required.

#### *Economic Development Strategy Report*

- SGS Economics and Planning were commissioned to undertake the Norfolk Island Economic Development Strategy Report. The scope of this report was to identify opportunities to diversify and broaden the Norfolk Island economy by using local experience and the existing skill base, identifying private investment opportunities in current and emerging industries, determining the infrastructure investment opportunities to improve access by tourists and enhancing supply chain connectivity, and developing an action plan identifying key short and long-term economic development projects. The strategy also identified barriers to tourism and investment, and strategies to overcome these barriers.

#### *Government Business Enterprises Analysis*

- The Norfolk Island Government Business Analysis was undertaken by Deloitte Access Economics to assist the Norfolk Island Government in assessing the operational efficiency of its 19 Government Business Enterprises (GBEs). Phase two of the study was made publically available in late 2014. Phase three of the will provide an overview of cost allocation modelling and restated business level accounts as well as a GBE Governance Framework.

#### *Quarantine Survey 2012-2014*

- The Norfolk Island Quarantine Survey was undertaken by the Department of Agriculture to examine whether quarantine barriers between Norfolk Island, the Australian mainland and New Zealand should be maintained or strengthened, as well as undertaking a comprehensive assessment of pests and diseases on Norfolk Island.

### Health

KPMG have been engaged to develop a Health Services Plan for Norfolk Island which builds on previous studies. The Health Services Plan involves KPMG:

- Assessing community health and aged care needs and identifying priorities;

- Assessing current health and aged care service capacity, including resource limitations, staff skills, and identifying strategies to improve access to health and aged care on Norfolk Island;
- Developing a model to provide health and aged care services suited to the needs of Norfolk Island, which would include recording utilisation data, options for implementation (i.e. use of external service providers) and indicative costing; and
- Assessing the suitability of existing hospital infrastructure.

#### KAVHA

The 1994 MOU established a KAVHA management board comprising two representatives each from the Australian and Norfolk Island Governments, with Secretariat provided by an ANI employee. The governance arrangements outlined in the MOU have long been considered to be out-of-date and not reflecting contemporary governance standards or the management needs of the site however the Norfolk Island Government was resistant to any change.

The Commonwealth owns the majority of land and heritage assets within KAVHA and has ultimate responsibility over the area. The Commonwealth's responsibilities also reflect the World Heritage status of the site and associated obligations under environmental legislation. The Commonwealth provides the majority of annual funding towards the maintenance and conservation of the site.

On 7 August 2015, the Department and the Administration of Norfolk Island signed the 2015-16 Norfolk Island Territory Funding Agreement which describes the interim funding and governance arrangements for KAVHA in 2015-16.

#### Cascade Pier

Table 1 – Funding

<b>NI Pier Refurbishment and Extension Project</b>	<b>FY 2014-15 (m)</b>	<b>FY 2015-16 (m)</b>	<b>FY 2016-17 (m)</b>	<b>Total (m)</b>
Administered Appropriation (Construction Services)		3.0	10.0	13.0
Administered Capital Budget (Design Services)	0.3	0.0*		0.3*
<b>TOTAL</b>	<b>0.3</b>	<b>3.0</b>	<b>10.0</b>	<b>13.3</b>

\*A reschedule payment of \$6,237.26 was made in August 2015 for the Norfolk Island Cascade Pier Refurbishment and Extension project commenced in 2014-15.

In 2013, the Commonwealth, through the Community Development Grants (CDG) Programme committed \$13.0 million to the Administration of Norfolk Island to extend Cascade Jetty to facilitate the use of purpose-built barges to off-load cruise ship passengers and containerise freight to Norfolk Island.

The Australian Government agreed with the Joint Standing Committee on the National Capital and External Territories (JSC) October 2014 report, *Same country: different world*, recommendation that the Commonwealth take responsibility for delivering the Cascade Pier and expedite the works as soon as practicable. An Australian Government decision was made to transfer the available CDG funding to the Department for the delivery of this project.

In order to finalise the design of the Pier and further test the cost assumptions provided by the Norfolk Island Government, the Department requires advice from a specialist marine engineering firm. The Department has contracted WorleyParsons Limited, a member of the Department's Economic Analysis and Expert Advisory Services Panel, to complete the design and undertake a cost review. WorleyParsons has completed the preliminary design of the Cascade pier extension and has also been appointed to manage the total project.

In addition, the Commonwealth has a \$2.0 million capital works programme, which will be used to support road improvements, bridge improvements and footpaths (see below).

#### Footpath

In the *Roads Audit and Strategy Report* undertaken by WorleyParsons (detailed above), one of the projects identified to be of highest priority is the school precinct and the zone from the school to the town centre which includes the Taylors Road and the Queen Elizabeth Avenue intersection.

#### Norfolk Island Advisory Council

On 18 June 2015, the Norfolk Island Legislative Assembly ceased to operate. This marked the beginning of the transition period to an elected Regional Council. The day-to-day running of the Administration of Norfolk Island will continue until the Regional Council is established.

#### Elections for the Norfolk Island Regional Council

As part of the Norfolk Island reforms, a local government body, the Norfolk Island Regional Council, will be established and in operation on 1 July 2016. Residents of Norfolk Island will participate and be represented in the Island's governance by electing councillors to the Regional Council. Elections will mirror typical local government elections in mainland communities.

### NORFOLK ISLAND FUNDING

#### Key Points

##### *Reform funding (2015-16 to 2018-19)*

- The total reform package is \$136.6 million for 2018-19. \$78.9 million is provided to the Infrastructure portfolio and associated with provision of state and local government level services and capital expenditure.
- The remaining \$57.7 million is associated with the extension of federal level services to Norfolk Island; such as Australian taxation, social security, healthcare and employment arrangements, immigration, customs and biosecurity functions. This has been distributed to these departments directly. Table One provides a full breakdown of the Norfolk Island reform funding.

##### *2015-16 Funding Agreement*

- In 2015-16, the Commonwealth made available up to \$6.6 million under a Funding Agreement to continue to fund Norfolk Island's Budget deficit and assist with delivering essential services to the Norfolk Island community.
- This funding will assist to implement the reforms necessary for the Administration of Norfolk Island to successfully transition to a regional council, and is contingent on the provision of monthly financial reports and meeting quarterly milestones. The reforms to be implemented include: improving workforce capacity; building new financial and performance management frameworks; and reviewing current organisational structures.
- The first quarterly payment for the 2015-16 financial year of \$1.6m was paid in September 2015.

##### *Capital Funding*

- As part of the 2015-16 Administered Capital Budget (ACB), \$3.0m is allocated to the upgrade of Cascade Jetty, \$0.4m for the development of a waste management strategic plan and \$2.0m to fund projects related to Norfolk Island Reform (total of \$5.4m).
- \$927,026 of ACB funding has been allocated primarily being used to improve the infrastructure World Heritage listed, Kingston and Arthur's Vale Historic Area (KAVHA).

##### *Australian National Audit Office 2014-15 Norfolk Island Financial Statements Report*

- It is expected that the audit of the 2014-15 Norfolk Island Financial Statements will be conducted in October 2015.

#### Background

Table 1 - Reform Funding

<b>Reform funding (2015-16 to 2018-19)</b>	<b>2015-16 (\$m)</b>	<b>2016-17 (\$m)</b>	<b>2017-18 (\$m)</b>	<b>2018-19 (\$m)</b>	<b>Total FE (\$m)</b>
Health	0	3	3.2	3.3	9.5
Customs	0.1	0	0	0	0.1
Immigration	6.8	1.6	1.7	1.7	11.8
Agriculture	1.4	1.7	1.5	1.4	6
DHS	5.7	1.3	0.4	0.4	7.8
DSS	0.8	10.7	10.8	11.2	33.5
DIRD	10.3	17.3	25.7	28.5	81.8
Employment	0.1	0.4	0.3	0.3	1.1
ABS	0.3	0.2	0	0	0.5
ATO	2.3	1.3	0.7	0.2	4.5
<b>Total Cost</b>	<b>27.8</b>	<b>37.5</b>	<b>44.3</b>	<b>47</b>	<b>156.6</b>
<b>Total Revenue</b>	<b>0</b>	<b>2.0</b>	<b>10.5</b>	<b>7.5</b>	<b>20</b>
ATO		2.0	9.0	6.0	17.0
DIRD			1.5	1.5	3.0
<b>Total Underlying Cash Impact</b>	<b>27.8</b>	<b>35.5</b>	<b>33.8</b>	<b>39.5</b>	<b>136.6</b>

2015-16 Funding Agreement

Part of this funding relates to the operation of the Kingston and Arthur's Vale Historic Area (a World Heritage Listed site), and reform activities including assisting the cost of the Norfolk Island Regional Council election and the position of the Executive Director on Norfolk Island.

	<b>31-Aug-15 (\$m)</b>	<b>30-Nov-15 (\$m)</b>	<b>29-Feb-16 (\$m)</b>	<b>31-May-16 (\$m)</b>	<b>Total (\$m)</b>
<b>Deficit Funding</b>	1.5	1.5	1.5	1.4	5.9
<b>KAVHA</b>	0.1	0.1	0.1	0.1	0.4
<b>ED</b>	0.1	0.1	0.1	0.1	0.4
<b>Election</b>			0.1	0.1	0.1
	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>	<b>1.7</b>	<b>6.9</b>

KAVHA Funding

<b>Administration funding (2015-16 to 2018-19)</b>	<b>2015-16 (\$m)</b>	<b>2016-17 (\$m)</b>	<b>2017-18 (\$m)</b>	<b>2018-19 (\$m)</b>	<b>Total FE (\$m)</b>
	1.3	1.4	1.1	1.1	4.9

Administration funding

<b>KAVHA funding (2015-16 to 2018-19)</b>	<b>2015-16 (\$m)</b>	<b>2016-17 (\$m)</b>	<b>2017-18 (\$m)</b>	<b>2018-19 (\$m)</b>	<b>Total FE (\$m)</b>
	0.6	0.6	0.6	0.6	2.4

2014-15 Funding Agreement

In 2014-15, the Commonwealth provided \$7.5 million under a Funding Agreement to assist Norfolk Island to meet its financial obligations and deliver essential services.

*Note: Committed funds relate to funds committed under a Funding Agreement, Contract or Program of Works where the Project, Profile and Conditions have been agreed to, or a formal offer has been made pending agreement, by the recipient.*

**Additional Estimates February 2016****SB15-000324****NORFOLK ISLAND – HOT ISSUES****Key Points**

- Minister Fletcher visited Norfolk Island on 28-29 January to discuss the reform issues. Minister Fletcher met with key stakeholders and held a public meeting at Rawson Hall which was well attended by the community.
- The silent majority welcome the reforms, however, there is a vocal minority that actively support self-government.
- The Australian government removed self-government to address long standing financial and governance issues. The Norfolk Island Assembly had been operating continuous and growing deficits for the past 5 years. Legislation and regulation had not kept pace with the broader reforms introduced in Australia over the past 40 years.
- It was not reasonable for the small population of Norfolk Island (some 1500) to legislate and provide services for the three (3) levels of government federal state and local government, more than any other jurisdiction.
- It is proposed to introduce a second Bill in the Autumn sitting that will extend a range of key Commonwealth laws to NI; provide for compulsory voting and address unintended consequences of exclusion for social security for New Zealand citizens on Norfolk Island.
- The application of NSW law as state law will be gradually introduced, enabling the community time to adjust to and comply with a modern body of state law. Priority areas are health and education. During the transition period other Norfolk Island laws will apply, amended through ordinance as appropriate. For example a new local government ordinance has been introduced that partially implements key element of the NSW Local Government Act (1993).
- During Minister Fletcher's visit he announced that the Norfolk Island Hospital will transition to a multi-purpose service, including aged care. The Norfolk Island hospital could not pass accreditation and an MPS will provide more appropriate health care, consistent with regional health service delivery elsewhere.
- Minister Fletcher also confirmed the timing of the election of the Norfolk Island Regional Council for late May - early June 2016 with the exact date to be confirmed later this month. The Council would comprise 5 elected members including the mayor. The functions of the Council and its operating rules are still to be finalised.
- The preferred tenderer for Air Services was also announced during Minister Fletcher's visit and the Department proposes to have the contracts finalised shortly.
- The extension of the Cascade Jetty tender closed mid-December and tenders are currently under assessment.

## Additional Estimates February 2016

### Background

The Governments reforms for Norfolk Island normalise governance arrangements, with residents able to access social services and pay tax from 1 July 2016.

### Legislation

The Territories Law Reform Bill 2016 will have the effect of extending a range of key Commonwealth laws to Norfolk Island. The Bill will make the necessary transitional and consequential amendments to Commonwealth legislation. The Bill will also provide for compulsory voting and representation in the Parliament for Australian citizens living on Norfolk Island; address unintended consequences of exclusion from social security for New Zealand citizens on Norfolk Island; and extend child support arrangements to Christmas Island and the Cocos (Keeling) Islands.

The bid for 6 Norfolk Island Ordinances for the Autumn 2016 legislative period includes the following:

1. Norfolk Island Mid-Year Appropriation Ordinance – will amend the Norfolk Island appropriation and budget to account for changes made in the Mid-Year Economic and Fiscal Outlook;
2. Norfolk Island Local Government and Elections Ordinance – Will establish a framework for local government elections, to allow the election of councilors prior to the commencement of the Norfolk Island Regional Council on 1 July 2016; Will provide similar requirements for the holding of elections and qualifications for councilors that exist under New South Wales legislation; and will declare a body to be the Norfolk Island Regional Council;
3. Norfolk Island Continued Laws Amendment Ordinance No. 3 – Will amend a range of continuing Norfolk Island laws to ensure these laws can operate effectively after the final transition time commences on 1 July 2016, including transitional provisions for current government fees and charges;
4. Norfolk Island Administration Ordinance – Will establish under Ordinance the position of Administrator of Norfolk Island and associated office; similar in nature to the Administration Ordinance 1968 (Christmas Island (CI));
5. Norfolk Island Customs Ordinance – Will apply parts of the Customs arrangements as specified under the *Customs Act 1901* (Cth) to the Territory of Norfolk Island, except to the extent that they deal with customs duties; will make similar arrangements for the Territory of Norfolk Island to those of Christmas Island as outlined by the Customs Ordinance 1993 (CI). The Ordinance establishes a Norfolk Island Customs Service and permits the Minister to make regulations in relation to the *Customs Act 1901* (Cth) for the Territory of Norfolk Island; and
6. Norfolk Island Applied Laws Ordinance – Will make transitional arrangements to ensure the smooth transition from Norfolk Island law to certain NSW applied laws, including local government law. Will contain a schedule of NSW laws not to be applied in Norfolk Island and will be similar in nature to the Applied Laws (General) Ordinance 1992 (CI)

### Health and Aged Care

KPMG were engaged to develop a Health Services Plan for Norfolk Island. The report was finalised in October 2015 and has been under consideration by Government since that time.

The report confirmed recommendations from previous reports, such as the 2011 draft Nexus Health Services Plan and the 2001 Joint Selection Committee on National Capital and External Territories, to move the Norfolk Island health services from one focussed on acute care services to one with a focus on primary health and aged care.

## **Additional Estimates February 2016**

Multi-purpose service models are used throughout Australia particularly in rural and remote locations. Multi-purpose services typically have a combination of acute care (such as emergency bays); primary care (such as co-located general practitioners) and community health; and residential aged care.

NSW Health is not in a position to deliver the Norfolk Island MPS at this time. The Department intends to test the market for a third party provider via a tender in the near future.

### Norfolk Island Advisory Council

As part of their terms of reference, the Advisory Council has provided recommendations on a governance structure for the Norfolk Island Regional Council based on the Local Government Act 1993 (NSW), and its core functions.

Key recommendations include:

- ensuring the current Norfolk Island Administration is 'fit for purpose' and that a future Regional Council is accountable and transparent in its decision making (submissions from the community members highlighted a lack of confidence in transparency and equity of decision making by the previous regime);
- that the new Regional Council not perform functions most appropriately delivered by the private sector;
- that the scope and functions of the Council be strictly limited to those activities appropriate to a Local Government entity;
- that those activities which fall outside of a local government model, but still need to be undertaken on-island are managed by the Commonwealth, or operate at arms-length from the regional Council.
- 

The Advisory Council recommendations also identified the following priorities for service delivery: health and aged care, roads, environment and waste management, tourism and culture and telecommunications.

In formulating its advice, the Council has undertaken a robust consultation process and all residents of Norfolk Island have been afforded multiple opportunities to participate. Despite this, there has been significant personal criticism of individual Council members and of the community consultation process generally.

The most significant criticism has been directed at the Advisory Council's recommendations around the electoral and voting system, which would bring eligibility to vote in line with mainland jurisdictions. (Currently residents of Norfolk Island are eligible to vote in local elections regardless of whether they are Australian citizens). This has been led by the anti-reform group which includes non-citizens (mostly New Zealand expats), and supporters.

Further advice to be provided by the Council over the coming weeks will include their priorities for the implementation of state type laws, and priorities for economic development.

### Cascade Pier

In 2013, the Commonwealth, through the Community Development Grants Programme committed \$13 million to the Administration of Norfolk Island to extend Cascade Jetty. The Joint Standing Committee on the National Capital and External Territories in October 2014 released a report into Norfolk Island issues recommending amongst other things the Commonwealth take responsibility for delivering the Cascade Pier and expedite the works as soon as practicable.



## Additional Estimates February 2016

### Cascade Pier Funding

<b>NI Pier Refurbishment and Extension Project</b>	<b>FY 2014-15 Actual (\$)</b>	<b>FY 2015-16 Budget (\$)</b>	<b>FY 2016-17 Budget (\$)</b>	<b>Total (\$)</b>
Administered Appropriation  (Construction Services)		3,000,000	10,000,000	13,000,000
Administered Capital Budget  (Design Services funded by the Department)	250,762	574,126		824,888
<b>TOTAL</b>	250,762	3,574,126	10,000,000	13,824,888

### Air Services Contract

The Department's contract with Air New Zealand was extended to July 2016 in line with the expiry date for the IOT Air Services contract. A Request for Proposal (RFP) was released on AusTender on 14 May 2015 closing on 29 July 2015. Through this RFP, the Department sought innovative, commercially based solutions from the market in order to meet the following key objectives:

- Provide essential airline services to NI and the IOT;
- Establish a scalable service delivery model for airline services to NI and the IOT which matches seasonal demand;
- Develop a business model for the delivery of the Supplies which is commercially viable and minimises or eliminates the requirement for underwriting; and
- Explore the options for a risk sharing arrangement with the Supplier(s).

A preferred tender has been selected for Norfolk Island services and, following negotiations, a contract is expected to be finalised in February 2016 with services to commence in August 2016.

The Department is currently negotiating underwriting arrangements with the preferred tenderer with the aim of minimising underwriting costs and transitioning towards full commercial arrangements over the life of the contract.

### Elections for the Norfolk Island Regional Council

As part of the Norfolk Island reforms, a local government body, the Norfolk Island Regional Council, will be established and in operation on 1 July 2016. Residents of Norfolk Island will participate and be represented in the Island's governance by electing councillors to the Regional Council. Elections will mirror typical local government elections in mainland communities.

## Additional Estimates February 2016

SB15-000326

### NORFOLK ISLAND FUNDING

#### **Key Points**

##### Reform funding (2015-16 to 2018-19)

- The total reform package is \$136.6 million over the four years to 2018-19. \$78.9 million is provided to the Department and associated with provision of state and local government level services and capital expenditure.
- The remaining \$57.7 million is associated with the extension of federal level services to Norfolk Island, such as: Australian taxation; social security; health and aged care; employment arrangements; customs and biosecurity/quarantine functions. This funding has been appropriated to these Departments directly. Table 1 provides a full breakdown of the Norfolk Island reform funding.

##### 2015-16 Funding Agreement

- In 2015-16, the Commonwealth has made available up to \$6.8 million under a Funding Agreement to continue to fund Norfolk Island's Budget deficit and assist with delivering essential services to the Norfolk Island community.
- This funding will assist to implement the reforms necessary for the Administration of Norfolk Island (ANI) to successfully transition to a regional council, and is contingent on the provision of monthly financial reports and meeting quarterly milestones. The reforms to be implemented include; improving workforce capacity, building new financial and performance management frameworks and reviewing current organisational structures.
- A variation to the funding agreement executed in early December 2015 Norfolk Island provided additional funding to the ANI to support additional reform activities. These include; an audit of the Norfolk Island Hospital and Central School facilities and equipment, employment of an Executive Director, Transition Manager for 2015-16, and funding to conduct the Norfolk Island Regional Council Elections.
- The first quarterly payment in 2015-16 of \$1.6 million was paid in September 2015. The second quarterly payment of \$1.6 million was due for payment at the end of November 2015. The second payment has not been finalised as scheduled milestones have not been completed by ANI. The Department is working with the ANI to provide support as appropriate to finalise this payment.

##### Capital Funding

- The Department's 2015-16 Administered Capital Budget (ACB) contains: \$3.0 million allocated to the upgrade of Cascade Pier; \$0.4m for the provision of a high temperature waste incinerator; and \$2.0 million to fund projects related to Norfolk Island Reform (total of \$5.4 million).
- An additional \$0.69 million of ACB funding has been allocated in 2015-16 for infrastructure improvements within the World Heritage-listed, Kingston and Arthur's Vale Historic Area.
- The tender for the jetty closed on 21 December 2015 and is being assessed.

##### Australian National Audit Office Independent Audit of 2014-15 Norfolk Island Financial Statements

- The ANAO Independent Audit of 2014-15 Norfolk Island Financial Statements is expected to be tabled in both houses of Parliament in February 2016. The ANAO consider there is too much uncertainty to project future deficits.

## Additional Estimates February 2016

### Background

Table 1 - Reform Funding

<b>Reform funding (2015-16 to 2018-19)</b>	<b>2015-16 (\$m)</b>	<b>2016-17 (\$m)</b>	<b>2017-18 (\$m)</b>	<b>2018-19 (\$m)</b>	<b>Total FE (\$m)</b>
Health	0	3	3.2	3.3	9.5
Customs	0.1	0	0	0	0.1
Immigration	6.8	1.6	1.7	1.7	11.8
Agriculture	1.4	1.7	1.5	1.4	6
DHS	5.7	1.3	0.4	0.4	7.8
DSS	0.8	10.7	10.8	11.2	33.5
DIRD	10.3	17.3	25.7	28.5	81.8
Employment	0.1	0.4	0.3	0.3	1.1
ABS	0.3	0.2	0	0	0.5
ATO	2.3	1.3	0.7	0.2	4.5
<b>Total Cost</b>	<b>27.8</b>	<b>37.5</b>	<b>44.3</b>	<b>47</b>	<b>156.6</b>
<b>Total Revenue</b>	<b>0</b>	<b>2.0</b>	<b>10.5</b>	<b>7.5</b>	<b>20</b>
ATO		2.0	9.0	6.0	17.0
DIRD			1.5	1.5	3.0
<b>Total Underlying Cash Impact</b>	<b>27.8</b>	<b>35.5</b>	<b>33.8</b>	<b>39.5</b>	<b>136.6</b>

### 2015-16 Funding Agreement

There are three schedules to the funding agreement-

1. Emergency Assistance: funding to provide essential services to the Norfolk Island Community
2. Norfolk Island World Heritage Convict Site: delivery of the annual works program
3. Norfolk Island Reform Funding: Includes the position of the Executive Director of Norfolk Island, Transition and Operational Managers, infrastructure audits and support to conduct the Regional Council elections.

	<b>Aug 2015 (\$m)</b>	<b>Nov 2015 (\$m)</b>	<b>Dec 2015 (\$m)</b>	<b>Feb 2016 (\$m)</b>	<b>Mar 2016 (\$m)</b>	<b>May 2016 (\$m)</b>	<b>Total</b>
<b>Schedule 1</b>	1.450	1.450		1.450		1.424	5.774
<b>Schedule 2</b>	0.101	0.031		0.031		0.031	0.194
<b>Schedule 3</b>	0.075	0.075	0.075	0.125	0.075	0.425	0.85
<b>Totals</b>	<b>1.626</b>	<b>1.556</b>	<b>0.075</b>	<b>1.606</b>	<b>0.075</b>	<b>1.880</b>	<b>6.818</b>

### 2014-15 Funding Agreement

In 2014-15, the Commonwealth provided \$7.5 million under a Funding Agreement to assist Norfolk Island to meet its financial obligations and deliver essential services.

## 2016-17 Budget Estimates – May 2016

SB16-000044

## NORFOLK ISLAND – HOT ISSUES

**Key Points****Norfolk Island Gaming Authority**

- On 7 April 2016, the Department of Infrastructure and Regional Development issued a direction to the Norfolk Island Gaming Authority requiring it to cease issuing and renewing online gaming licences until further advised, but at least until a performance audit is complete and recommendations of the audit are considered.
- Centium Group Pty Ltd was appointed by the Administration of Norfolk Island on 8 April 2016 to conduct the performance audit, following a tender process. Draft report 31 May, final 10 June.

**Petition to the United Nations by the Norfolk Island People for Democracy**

- There has been media commentary by some who oppose the reforms occurring on Norfolk Island, and a stated intention to explore a United Nations process.
- Norfolk Island has been an integral part of the Commonwealth of Australia since 1914 when it was accepted as a Territory under the authority of the Commonwealth, pursuant to section 122 of the Constitution. This position has been recognised by the High Court of Australia.
- If asked any specific UN process questions, direct to the Attorney-General's Department, on the basis that they lead on matters of international law.

**Legislation**

- The *Territories Legislation Amendment Act 2016* and the *Passenger Movement Charge Amendment (Norfolk Island) Act 2016* passed Parliament on 17 March and received Royal Assent on 23 March 2016 (detail in **Background**).
- A further eight (8) Norfolk Island Ordinances are expected to be made at the Executive Council meeting of 5 May 2016 (detail in **Background**).

**Elections for the Norfolk Island Regional Council**

- Elections for five Councillors for the Norfolk Island Regional Council will take place on 28 May 2016 in preparation for the 1 July 2016 commencement of the Regional Council.
- The elections are being run by the Queensland-based Australian Electoral Company, a third party provider under contract to the Administration of Norfolk Island.

**Health and Aged Care**

- The Norfolk Island reforms announced in May 2015 includes a commitment to deliver modern health and aged care services on Norfolk Island that are at least comparable to those provided in remote mainland communities and suited to the needs of the community.
- On 28 January 2016, the Minister announced that from 1 July 2016 health and aged care services on Norfolk Island would be delivered through a multi-purpose service type model.
- On 30 March 2016, the Minister and the NSW Premier announced the NSW Government would assist the Australian government to provide some state-type services on Norfolk Island from 1 July 2016, including the management and regulation of state type health services.
- The Department is currently working with the NSW Government to ensure a safe, reliable and effective health and aged care service on Norfolk Island.

**Cascade Pier**

- The upgrade to Cascade Pier will see the strengthening, widening and lengthening of the pier to 24 metres. Cascade Pier upgrades will enable safer loading and unloading of both cruise ships passengers and freight under a wider range of weather and sea conditions. A fixed 30 tonne hydraulic crane will be installed in addition to the use of customised barges.

## 2016-17 Budget Estimates – May 2016

- Waterway Constructions Pty Ltd was selected in March 2016 by the Departmental tender evaluation panel to deliver the extension and refurbishment of the Cascade Pier. This project is scheduled for completion in late 2017.

### **Air Services Contract**

- Air New Zealand, the current provider, has been selected by tender to provide air services to Norfolk Island for a five year period to 2021, with two further options of two years at a time.

### **Background**

#### Norfolk Island Gaming Authority

The performance audit will examine the adequacy of current internal control and governance frameworks, along with the legislative environment and the management of key strategic and operational risks.

The Department issued a direction to the Gaming Authority in the form of a legislative instrument to prevent any new arrangements being established that may bind the Commonwealth, until the Department can establish what contractual obligations exist with the licences on hand. The direction requires that the Gaming Authority:

- a) not grant any new licences or renew any existing licences;
- b) not enter into new agreements for internet lotteries;
- c) not vary any licence in a more favourable arrangement;
- d) not to transfer any licence without 28 days' notice to the Executive Director; and
- e) provide the Commonwealth with copies of all licences and any documents any documents which relates to the terms and conditions of licenses, any written undertakings given by the Gaming Authority to licensees, and all agreements to which the Gaming Authority is a part.

#### Petition to the United Nations (UN) by the Norfolk Island People for Democracy

- Two representatives from the Norfolk Island Council of Elders presented a petition to the UN in New York on 26 April 2016, seeking to have Norfolk Island inscribed on the UN list of non-self governing territories. They were accompanied by Geoffrey Robertson QC
- Norfolk Island has been an integral part of the Commonwealth of Australia since 1914 when it was accepted as a Territory under the authority of the Commonwealth, pursuant to section 122 of the Constitution. This position has been recognised by the High Court of Australia.
- The Commonwealth has complete law making powers in regard to Norfolk Island (including under section 122 of the Constitution), and ultimate responsibility for the Territory's good governance.

#### Legislation

The *Territories Legislation Amendment Act 2016* and the *Passenger Movement Charge Amendment (Norfolk Island) Act 2016* have the effect of:

- amending the definition of Australia in the *Acts Interpretation Act 1901* to include Norfolk Island. These changes will have the effect of extending a range of key Commonwealth laws to Norfolk Island;
- introducing compulsory voting for Australian citizens living on Norfolk Island and representation in the single Division of Canberra;
- remedying the unintended exclusion of NZ citizens on Norfolk Island from social security;
- extending child support arrangements to Christmas Island and the Cocos (Keeling) Islands; and
- making departure arrangements for Norfolk Island consistent with the rest of Australia including the other external territories.

#### Norfolk Island Ordinances

## **2016-17 Budget Estimates – May 2016**

- The Ordinances maintain current Norfolk Island laws, except where they are superseded by Commonwealth laws and repealed from 1 July 2016. This includes repealing, with transitional arrangements where necessary, Norfolk Island laws relating to immigration, customs, the goods and services tax, the Norfolk Island Provident Account, and census and statistics.
- The Ordinances amend Norfolk Island laws to deal with transitional matters. This includes allowing transfers of land between the Administration of Norfolk Island and the Commonwealth; suspending the Business Transactions Levy to allow businesses to restructure before mainland tax commences, allowing the electoral roll to be used for jury selection, and amending Norfolk Island telecommunications legislation to allow commercial operators into the market to support the roll out of the National Broadband Network to Norfolk Island;
- An Ordinance will establish the Norfolk Island Regional Council, including requiring the Council to levy a minimum of \$500,000 in land rates in year one and other minor amendments to ensure the NSW local government framework can apply to Norfolk Island.
- An Ordinance will create the NSW applied law legal framework. This ensures essential NSW health and local government laws are applied to Norfolk Island; suspending the rest of NSW laws until 1 January 2017 to allow their impacts to be investigated and negotiations with NSW to continue; and establishing the rules for the interpretation of applied laws.

### Health and Aged Care

KPMG were engaged to develop a Health Services Plan for Norfolk Island. The report was finalised in October 2015 and was publicly released in late January 2016.

The report confirmed recommendations from previous reports, such as the 2011 draft Nexus Health Services Plan and the 2001 Joint Selection Committee on National Capital and External Territories, to move the Norfolk Island health services from one focussed on acute care services to one with a focus on primary health and aged care.

Multi-purpose service models are used throughout Australia particularly in rural and remote locations. Multi-purpose services typically have a combination of acute care (such as emergency bays); primary care (such as co-located general practitioners); and community health and residential aged care.

The NSW Government has agreed to assist with the management of health and aged care services to Norfolk Island. A delegation of NSW Health officials including the CEO of South Eastern Sydney Local Health District and the NSW Chief Nurse were part of a recent delegation to Norfolk Island.

### Cascade Pier

In 2013, the Commonwealth, through the Community Development Grants Programme committed \$13 million to the Administration of Norfolk Island to extend Cascade Jetty. The Joint Standing Committee on the National Capital and External Territories in October 2014 released a report into Norfolk Island issues recommending amongst other things the Commonwealth take responsibility for delivering the Cascade Pier and expedite the works as soon as practicable.

### Air Services Contract

The Department's contract with Air New Zealand was extended to July 2016 in line with the expiry date for the IOT Air Services contract. A Request for Proposal (RFP) was released on AusTender on 14 May 2015 closing on 29 July 2015. Through this RFP, the Department sought innovative, commercially based solutions from the market in order to meet the following key objectives:

- Provide essential airline services to NI and the IOT;
- Establish a scalable service delivery model for airline services to NI and the IOT which matches seasonal demand;
- Develop a business model for the delivery of the Supplies which is commercially viable and minimises or eliminates the requirement for underwriting; and
- Explore the options for a risk sharing arrangement with the Supplier(s).

### Elections for the Norfolk Island Regional Council

## 2016-17 Budget Estimates – May 2016

As part of the Norfolk Island reforms, a local government body, the Norfolk Island Regional Council, will be established and in operation on 1 July 2016. Residents of Norfolk Island will participate and be represented in the Island's governance by electing councillors to the Regional Council. Elections will mirror typical local government elections in mainland communities.

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**Cleared by Executive Director:** Robyn Fleming

**Version Number:** 1      **Date:** 26/04/2016

## 2016-17 Budget Estimates – May 2016

SB16-000045

## NORFOLK ISLAND FUNDING

**Key Points****Reform funding (2015-16 to 2018-19)**

- The total reform package is \$136.6 million over the four years to 2018-19. \$78.9 million is provided to the Department and associated with provision of state and local government level services and capital expenditure.
- The remaining \$57.7 million is associated with the extension of federal level services to Norfolk Island, such as: Australian taxation; social security; health and aged care; employment arrangements; customs and biosecurity/quarantine functions. This funding has been appropriated these Departments directly. Table 1 provides a full breakdown of the Norfolk Island reform funding.

**2015-16 Funding Agreement**

- In 2015-16, the Commonwealth has made available up to \$6.8 million under a Funding Agreement to continue to fund Norfolk Island's Budget deficit and assist with delivering essential services to the Norfolk Island community.
- This funding will assist to implement the reforms necessary for the Administration of Norfolk Island (ANI) to successfully transition to a regional council, and is contingent on the provision of monthly financial reports and meeting quarterly milestones. The reforms to be implemented include; improving workforce capacity, building new financial and performance management frameworks and reviewing current organisational structures.
- Variations to the funding agreement executed since December 2015 have provided additional funding to the ANI to support additional reform activities. These include; an audit of the Norfolk Island Hospital and Central School facilities and equipment, employment of a Transition Manager for 2015-16, funding to conduct the Norfolk Island Regional Council Elections, a performance audit of Norfolk Island Gaming Authority and upgrades to the health centre and school to meet NSW standards.
- The final payment of \$1.9 million is expected to be finalised end of May 2016.

**Capital Funding**

- The Department's 2015-16 Administered Capital Budget (ACB) contains: \$3.0m allocated to the upgrade of Cascade Pier; \$0.4m for the provision of a high temperature waste incinerator; and \$2.0m to fund projects related to Norfolk Island Reform (total of \$5.4m).
- An additional \$0.4 million of ACB funding has been allocated in 2015-16 for infrastructure improvements within the World Heritage-listed, Kingston and Arthur's Vale Historic Area.
- Waterway Constructions Pty Ltd have been appointed to deliver the Cascade Pier project. The extension of the pier will be 24 metres. In addition, the Department is procuring a boom dock hydraulic crane and will commission additional barges.



## 2016-17 Budget Estimates – May 2016

### Background

Table 1 - Reform Funding

<b>Reform funding (2015-16 to 2018-19)</b>	<b>2015-16 (\$m)</b>	<b>2016-17 (\$m)</b>	<b>2017-18 (\$m)</b>	<b>2018-19 (\$m)</b>	<b>Total FE (\$m)</b>
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<b>Total Cost</b>	<b>27.8</b>	<b>37.5</b>	<b>44.3</b>	<b>47</b>	<b>156.6</b>
<b>Total Revenue</b>	<b>0</b>	<b>2.0</b>	<b>10.5</b>	<b>7.5</b>	<b>20</b>
ATO		2.0	9.0	6.0	17.0
DIRD			1.5	1.5	3.0
<b>Total Underlying Cash Impact</b>	<b>27.8</b>	<b>35.5</b>	<b>33.8</b>	<b>39.5</b>	<b>136.6</b>

### 2015-16 Funding Agreement

There are three schedules to the funding agreement-

1. Emergency Assistance: funding to provide essential services to the Norfolk Island Community
2. Norfolk Island World Heritage Convict Site: delivery of the annual works program
3. Norfolk Island Reform Funding: Includes the position of the Executive Director of Norfolk Island, Transition and Operational Managers, infrastructure audits and support to conduct the Regional Council elections.

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<b>Schedule 2</b>	0.101	0.031		0.031		0.031	0.194
<b>Schedule 3</b>	0.075	0.075	0.075	0.125	0.075	0.425	0.85
<b>Totals</b>	<b>1.626</b>	<b>1.556</b>	<b>0.075</b>	<b>1.606</b>	<b>0.075</b>	<b>1.880</b>	<b>6.818</b>

### 2014-15 Funding Agreement

In 2014-15, the Commonwealth provided \$7.5 million under a Funding Agreement to assist Norfolk Island to meet its financial obligations and deliver essential services.

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**Cleared by Executive Director:** Robyn Fleming  
**Version Number:** 1      **Date:** 21/04/2016

## NORFOLK ISLAND FUNDING AND HOT ISSUES

### Key Points

#### FUNDING

#### Reform Funding

- The total reform package is \$136.6 million from 2015-16 to 2018-19. \$78.9 million has been provided to the Department and will fund the provision of state and local government level services and capital expenditure.
- The remaining \$57.7 million is associated with the extension of Australian Government level services to Norfolk Island, such as: taxation; social security; health and aged care; employment; customs and biosecurity/quarantine functions.

#### Funding Agreements

##### NSW Government

- The Department has an agreement with the New South Wales (NSW) Government to fund the delivery of state-type services on Norfolk Island, including:
  - health services (funding of \$4.7 million in 2016-17); and
  - education (expected to commence January 2017 - funding of \$6 million in 2016-17).

##### Norfolk Island Health and Residential Aged Care Service (NIHRACS)

- In 2016-17, the Australian Government will provide \$6.7 million to NIHRACS to cover staff salaries and supplier costs, of which the Department will provide \$5.7 million and the Department of Health will provide \$1 million. This funding does not include funding for capital upgrades and new medical equipment or emergency medical evacuations.

##### Norfolk Island Regional Council

- The Department has a Service Delivery Agreement (SDA) with the Norfolk Island Regional Council (the Council). The SDA commenced on 1 July 2016 and ends on 30 June 2019. Over the term of the SDA, the Department will deliver up to \$5.4 million to enable the Council to deliver a range of state government services. In addition, the Council will be eligible for up to \$5.7 million in Financial Assistance Grants from 2016-17 to 2018-19 which can be used to upgrade the road network.

#### Capital Investment

##### Cascade Pier upgrade and extension project

- The Department is providing \$15 million to fund the extension and upgrade of Cascade Pier. Further capital funding of \$6.4 million is being provided for a crane and barges (both passenger and freight) to further develop Norfolk Island as a cruising destination.
- Waterway Constructions have been contracted to deliver the Cascade Pier extension project, which is scheduled for completion in November 2017.
- The Department has worked with Waterway Constructions to minimise the disruption to recreational fishermen and other users of Cascade Pier.
- There is a limited supply of suitable rock on Norfolk Island. Waterway Constructions is proposing to import rock from New Zealand, subject to quarantine clearance. The importation of required rock can be accommodated within the current contract and funding.

##### NIHRACS

- Through its Administered Capital Budget (ACB), the Department has invested in upgrades to the NIHRACS facility: \$0.8 million to ensure basic work, health and safety and disability access guidelines are met and approximately \$1.4 million on specialised medical equipment (including new x-ray equipment and a new digital mammography machine).

##### Norfolk Island Central School (NICS)

- Through ACB, the Department has allocated over \$1.5 million to upgrade NICS in 2016-17.

Kingston and Arthur's Vale Historic Area (KAVHA)

- The Department provides \$0.6 million per annum for the management of KAVHA. In addition, through the ACB in 2016-17, the Department will spend up to \$0.3 million in capital upgrades to the KAVHA site.

**HOT ISSUES**

**Reform Implementation**

Australian Government Services – from 1 July 2016

- Australian Government agencies have been working with the Department through a whole of Government reform taskforce to implement taxation, social security, immigration, customs and biosecurity services on Norfolk Island. As of 1 July 2016, agencies are providing services to Norfolk Island comparable with those delivered to a similar mainland community.
- Agencies have also established appropriate future arrangements to engage with the Norfolk Island community. For example, the Australian Taxation Office will visit Norfolk Island in February and August 2017 to assist small businesses and individuals on Norfolk Island prepare their first tax returns (due in October 2017).
- The Australian Government Information Centre on Norfolk Island was established by the Department in June 2015, to facilitate information sharing with the community. The Information Centre provided a location for agencies to directly engage with the community when visiting the island. Agency websites also provide specific information about the agencies' services.
- The Information Centre was repurposed on 1 July 2016 and now accommodates the Department of Agriculture and Water Resources and Australian Border Force in their delivery of biosecurity and customs services. The Departments of Human Services and Employment and Australia Post deliver their services through local agents.
- Early evidence indicates the Norfolk Island community is already receiving significant benefits since 1 July 2016. Bulk billing for Medicare eligible patients has seen a substantial increase in GP visits. In July and August 2016, visitations were approximately 22 per cent and 63 per cent greater than the 2015-16 monthly average.

State – type Services

*NSW Government – Health and Aged Care services*

- The Department is working with the NSW Government to ensure a safe, reliable and effective health and aged care service on Norfolk Island.
- The Department has an agreement with NIHRACS for service delivery and with the NSW Government to oversight the service.
- A Comprehensive Clinical Health Services Plan (CCHSP) is being developed with NSW health agencies to guide the transition of existing hospital, residential aged, community and primary care services to the new health and aged care system.
- The hospital has not been adequately maintained over the last 30 years. The Department had invested \$0.8 million in upgrades to the NIHRACS facility to ensure basic work, health and safety and disability access guidelines are met.
- Following a 2016 audit of the former hospital and its medical equipment, the Department has been upgrading medical equipment. The Department has spent approximately \$1.2 million on a range of specialised medical equipment (including new x-ray equipment and a new digital mammography machine).

*NSW Government - Education Services*

- The Department and the NSW Department of Education have commissioned audits into the Norfolk Island Central School. The Department has committed to a capital works program to address priority reform areas before the commencement of the 2017 school year.
- The Norfolk Island Central School building has not been adequately maintained over the last 30 years. An audit of the building in 2015 identified a number of compliance and structural

issues and extensive upgrades are required to bring the school up to a standard acceptable to the NSW Department of Education.

- The Department is also negotiating a new service agreement with the NSW Government. This agreement will include the continued use of the NSW curriculum, the engagement and management of teaching staff as well as general school administration. The Norfolk Island Central School is the only facility providing formal school education on Norfolk Island and caters to students from Kindergarten to Year 12. There are 292 students enrolled at the school for the 2016 school year.
- The Norfolk Island Regional Council has been engaged by the Department through the SDA to provide maintenance services to the school.

*Norfolk Island Regional Council (the Council)*

- Since 1 July 2016, the Department has contracted the Council under a Service Delivery Agreement (SDA) (2016-19) to provide a range of state government services.
- Under the SDA with the Department, the Council provides the following services: education (support staff for the Norfolk Island Regional School; Policing, Courts and Legal Services; Tribunals/Boards; Child Welfare; Registry, Licensing and Regulatory Enforcement; Emergency Services; KAVHA and Museums maintenance; Office of the Administrator (office support); Gaming; Pest and Noxious Weed Control; Workers Compensation; Ports Management; Record Keeping; Spatial Policy and Planning; ICT support to NIHRACS and Pensioner Rate Rebates.

Local Services – Norfolk Island Regional Council issues

- The Council inherited a strong cash position of \$8.4 million through careful management by the Australian Government of the Budget in the transition year 2015-16.
- In projecting a spend of \$5.1 million in 2016-17 for infrastructure upgrades in areas such as a new enterprise information management system, road upgrades and the first stage of construction of new Council offices, the Council intends to draw on \$2.4 million of its cash reserves leaving a balance of \$6.0 million at 30 June 2017.
- The Council's 2016-17 Operating Budget (including depreciation) forecasts a deficit of \$4.3 million (estimated expenses of \$26.1 million less income of \$21.8 million) and it has not yet developed forward year budgets.
- The revenue base is insufficient and the Council will need to consider new and sustainable sources of revenue as some traditional revenue streams are either no longer available or are under threat from competition (for example, Norfolk Telecom/NBN). This should include the accelerated introduction of full land rates. For 2016-17, Council has introduced a model which will raise only \$0.5 million in revenue.
- In 2005, the Australian Government provided an interest-free \$12 million loan to the Norfolk Island Legislative Assembly to upgrade its airport runway. To date, only one repayment of \$0.6 million has been made (in June 2009) leaving a balance of \$11.4 million with the Government agreeing to the Assembly's request each financial year to defer repayments.
- In 2015, the Government decided the loan would be transferred to the Council to be repaid from cash surpluses.
- In August 2016, the Council wrote via the Administrator to Minister Nash seeking to have the loan waived by the Australian Government. The Department has provided advice on this issue and is awaiting Ministerial decision.
- The Minister has proposed reducing the annual repayment to six month instalments of \$0.1 million commencing in 2016-17 and also waiving any default interest that has been charged on the loan since December 2015.

Hawaiki

- Hawaiki Cable Ltd, is seeking to build a submarine cable from Portland (Oregon, USA) to Sydney. A 90 kilometre branch line from this cable is proposed to go to Norfolk Island.
- The up-front costs of this project are provisionally estimated at \$US10.75 million.

- The Norfolk Island Regional Council has sought funding from the Australian Government for some or all of the cost of this project.
- A business case would be required and would need to demonstrate what benefits would be derived from the Hawaiki cable that could not be derived from the Sky Muster satellite service.

**Rollout of NBN Co Ltd's Sky Muster satellite service**

- On 12 May 2016, the Department provided NBN Co with written approval (a requirement under the existing Norfolk Island Telecommunications legislation) to commence the installation of satellite dishes and to provide telecommunication services to Norfolk Island using the satellite infrastructure.
- A local Norfolk Island company (Norfolk Island Data Services) has been sub-contracted via Hills Pty Ltd (a contractor to NBN Co) to undertake Sky Muster installations.
- As at 26 August 2016, there had been 68 NBN Co Ltd Sky Muster satellite services installed on Norfolk Island.

**Norfolk Island Gaming Authority**

- On 7 April 2016, the Department issued a direction to the Norfolk Island Gaming Authority (the Authority) requiring it to cease issuing and renewing online gaming licences until further advised, but at least until a performance review was completed and the recommendations had been considered.
- The performance review, which was undertaken by Centium Group Pty Ltd at the request of the former Administration of Norfolk Island and completed in June 2016, highlighted significant governance and management problems with the Authority.
- The Administrator of Norfolk Island appointed two departmental officials to the Board of the Authority and Mr Ian Hall, Partner KPMG, as the Authority's new Director from 1 July 2016. They are addressing the significant issues raised by the review.
- However, the Authority may not be financially viable in its current or reformed state as its remaining fee paying members are seeking alternative licences in other jurisdictions.

**Petition to the United Nations**

- The Norfolk Island People for Democracy (NIPD) is an unincorporated association, established in June 2015, that aims to have Norfolk Island inscribed on the United Nations list of Non-Self-Governing Territories.
- It has been the position of successive Australian Governments that Norfolk Island has been an integral part of the Commonwealth of Australia since 1914 when it was accepted as a Territory under the authority of the Commonwealth, pursuant to section 122 of the Constitution. This position has been recognised by the High Court of Australia.
- In May 2016, Geoffrey Robertson QC, acting on behalf of the NIPD, submitted a petition requesting Norfolk Island be inscribed on the Non-Self Governing Territories List to the Chair of the UN General Assembly's Fourth Committee. The NIPD believes such inscription would be a precursor to UN intervention and ultimately, free association for Norfolk Island.
- The Department is working with the Attorney-General's Department and the Department of Foreign Affairs and Trade.
- The NIPD has also been staging a sit-in protest at the Old Military Barracks since June 2016, which represents a risk to the heritage values of the site. A plan for managing the activities of the protestors is being developed in consultation with the Australian Federal Police.

**Legislation**

- The Australian Government passed legislation to abolish the Norfolk Island Legislative Assembly, and to extend over 130 Commonwealth laws supporting the delivery of services and mainland functions from 1 July 2016. An interim transition period commenced on 18 June 2015 and ended on 30 June 2016.

- The *Territories Legislation Amendment Act 2016* (the Act) was passed in March 2016, receiving Royal Assent on 23 March. The Act extends a number of the remaining Commonwealth laws from 1 July 2016. It has also amended the definition of 'Australia' to include Norfolk Island.
  - Not all Commonwealth Acts will apply. Several Commonwealth Acts were not included in the Bill as they are complex and the effects of applying them were, and still are, being worked through by the relevant Departments. Acts which do not apply to Norfolk Island either in part or in full include the *Corporations Act 2001*, *Telecommunications Act 1997*, and the *Bankruptcy Act 1966*.

***Applied Laws***

- The Department completed legislative work to support the application of NSW laws as Commonwealth law to Norfolk Island. Only four NSW laws commenced on 1 July 2016; most NSW laws are suspended from application to Norfolk Island until 1 January 2017 as there is not yet an agreement in place with NSW agencies to administer the suspended laws.
- The Department is proposing that the broad suspension through an additional Ordinance be continued until 1 July 2018. This would allow for further negotiations with NSW agencies and provide assurance to the Norfolk Island community that they would have time to prepare for the introduction of NSW laws.

***Continued Norfolk Island Laws***

- Where it is important to reform a Norfolk Island law, but the relevant NSW law cannot be applied, the law can be amended or repealed by an Ordinance made under section 19A of the *Norfolk Island Act 1979*. For example, random breath testing was introduced by Ordinance rather than applying NSW traffic laws. Ordinances are made by the Federal Executive Council.
- The Department is also proposing a range of changes to continued laws on Norfolk Island. Continued laws are those Norfolk Island laws which are continued in force by section 16 and 16A of the *Norfolk Island Act 1979*.
- These changes include strengthening the obligations of the Child Welfare Officer; enhancing police powers to deal with domestic violence issues and to facilitate protections for victims when giving evidence in domestic violence situations.

**Air Services to Norfolk Island**

- The Department has contracted Air New Zealand to provide an underwritten airline service to Norfolk Island from 1 August 2016 to 1 August 2021. There are regular flights to Norfolk Island from Sydney and Brisbane.

## 2017-18 Budget Estimates

SB17-000118

## NORFOLK ISLAND SERVICE DELIVERY AND FUNDING

**Key Points**

- Approximately \$93.9 million will be provided to the Department over the forward estimates for the Services to Norfolk Island programme.
- Since 1 July 2016, the Australian Government has delivered a range of improvements for the Norfolk Island community including:
  - Upgraded health and education services and facilities;
  - Access to Medicare and the Pharmaceutical Benefits Scheme (PBS);
  - Social security for those most in need.
- The Australian Government is funding infrastructure projects including major upgrades at the Norfolk Island Health and Residential Aged Care Service, the Norfolk Island Central School and Cascade Pier. In addition, certainty has been provided around Pitcairn language teaching at the school, breast screening and other health policy matters.
- The Australian Government continues to work with the Council and community to improve water quality and public health more broadly, child wellbeing, and to introduce working with children checks.
- The Australian Government has also provided support to the Norfolk Island Regional Council as it remodels itself into a local government-type organisation.
- Since 1 July 2016, NSW laws around local government and health have been applied on Norfolk Island to support the delivery of services, and in the coming year, we are working to introduce laws around education (including NSW employee-related legislation), and child wellbeing.

**Financial Information****PBS Page 53 – Table 2.4.2 Program Components for Outcome 4**

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
<b>Components for program 4.1: Services to territories</b>					
<b>Annual administered expenses</b>					
ACT Government - national capital functions	1,916	1,916	1,916	1,945	1,972
Norfolk Island - Commonwealth administration	1,367	1,066	1,067	1,083	1,098
Norfolk Island - Kingston and Arthur's Vale historic area	632	632	632	642	651
Office of Administrator, Northern Territory	324	334	334	338	343
Services to Indian Ocean Territories (a)	93,187	88,999	84,396	85,661	86,861
Services to Jervis Bay Territory (b)	5,229	5,013	5,027	5,102	5,173
Services to Norfolk Island	22,646	23,463	23,136	23,483	23,811
Depreciation and amortisation	53,951	38,462	38,046	38,559	37,685
<b>Special Account expenses</b>					
Christmas Island Phosphate Mining Rehabilitation Special Account 2016	1,500	1,500	1,500	1,500	1,500
Indian Ocean Territories Special Account 2014	25,242	20,242	18,167	18,167	18,167
Jervis Bay Territory Special Account 2014	1,160	1,129	1,171	1,219	1,274
Program support	19,071	16,734	16,217	16,567	16,120
<b>Total program expenses</b>	<b>226,225</b>	<b>199,490</b>	<b>191,609</b>	<b>194,266</b>	<b>194,655</b>

**Notes:**

(a) See also expenses associated with the Indian Ocean Territories Special Account 2014.

(b) See also expenses associated with the Jervis Bay Territory Special Account 2014.

**Contact:** Glenda Kidman**Phone:** (02) 6274 6854**Cleared by Executive Director:** Vicki Middleton**Version Number:** 01**Date:** 12/05/2017

## 2017-18 Budget Estimates

### Program budget

Actual and committed expenditure	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Appropriation Budget	22.6	23.5	23.1	23.5	23.8
Less:					
Actual Expenditure YTD at 31-Mar- 2017	19.5				
Total Committed Funds at 31-Mar- 2017	3.1	2.9	3.0		
Total Uncommitted Funds (balance)	0.0	20.6	20.1	23.5	23.8

*Note: Committed funds relate to funds committed under a Funding Agreement, Contract or Program of Works where the Project, Profile and Conditions have been agreed to, or a formal offer has been made pending agreement, by the recipient.*

### Recent Achievements/Announcements

#### Health Reforms

- Access to Medicare and the PBS commenced on 1 July 2016.
- There has been an initial increase in demand for GP services from an average of 500 per month to 800-900 per month from August 2016 to March 2017 following Medicare commencement. Graph at [Attachment A](#).

#### Capital Works

##### Cascade Pier upgrade and extension project

- \$16.4 million has been committed to extend and upgrade the Cascade Pier: including the costs associated with construction and project management of the pier and the purchase of a new crane. The project is being undertaken by Waterway Constructions and is expected to be completed by the end of 2017.
- The completion of the pier is likely to provide a significant increase to economic activity on Norfolk Island through increased cruise ship visitation and vastly improve the pier's operational safety.
- In addition to the pier, a further \$5.5 million in capital funding has been committed to design and construct new passenger and freight transfer vessels.

##### Norfolk Island Central School (NICS)

- Over \$3.4 million in capital funding has been spent in 2016-17 to deliver a teaching environment comparable to NSW schools on the mainland. This will upgrade classrooms and technology, address work health and safety issues and rectify defects resulting from years of inadequate maintenance.

##### Norfolk Island Health and Residential Aged Care Service (NIHRACS)

- An initial \$0.8 million has been invested to ensure the NIHRACS facility meets basic work health and safety and disability access requirements.
- Approximately \$1.4 million has also been provided to purchase specialised medical equipment (including new x-ray equipment, a new digital mammography machine to support on-island breast screening services and upgraded sterilising equipment).
- An additional \$1.5 million has been spent in 2016-17 to provide compliant clinical spaces, improved patient access and amenity and to improve the facility's overall operational efficiency.



## 2017-18 Budget Estimates

### Kingston and Arthur's Vale Historic Area (KAVHA)

- \$0.6 million per annum is spent on the management of KAVHA. In addition, a further \$0.4 million in capital upgrades were made on the site in 2016-17 including upgrading site interpretation and addressing water supply and wastewater treatment priorities.
- The Department has recently commissioned a report on the impact of heritage conservation on the development of Norfolk Island's tourism industry and economy. The outcomes of the study will inform future decisions on long-term governance and capital investments. A concept master plan was also prepared in 2016-17 which identifies priorities to improve visitor amenity and landscape values over the next 1-2 years.

### Commonwealth payments to residents of Norfolk Island

- From 1 July 2016, a range of Australian Government payments have been available to the residents of Norfolk Island. These include: Family Tax Benefit, Age Pension, Carer Pension, Disability Support Pension, Newstart, Parenting Payment, Widow Allowance and Youth Allowance. The number of people receiving payments has been relatively constant for each payment type and is detailed at Attachment B (only numbers to December 2016 are publicly available at this time).

### **Recent Community Engagement and Media**

#### Air Services to Norfolk Island

- Following Air New Zealand's decision to end its Norfolk Island-Auckland route in May 2017 due to lack of customer demand, the Minister has agreed to the Council's request to reduce the security deposit for air service providers to land at the Norfolk Island Airport.

#### Child Wellbeing

- The Australian Government has commenced work with NSW to explore the extension of services and supporting laws to improve child wellbeing arrangements on Norfolk Island.
- This will involve extending working with children checks to Norfolk Island, and putting in place measures to clarify and strengthen child protection options relating to children at risk of significant harm.
- The Department anticipates working with children checks will be available to people on Norfolk Island by January 2018 and mandatory for people in specified roles from March 2018.
- This will provide a window for people to obtain checks before they become mandatory.
- The Department anticipates strengthened child protection measures will also be in place by early 2018.

#### Legislation

- Most Commonwealth laws were extended to Norfolk Island from 1 July 2016.
- Several Commonwealth Acts are yet to be extended as they are complex and the effects of applying them are being worked through by the relevant Departments.
- Acts which do not apply to Norfolk Island either in part or in full include the *Corporations Act 2001*, the *Telecommunications Act 1997*, and the *Bankruptcy Act 1966*.

#### Norfolk Island Gaming Authority

- The Norfolk Island Gaming Authority ceased operations on 31 March 2017 as announced by Senator the Hon Fiona Nash, the Minister for Local Government and Territories, on 6 November 2016.

## 2017-18 Budget Estimates

- The closure was made after considering the recommendations from a performance review conducted by the Centium Group, and subsequent advice that demonstrated it would be unviable to reform the Authority into a capable and credible regulator.
- In addition, in the first half of 2016, independent state racing authorities decided to suspend race field approvals to bookmakers licensed from Norfolk Island.
- These bodies perceived the Authority did not provide adequate regulatory oversight or have robust due diligence in place.
- Most licence holders have secured alternative arrangements in other jurisdictions.
- While the NI TAB was unable to transition due to regulatory barriers regarding access to a licence elsewhere in Australia, the local RSL Club has secured an alternative arrangement with Ladbrokes, which will provide a similar or slightly better financial return.

### Tourism

- The Minister has invited the Council to provide a costed proposal aligned to the Norfolk Island Tourism Strategic Plan 2013-2023 (prepared by the former Norfolk Island Government) to outline the activities proposed in Australian and New Zealand markets to increase visitor numbers.
- A proposal was recently received and is being assessed by the Department.

### **Key Future Activities (2017-18)**

#### Legislative reform

- Most NSW laws remain suspended until 1 July 2018. NSW laws may be applied on Norfolk Island prior to 1 July 2018. There will be community consultation and information about the implications of each law before it is applied.

#### Norfolk Island Regional Council

- The Department will work with the Council on matters including a service delivery performance framework, the development of the Norfolk Island tourism industry and a range of financial management issues. These include reviewing the Financial Assistance Grant-equivalent payments; and implementing an Airport management plan, including options for capital upgrades and the Airport Runway Loan.

### **Background**

#### Roll-out of Commonwealth services on Norfolk Island

Australian Government agencies worked with the Department through a whole of Government reform taskforce in the lead up to 1 July 2016 to implement taxation, health, social security, immigration, employment, customs and biosecurity services on Norfolk Island.

- Australian Border Force and the Department of Agriculture and Water Resources are delivering services from office premises in Burnt Pine with ongoing staff located on-island to conduct passenger and freight clearances at the airport and seaports (as appropriate).
- Department of Human Services has engaged a local agent, Norfolk Island Business Solutions, to deliver access to Centrelink services.
- Australia Post Licensed Post Office – a local agent has been engaged to provide services.
- Department of Employment – the *Fair Work Act 2009* was extended with 85 per cent of the minimum wage applicable from 1 July 2016 increasing to 100 per cent from 1 July 2017. The Modern Awards will apply from 1 July 2018. PeoplePlus has been engaged on-island to deliver job seeker services.

## 2017-18 Budget Estimates

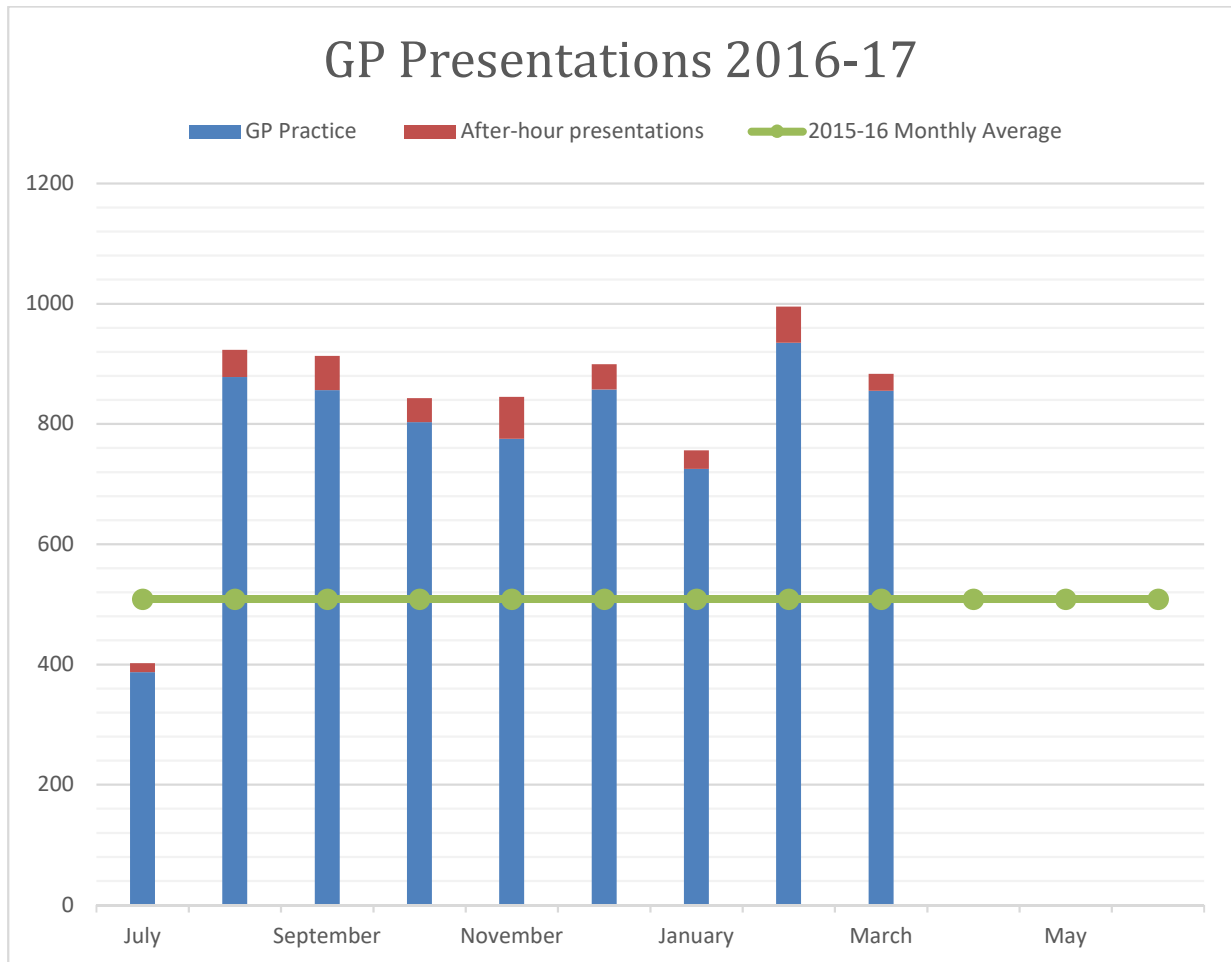
- Australian Taxation Office – a visit occurred in March 2017 and a further visit is planned for August 2017 ahead of the submission of 2016-17 tax returns.
- As at 24 April 2017, the Department of Communications and the Arts had overseen the roll-out of 280 NBN Co Ltd Sky Muster satellite services installations on Norfolk Island, with a further 28 services in the process of being installed.

### **Attachments**

Attachment A – GP presentations in 2016-17

Attachment B – Norfolk Island residents receiving Commonwealth payments (note – January and March figures are not publicly available at this time)

Number of GP presentations in 2016-17



## Number of Norfolk Island residents receiving Commonwealth payments

Recipients in the postcode of 2899 (Norfolk Island)						
Entitlement	Sept 2016 recipients	Oct 2016 recipients	Nov 2016 recipients	Dec 2016 recipients	Jan 2017 recipients	Mar 2017 recipients
Family Tax Benefit	117	117	119	122	119	120
Age Pension	231	231	231	234	234	230
Carer payment	6	6	6	6	6	8
Disability Support Pension	9	8	8	8	8	11
Newstart	18	20	16	17	17	14
Parenting Payment	15	13	12	14	14	17
Widow Allowance	<5	0	0	0	0	0
Youth Allowance	6	5	<5	<5	<5	<5

## Note:

- This is point in time recipients as at the end of the reported month - not a cumulative count of recipients since 1 July 2016.
- **January and March figures are not publicly available at this time.**

## 2017-18 Supplementary Budget Estimates – October 2017

SB17-000133

## NORFOLK ISLAND SERVICE DELIVERY AND FUNDING

**Key Points**

- \$93.9 million will be provided to the Department over the forward estimates for the Services to Norfolk Island program.
- Since 1 July 2016, the Australian Government has delivered a range of improvements for the Norfolk Island community including:
  - Upgraded health and education services and facilities;
  - Access to Medicare and the Pharmaceutical Benefits Scheme; and
  - Social security for those most in need.
- The Australian Government is funding infrastructure projects including major upgrades at the Norfolk Island Health and Residential Aged Care Service, the Norfolk Island Central School and Cascade Pier. In addition, certainty has been provided around Pitcairn language teaching at the school, breast screening and other health policy matters.
- The Australian Government continues to work with the Norfolk Island Regional Council (the Council) and community to improve water quality and public health more broadly and child and family wellbeing services.
- The Australian Government has also provided support to the Council as it remodels itself into a local government-type organisation.
- Since 1 July 2016, NSW laws around local government and health have been applied on Norfolk Island to support the delivery of services, and in the coming year, we are working to introduce laws around education (including NSW employee-related legislation), and child wellbeing.
- The Australian Government, through the Building Better Regions Fund, is also providing \$899,900 over two years (late 2017 to early 2019) to upgrade Norfolk Island's major early education and care facility at Banyan Park.
- Norfolk Island was included in the recent 2016 ABS Census Data for the first time.

**Background**Commonwealth payments to residents of Norfolk Island

- From 1 July 2016, a range of Australian Government payments have been available to the residents of Norfolk Island. The number of people receiving payments has been relatively constant for each payment type and is detailed at [Attachment A](#)

Health Reforms

- There has been an increase in demand for GP services from an average of 509 visits per month in 2015-16 to an average of 822 visits per month in 2016-17 following the introduction of Medicare to the Island. Additional details at Graph at [Attachment B](#).

Cascade Pier upgrade and extension project

- \$16.4 million has been committed to extend and upgrade the Cascade Pier. The project is being undertaken by Waterway Constructions and is expected to be completed in early 2018. A further \$4.68 million in capital funding has been committed to design and construct new passenger and freight transfer vessels. The vessels are due for delivery mid-2019.

## **2017-18 Supplementary Budget Estimates – October 2017**

### Norfolk Island Central School

- Over \$3.4 million in capital funding was spent in 2016-17 to deliver a teaching environment comparable to mainland NSW schools. The investment has resulted in improved learning spaces, new technology and improved services. The investment also addressed many work, health and safety issues and years of neglect.

### Norfolk Island Health and Residential Aged Care Service

- Over \$2.6 m in capital funding has been invested in 2016-17 to improve work health and safety and disability access requirements, as well as deliver compliant clinical spaces, improved patient access and amenity and improve the facility's overall operational efficiency.

Approximately \$1.4 million has been spent in the same period to purchase specialty medical equipment and nursing aids.

### Kingston and Arthur's Vale Historic Area (KAVHA)

- \$0.6 million per annum is spent on the management and conservation of KAVHA. A further \$0.8 million has been budgeted in 2017/18 for capital upgrades including improving site interpretation and addressing water supply and wastewater treatment priorities.
- The Department has recently commissioned a report on the impact of heritage conservation on the development of Norfolk Island's tourism industry and economy.

### Norfolk Island Regional Council

- The Department is working with the Council on matters including a service delivery performance framework, the development of the Norfolk Island tourism industry and a range of financial management issues. These include reviewing the Financial Assistance Grant-equivalent payments; and implementing an Airport management plan, including options for capital upgrades and the Airport Runway Loan.

### Tourism

- The Department will provide the Council with \$0.1 million to undertake tourism marketing activities in Australia and New Zealand to increase visitor numbers.

### Air Services to Norfolk Island

- Air New Zealand ceased flying its Norfolk Island-Auckland route in May 2017 due to lack of customer demand. The Minister agreed to the Council's request to reduce the security deposit for air service providers to land at the Norfolk Island Airport. Norfolk Island Airlines commenced a new Brisbane/Norfolk Island/ Auckland – return service in June 2017. On 11 September 2017 the operator advised this service will cease from January 2018 for commercial reasons

### Child Wellbeing

- The Australian Government has commenced work with NSW to explore the extension of services and supporting laws to improve child wellbeing arrangements on Norfolk Island. This will involve putting in place measures to clarify and strengthen child protection options relating to children at risk of significant harm. The Department anticipates strengthened child protection measures will also be in place by early 2018.

### Legislation

- Most Commonwealth laws were extended to Norfolk Island from 1 July 2016. Several Commonwealth Acts are yet to be extended as they are complex and the effects of applying them are being worked through by the relevant Departments.

## 2017-18 Supplementary Budget Estimates – October 2017

### Financial Information

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
<b>Components for program 4.1: Services to territories</b>					
<b>Annual administered expenses</b>					
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Norfolk Island - Kingston and Arthur's Vale historic area	632	632	632	642	651
Office of Administrator, Northern Territory	324	334	334	338	343
Services to Indian Ocean Territories (a)	93,187	88,999	84,396	85,661	86,861
Services to Jervis Bay Territory (b)	5,229	5,013	5,027	5,102	5,173
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Depreciation and amortisation	53,951	38,462	38,046	38,559	37,685
<b>Special Account expenses</b>					
Christmas Island Phosphate Mining Rehabilitation Special Account 2016	1,500	1,500	1,500	1,500	1,500
Indian Ocean Territories Special Account 2014	25,242	20,242	18,167	18,167	18,167
Jervis Bay Territory Special Account 2014	1,160	1,129	1,171	1,219	1,274
Program support	19,071	16,734	16,217	16,567	16,120
<b>Total program expenses</b>	<b>226,225</b>	<b>199,490</b>	<b>191,609</b>	<b>194,266</b>	<b>194,655</b>

Notes:

(a) See also expenses associated with the Indian Ocean Territories Special Account 2014.

(b) See also expenses associated with the Jervis Bay Territory Special Account 2014.

### Program budget

<b>Actual and committed expenditure</b>	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
Appropriation Budget	23.5	23.1	23.5	23.8
Less:				
Actual Expenditure YTD at 31-Aug- 2017	2.9			
Total Committed Funds at 31-Aug- 2017	11.6	5.1	1.7	1.7
Total Uncommitted Funds (balance)	9.0	18.0	21.8	22.1

*Note: Committed funds relate to funds committed under a Funding Agreement, Contract or Program of Works where the Project, Profile and Conditions have been agreed to, or a formal offer has been made pending agreement, by the recipient.*

### Attachments

Attachment A – Number of Norfolk Island residents receiving Commonwealth payments

Attachment B – Number of GP presentations in 2016-17

Attachment C – Norfolk Island Census Results 2017



## 2017-18 Supplementary Budget Estimates – October 2017

### Attachment A

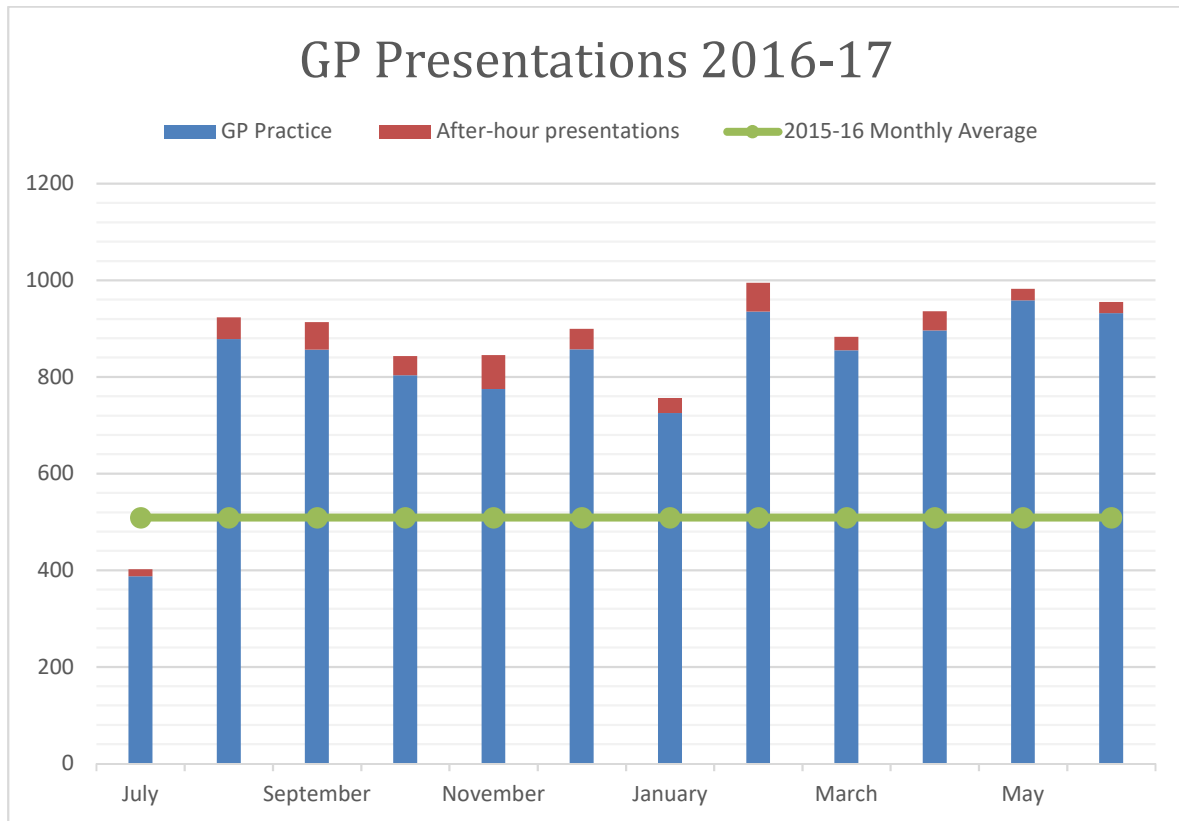
#### Number of Norfolk Island residents receiving Commonwealth payments

Recipients in the postcode of 2899 (Norfolk Island)						
Entitlement	January 2017 recipients	February 2017 recipients	March 2017 recipients	April 2017 recipients	May 2017 recipients	June 2017 recipients
Family Tax Benefit	119	120	120	120	119	117
Age Pension	234	227	230	227	228	227
Carer payment	6	6	8	8	8	7
Disability Support Pension	8	10	11	11	11	11
Newstart	17	16	14	15	16	14
Parenting Payment	14	16	17	16	13	13
Widow Allowance	0	0	0	0	0	0
Youth Allowance	<5	<5	<5	<5	<5	5

Note:

- This is point in time recipients as at the end of the reported month – not a cumulative count of recipients since 1 July 2016.

Number of GP presentations in 2016-17



- 2015-16 monthly average of GP presentations is 509
- 2016-17 monthly average of GP presentations is 822



## 2016 Census: Norfolk Island

# FACTSHEET



**Total population: 1,748**

**Median age: 49**

**Most common ancestry: Australian**

**Most common country of birth:  
Australia**

**Most common religion: Christianity**

**Most common languages: English, Norfolk-Pitcairn**

**Median weekly personal income: \$592**

**Median weekly household income: \$1,012**

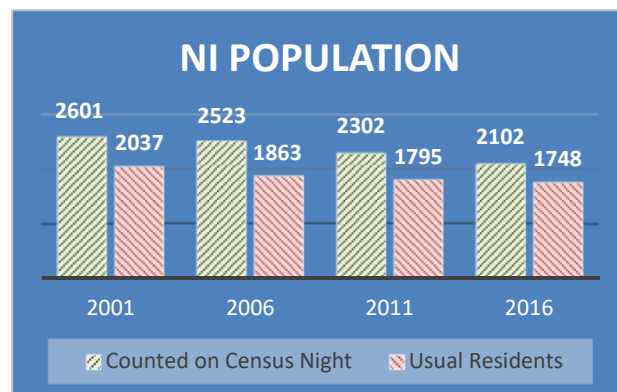
**Average household size: 2.2 people**

### Demographics<sup>1</sup>

#### Population

On Census night (9 August 2016), the **total population** of Norfolk Island (NI) was **1,748**. Of these, **46.8% of the population was male**, and **53.2% was female**.

The population of usual residents has decreased since 2001 (where 2,037 residents were recorded).<sup>2</sup>



In 2016, there were **491 families** on island. Families with children averaged **1.8 children** per family.

#### Age

In 2016, the **median age on NI was 49**, which is over ten years older than the national median age of 38 years. People aged 65 years and over made up 23.8% of the population. Children (0-14 years) made up 16.9% of the population.

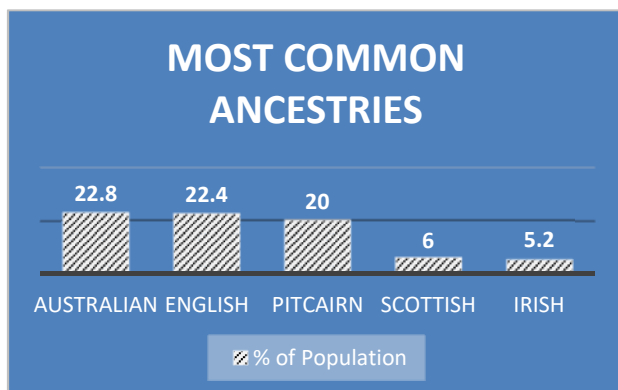
<sup>1</sup> All data in this document is sourced from: Australian Bureau of Statistics 2016, 'Norfolk Island (Statistical Area Level 3)', <[http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/SSC90004](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC90004)>.

<sup>2</sup> Note that the first ABS Census was conducted in 2016. Previous data was collected on-island and may have used different survey criteria.

# 2016 Census: Norfolk Island

## Cultural and language diversity

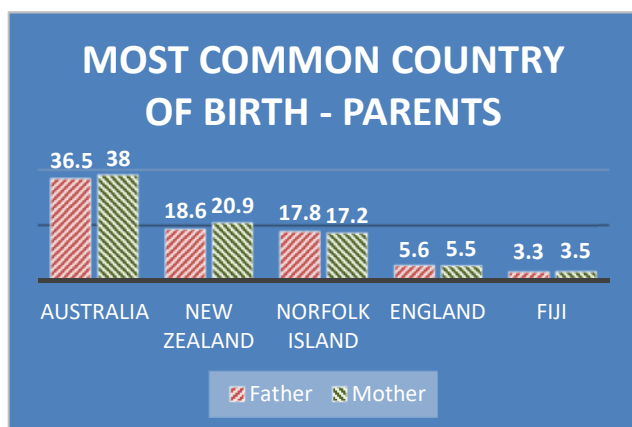
### Ancestry



In 2016, the **most common ancestries** on NI were **Australian** (22.8%), **English** (22.4%), **Pitcairn** (20.0%), **Scottish** (6.0%) and **Irish** (5.2%).

These percentages are not dissimilar for Australia as a whole, apart from **Pitcairn ancestry**. On Census night, 746 individuals recorded Pitcairn ancestry in Australia generally, the majority of whom (484) were on NI.

### Country of Birth



In 2016, **39.7%** of people on NI were **Australian-born**. Following Australia, the most common countries of birth were Norfolk Island (22.1%), New Zealand (17.6%), Fiji (2.7%), England (2.6%) and Philippines (2.3%).

43.2% of people had both parents born in Australia, while 30.0% of people had both parents born overseas. A further 10.1% had only their father born overseas, and 10.1% had only their mother born overseas.

### Language Spoken at Home

In 2016, **more than half** (51.7%) of households on NI reported that a **non-English language was spoken at home** (compared with 22.2% for Australia).

**45.5%** of people **only spoke English** at home, while **40.9% spoke Norf'k-Pitcairn**. Other languages spoken at home included Fijian (2.0%), Tagalog (1.0%), Filipino (0.8%) and Mandarin (0.7%).

### Religion

**Christianity** is the **most common religious affiliation** on NI (68.5%).

In 2016, the most common responses for religion on NI were Anglican (29.5%), No Religion (26.8%), Catholic (12.6%), and Uniting Church (9.6%). 9.6% of census forms did not record a response.

# 2016 Census: Norfolk Island

## Employment

### Income

In 2016, the **median weekly personal income** for people aged 15 years and over on NI was **\$592**. This is below the Australian median personal income of \$662.

The **median weekly household income** on NI was **\$1,012**, which was lower than the national median of \$1,438.

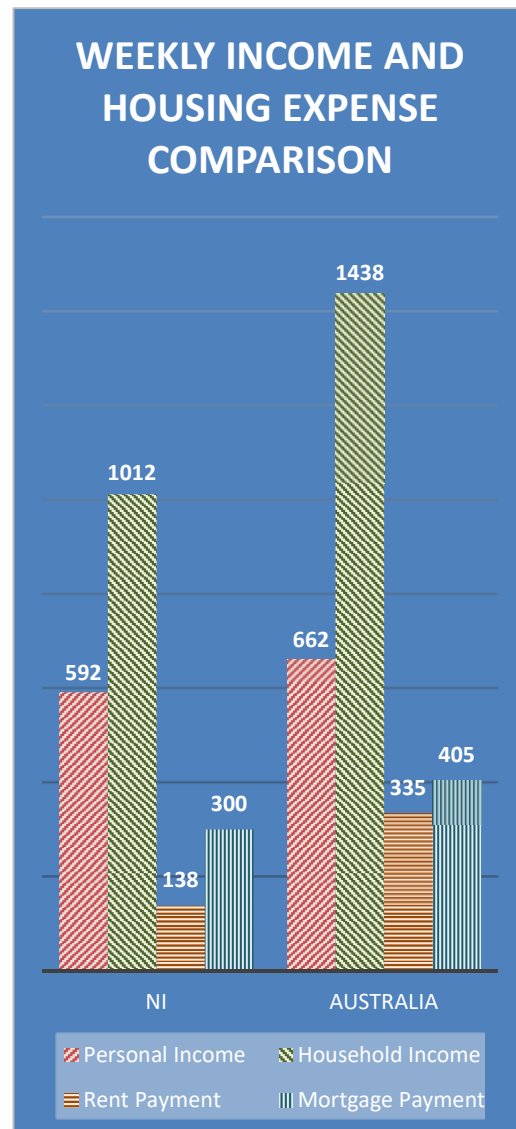
Approximately **28.0% of households** had a **weekly household income of less than \$650** (compared with 20.0% nationally), and **3.8% of households** had a **weekly income over \$3000** (compared to 16.4% nationally).

### Unpaid Work

In **the week** before Census, **75.6%** of people aged 15 years and over **did unpaid domestic work**, compared to the national median of 69.0%. Of this group on NI, **the majority (31.5%) provided 5 to 14 hours of unpaid domestic work** in the period, with 10.9% providing 30 hours or more.

During the **two weeks** before Census, **26.2% provided care for children** (compared to 27.6% nationally), and **14.7% assisted family members or others** due to a disability, long-term illness or problems related to old age (compared to 11.3% nationally).

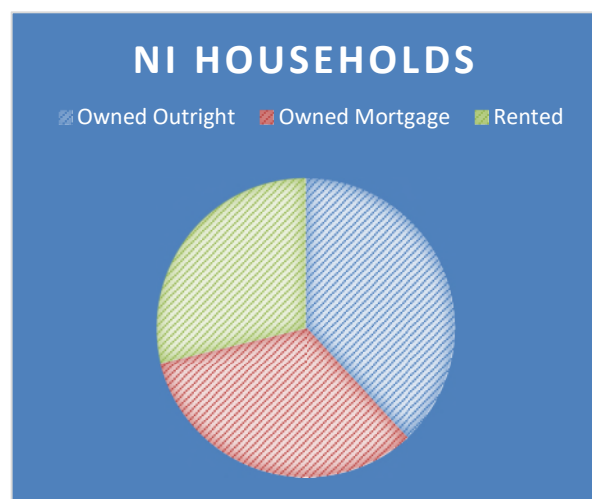
In **the year** before Census, **34.5% of people did voluntary work** through an organisation or group, compared to 19.0% nationally.



# 2016 Census: Norfolk Island

## Dwellings

### Tenure and Household Composition



In 2016, **74.5% of private dwellings on NI were occupied**, and 25.5% were unoccupied. Of occupied private dwellings, **36.5% were owned outright**, 31.6% were owned with a mortgage and 27.5% were rented.

The **average household size was 2.2 people**. Of all households, 65.9% were family households, 33.0% were single person households and 1.1% were group households.

### Mortgage and Rent

In 2016, **median rent on NI was \$138 per week**, compared to the national median rent of \$335 per week. **97.4% of households had rent payments less than 30% of their household income**, with only 2.6% of households having rent payments greater than 30% of household income (11.5% nationally).

**Median mortgage repayments were \$1,300 per week**, which is less than the national median of \$1,755, and for 91.2% of households represented less than 30% of their household income per week.

### Motor Vehicles

In 2016, **31.6% of occupied private dwellings on NI had one registered motor vehicle** garaged or parked at their address, 40.9% had two registered motor vehicles, and 21.5% had three or more registered motor vehicles. Only 2.6% of occupied private dwellings recorded no motor vehicles.

### Internet Connection

In 2016, **80.8% of households on NI had at least one person access the internet**. This could have been through a desktop or laptop computer, mobile or smart phone, tablet, music or video player, gaming console, smart TV or any other device. This is similar to the national level of 83.2%.