



04 September 2017

Norfolk Island Regional Council
Bicentennial Centre
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Dear Councillors

Norfolk Island Regional Council operational budget 2017/18

Following the Mayor's radio broadcast to the Norfolk Island community that Council is advised the budgeted \$4.2M financial assistance grant, included in the adopted budget has been determined as \$2.4M; a joint meeting of the island's principal business representative bodies was called to discuss the \$1.8M deficit and identify any related concerns.

The joint meeting was advertised in multiple forums and allowed guests outside of the member associations to also participate. No request to attend was denied and it was noted no Councillor or executive staff member of the Council was in attendance.

A joint Agenda was distributed prior to the meeting to ensure discussion was structured to address the main issues which are;

1. **The \$1.8M shortfall:** why; how is this to be funded; impact on Councils' 2017/18 Operational Plan; combined with other failings what is the revised projected deficit
2. **The Council:** its' costs and capability; functions; authority; contracts; solvency; the growing disconnect between Council and stakeholders

3. **The Economy:** state of; impact of Council operations; Council as a barrier to investment; policy
4. **What needs to change:** the current path; interim measures; how

The 2 hour meeting was well attended particularly given there were several other meetings taking place at similar times, and included a good cross section from the Accommodation and Tourism Association, the Chamber of Commerce and ten guests (not members of either industry body).

The attached pages summarise the concerns and issues the business community seek answers from in respect of government and government services in Norfolk Island. Many of these questions have been asked repeatedly of Council and now answers take on a new urgency with concerns a crisis situation is imminent.

There is no doubt the current trajectory of increasing costs, the continued decline in population and taxation base, volatility within the tourism industry and failing community infrastructure: collectively these circumstances are grinding against the viability of local industry and economy.

There is a will to get the economy on stronger footings and work to rebuild confidence in Norfolk Island as a place to live and invest. However, Council in its current form and mode of operation is very much seen as a barrier to survival and growth; particularly as decisions are taken without inclusion and advice from industry.

The final outcome of the joint meeting was agreement the need for an immediate economic assessment with defined benchmarking and measures including CPI. This assessment must measure the position of the Norfolk Island economy against the independent analysis documented in the 2014 Economic Impact of Norfolk Island Reform Scenarios by the Centre for International Economics to urgently check Council and Norfolk Island are on track.

Leadership is being called to account now. Business stakeholders are concerned at the lack of engagement and interest shown by Council and call now for urgent and full provision of the information requested.

Yours sincerely



Rael Donde
President
Accommodation & Tourism Association



Cherri Buffett
President
**Norfolk Island Chamber of
Commerce, Inc**

JOINT MEETING ATA & COC: Thursday 31 August 2017

RE: Norfolk Island Regional Council operational budget 2017/ 18

AGREED MEETING OUTCOMES

ISSUE 1: The \$1.8M shortfall: why; how is this to be funded; impact on Councils' 2017/18 Operational Plan; combined with other failings what is the revised projected deficit	
Q #	Questions requiring Government advice
1.1	What is the reason why the budgeted FAG amount was reduced? What is the formula used and how did Council get this wrong? Is the same formula used for Christmas Island and if not what is being done to challenge this?
1.2	Is the incorrect calculation a performance issue: if so how is this to be addressed? Does the GM contract include financial performance indicators – if not why not and where does the responsibility lie for provision of an accurate and reliable Council budget?
1.3	Is it legal under Local Government legislation to provide and adopt a budget whilst budgeted expenditure is tenuous against income allocations? What legislation prescribes this accounting?
1.4	How does this shortfall affect services and failure to secure grant funds for infrastructure projects included in the Operational Plan: is Council proposing to address these problems through revision of the Operational Plan including putting any revisions to the community for consideration through public exhibition?
1.5	Does Council have the expertise to develop responsible budgets for the community and economy?
1.6	What is the budget deficit now calculated as given the FAG, grant funding, unbudgeted electricity generator purchases, and reduced income in electricity and waste disposal projections? What impact does this place on the Waste reforms?
1.7	Can Council guarantee its capacity to provide Norfolk Island local government services? Are there any risks to the community?
1.8	What impact assessments are being undertaken to accurately measure the communities capacity to pay increased tariffs and taxes for government services?
1.9	What mechanisms are in place for independent assessment by price regulators to ensure government charges are fair, equitable and consistent with industry standards (quality and cost). Where there are no mechanisms will Council agree to seek inclusion in State/ Federal regulators where Council is the service provider of a commercial activity?
1.10	Why is Council continuing to recruit staff when there is a budget deficit and crisis?
1.11	What are the legal provisions that allow Councils to loan money?
1.12	Will the Council give the community their assurance there will be no loans taken without the community being consulted first and agreeing to the terms of any borrowings?

MOTION 1: Council introduce an immediate recruitment freeze including contracts until the budget position is reviewed and restructured using accurate income allocations and adjusted expenditure.

ISSUE 2: The Council: its' costs and capability; functions; authority; contracts; solvency; the growing disconnect between Council and stakeholders

Q #	Questions requiring Government advice
2.1	What qualifications do the executive management have to provide fiscal governance, technical engineering asset and infrastructure management, tourism expertise, sustainability and policy development to Council? What provisions are available for Council to review these contracts and redefine the performance requirements and measures?
2.2	Where is the division between operational management and the Council? Why does Council have a problem dealing with Executive Management including having information and issuing instruction?
2.3	What provisions are available to Council to hold the General Manager accountable for budget shortfalls that place Council and the community at elevated levels of stress and risk? What provisions are available to the community where Council fails to hold the General Manager to account for the budget performance failing?
2.4	What is the legislated deficit the Norfolk Island Regional Council is able to trade with before the Council is declared insolvent? What legislation prescribes this?
2.5	Does Council have accurate costings for all areas of service provision to enable an assessment of what services can be outsourced to reduce the financial burden on the Council and community? Have such costings been reviewed by independent assessment?
2.6	What are the services that Council is providing on behalf of the Commonwealth for State and Federal level functions? Are these properly costed and charged at appropriate charges? Have these service delivery arrangements been scrutinised outside of executive management of Council? What are the provisions for review and termination of service provision by Council to encourage opportunity for private sector and reduce the unsustainable operation of Council as an empire?
2.7	Under what authority does Council achieve exemption of the local government requirement to publicly disclose a list of all contracts issued above the prescribed threshold? Who authorised this ongoing lack of transparency?
2.8	What is Council doing to reduce its responsibilities as a local government for major infrastructure burdens including airport, telecommunications and energy which are state and federal functions and require resources beyond the capacity of the island community?
2.9	Why does Council exclude working arrangements with industry and stakeholder bodies to achieve balanced local advice? Why do Council Advisory Groups include Councillors and Council staff who are effectively giving advice to themselves and is this considered appropriate for transparent and accountable local government?
2.10	When are the remaining functions to be integrated into NSW and has there been any assessment of what Council income will be lost from fees going to the state?

2.11	Will Council urgently review the 2 policies adopted prior to being sworn in which relate to Media and the Relationship between Councillor's and the General Manager in particular the use of "operational" which does not appear in legislation?
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MOTION 2: Council reviews all Advisory Committee's to ensure Members are independent of Council and industry stakeholders and therefore able to perform their function to give Council advice; and Council policies adopted prior to elections.

ISSUE 3: The Economy: state of; impact of Council operations; Council as a barrier to investment; policy	
Q #	Questions requiring Government advice
3.1	What measures are in place to track the projected expectations for the NI economy determined in the findings of the 2014 Centre of International Economics Report and endorsed by Administrator's Media Release?
3.2	What indicators are Council using to monitor population, employment, welfare, tourism, GDP and such? If there are no measures how does Council assess the state of the economy and the capacity to increase cost of services on island?
3.3	What measures does Council undertake before accepting an Advisory Group recommendation – particularly when both Councillor's and Council executives are part of that Advisory Committee – before implementing new taxes or charges?
3.4	What has Council done to advance the advertised tender for utilisation of surplus electricity? Have all tenderers been advised of Council's decision consistent with Council policies relating to calls for tenders?
3.5	What reasoning does Council apply when declining commercial investment opportunities by private sector that would improve local services and reduce demand on Council resources? What professional capacity does Council have to make such assessment?
3.6	Why is there still no budget strategy in place for tourism marketing? With Tourism as a State function, why does Norfolk continue to miss out on important tourism promotion funding. Despite a close working relationship between the NI ATA and the Accommodation Association of Australia (AAoA), what is the council doing to advocate for AAoA assistance for Norfolk Island? What is being done to lobby for the same methodology applied to Christmas Island Federal Tourism funding – applied to NI would be \$8.9M annually?
3.7	What has Council done to communicate the political framework that has been implemented following federal intervention has made the economy worse and even further removed from a sustainable model?
3.8	Why have Council adopted in the Operational Plan projects for waste management that were dependent on grant funding and no contingency plan in place?
3.9	Have Council sought detail from the Federal Minister about the \$140M announced funding to integrate the island and whether funding is available from that budget to assist Council with the budget shortfalls? Is this an appropriate time to address with Federal Minister the disconnect between Canberra's priorities for the community and the communities priorities?
3.10	If Council's service provision is dependent on the budgeted \$4.2M FAG: why isn't the Council addressing the situation as the budget crisis that it is?
3.11	When does an Administrator become necessary to properly manage the budget and economy?

3.12	What has been done to lobby for NI's inclusion in the GST arrangements and access to the fiscal equalisation system like the rest of Australia?
3.13	What has been done to lobby the Federal government to take responsibility for telecommunications as a federal responsibility? What are the contingency arrangements for continued provision of landline services?
MOTION 3: An economic assessment be undertaken with defined benchmarking and measures including CPI and independent analysis of local government responsibilities in Norfolk Island.	

ISSUE 4: What needs to change: the current path; interim measures; how	
Q #	Questions requiring Government advice
4.1	In the absence of economic analysis what does Council have to provide the community confidence a fiscal crisis is not imminent?
4.2	Does Council agree an immediate recruitment freeze and economic assessment are the best interim measures?
4.3	What executive contracts can be released now to reduce costs to Council?
4.4	Will Council establish an independent working group to review the transition arrangements and identify any needed revisions?
4.5	What are Councils plans for the immediate future?
4.6	What is Council doing about waste management changes from 01 July 2018?
4.7	When will Council attend a public meeting hosted by ATA/ COC or other and respond to community concerns in an open and consultative manner?
4.8	Will Council re-establish its authority over Council executive and represent the community who elected them in holding paid executives to account through relevant performance management? If Council is not prepared to adopt this stance is Council prepared for a community vote of no confidence should the current path remain unchanged for another 6 months?