

# **FOCUS REPORT**



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## 1. Background and Early Planning

Since its election in November 2001 the 10<sup>th</sup> Legislative Assembly had been aware of pressing financial concerns for the Administration which were identified during briefing sessions conducted in December 2001. In February and March 2002 the Assembly had to reluctantly accept a projected budget deficit of \$1,128,600 for the 2001/2002 financial year.

Budget preparations for 2002/2003 provided further cause for concern and highlighted that:

- An examination of financial statements for the previous 10 years showed inadequate capital expenditure and, to the extent that depreciation equates to the using up of assets, there was a shortfall of asset replacement of over 10 million dollars.
- The Revenue Fund's mix of expenditure left only minimal funds for capital expenditure (approximately \$430,000).

The 2002/2003 Budget, if approved in its original form, would have resulted in a \$3.965 million deficit.

It is important to note that a number of important budgetary items were not included in the final budget due to lack of certainty of amount and/or timing:

- Full cost of the recent major crime - Committal, Trial, Incarceration
- Any PSA Wage Claim payment (including back-pay)
- Nominal defendant Scheme
- Any Norfolk Island portion of costs associated with the restoration of the Kingston Pier
- Appropriation for costs incurred but not expended in the 2001/2002 Financial Year
- Capital and Operational cost issues raised in the 1997 Grants Commission Report

No new revenue or changes to income sources were included in the 2002/2003 Financial Year. Initial budget bids reflected pressures on operating costs and included filling new and existing positions. In fact the approved budget provided an amount for salaries that was not materially different from the previous year and there was an 8.5% cut in operating costs from the previous year. Cuts were made to requests for furniture and equipment, plant and equipment, motor vehicles, counselors, the Immigration Review and the Tourist Bureau and Hospital subsidy as well as general cuts in funding on all items across the board.

Quite obviously, a trend has become evident over past years, namely that expenditure is rising at a rate far greater than income. This situation is not sustainable.

In response to this situation a decision was made that a complete review of the Administration's finances would be conducted. On 31 May 2002 this was communicated to the community in the Government Gazette No. 26 (Attachment 1) and in an article in the Norfolk Islander. At the 5 June 2002 Legislative Assembly Meeting the Finance Minister, Mr Graeme Donaldson, sought approval for the 2003 Revenue Fund Budget and the Appropriation Bill and also formally announced the formation of Focus 2002. An overview of the Focus Model is in Attachment 2.



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The direction given by MLAs in June, was that expenditure needed to be further curtailed through cuts to overall salaries and operating costs. Wastage was considered to be occurring in Administration expenditure and Focus 2002 was the process put forward to identify where it was occurring and to make recommendations on how to halt it.

There was a clear direction from MLAs that revenue options were not to be investigated until a comprehensive investigation into expenditure reductions had taken place and been reported to the Assembly.

## **1.1 Impacts Leading to Focus 2002**

Since around 1997 a number of external factors have impacted on the overall economy of Norfolk Island:

- Ansett Airlines announced that it would discontinue its Norfolk Island air service from 1 July 1997
- The introduction of the GST in Australia 2000 and the effect that had on tourist spending as Norfolk Island's duty free appeal was reduced
- Flight West Airlines which took over the Ansett service went into liquidation on 19 June 2001 leaving only one carrier to Australia
- September 11 2001 terrorist attacks in the USA that negatively impacted on tourist travel world wide
- General volatility in the tourism area
- Travel Agents servicing Norfolk Island going out of business

Recently a more optimistic picture has emerged:

- Alliance Airlines has commenced a regular service from Brisbane and Sydney
- Tourist numbers are beginning to rise



## 2. Expenditure Reductions

### 2.1 Expenditure Reductions in 2002/2003

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

Examples of such savings follow:

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

### 2.2 Longer Term Expenditure Reductions

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

**Recommendation 1**

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

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

**2.3 Other Non-Quantifiable Savings**

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

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



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



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

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



**Recommendation 2**

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

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

**Recommendation 3**

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



### **3. Major issues Impacting on Expenditure and Savings**

As can be seen there are limited expenditure savings that Focus 2002 identified as being able to be made in the short term that will extend to the long term. This is primarily because the budget reduction processes that occurred in late 2001 and early 2002 were efficient in their outcome. Few opportunities exist for further reductions to be made in this financial year while the existing range of services continue to be offered and while human resource practices are yet to undergo change.

There are several ways of looking at expenditure in Administration. Accounting procedures have changed over time and it has been difficult to ensure that comparisons made from one year to the next are valid. However various comparisons have been made in the analysis of where and why costs have increased over past years.

In addition, between 2001 and 2002 there was a substantial increase in Operating Expenditure of over \$1.1million. The major areas of increase include:

	Increase 2001 – 2002
Gaming Enterprise Grant	\$210,000
Hospital Grant	\$163,500
Tourism NI Grant	\$ 49,500
Welfare	\$143,000
Police	(\$ 22,300)
KAVHA	\$ 85,000
Human Resources	\$ 60,000
Roads	\$281,500
Education	\$ 66,000

*Increases in expenditures have occurred over the past 5 years:....for several reasons, including the ageing of the population and the run down in its infrastructure, the Norfolk Island Government is likely to face increased expenditures in the future, even if there are no changes in the range or standard of services for which it has responsibility".<sup>1</sup>*

A view repeatedly expressed by one member of the Project Management Committee was that in the absence of increased revenue, harsh measures such as capping expenditure would have to be considered to reduce expenditure.

#### **Recommendation 4**

**That in the absence of increased revenues further investigation occur into capping salaries and wages costs as a percentage of either income or expenditure.**

<sup>1</sup> Commonwealth Grants Commission 1997 Report on Norfolk Island p.168



### 3.1 Organisational Change

Over the past few decades, local, state and Commonwealth governments have made significant changes to the way they provide services. From the 1970s onwards service delivery changes were sought to improve overall efficiency and effectiveness. This resulted in significant industrial reform and the introduction of contemporary public sector management practices. These practices aim to deliver a more flexible and simplified industrial and employment framework with management having more flexibility, less hierarchy and greater devolution of authority. In order to respond to changing customer needs, work cultures changed to include continuing improvement, evaluation and assessment.

Governments have also continued to be under pressure to provide more for less, at a higher standard and with greater accountability. Change continues to occur in relation to responsibilities, organisational structures, financing and staffing.

The Norfolk Island Government has put in place a number of initiatives to progress similar change that is required to modernise practices within Administration. The need for change has been highlighted in all the major reports conducted into Norfolk Island over the past 10 years including the Grants Commission, Access Economics and Howard Reports. They have all highlighted the need for improved work outcomes including service delivery geared around a greater reflection of community needs.

Addressing these issues will result in a more robust, productive and flexible workforce that is able to adapt to the changing needs and circumstances of Norfolk Island over time. This is a key requirement for achieving a sustainable future for Norfolk Island.

In analysing whether or not Administration salaries and wages costs are high, it is difficult to make meaningful comparisons. However, to provide some indications in this regard, we have examined this issue using data available from the NSW Department of Local Government. The NSW State mean expenditure by Local Councils on salaries as a percentage of their total ordinary activities revenue, was 38%. The highest recorded percentage was 53.63% and the lowest 14.82%.<sup>2</sup>

In comparison, for 2001/2002 the Revenue Fund spent 40% of expenditure on salaries, however this figure had been sitting at around 46% for the previous 9 years. The reason for the decrease lies with the increase in Operating Expenditure which served to increase overall costs and reduce the percentage spent on salaries. It is also worth noting that the Commonwealth Grants Commission Report stated in 1997 that "average wages for each employee in the private sector were 90 per cent of the public sector figure".<sup>3</sup>

That Report's findings supported recognition by the Norfolk Island Government of the need to implement contemporary public sector practices and led to agreement that work commence on preparing for change.

One of the most critical initiatives has been development of the Human Resources Policies and Procedures Manual. This Manual was developed to assist the Government increase the administrative efficiency of the Norfolk Island Public Sector as required by the Public Sector Management Act 2000.

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<sup>2</sup> NSW Department of Local Government – Comparative Information 2000/2001

<sup>3</sup> Commonwealth Grants Commission 1997 Report on Norfolk Island p. 32



A considerable amount of work is continuing to be done in these areas and many reforms have already been implemented. It is important to note that such reform will be an on-going process (as is the case in all organisations).

There is also the need for the Norfolk Island community, the Government and Administration to have a common sense of purpose about the role of Administration in the community. While there is no stated Vision statement, Mission or identification of the core business, people will have different expectations about Administration's purpose and how it should operate.

Without a clear sense of direction, over the years some staff initiated actions have become looked on by staff as legitimate work practices or entitlements, whether they be beneficial to the organisation or not.

Also, some staff actions have not been understood by the public and have become the subject of, at times, misunderstood criticism. Focus 2002 members were given examples of some work practices that were considered to be indicative of poor productivity and a culture of waste within the organisation. At times these were valid criticisms and at others the result of a lack of information about the role or purpose of a staff person or the Area involved.

The overlying issue that has given rise to differing staff and community beliefs about "the way things are/should be done around here" is a lack of identification of the purpose of Administration in relation to the Norfolk Island community and Government. A common understanding can be gained through a clearly articulated vision and mission statement which then directs strategic planning, service delivery decisions and staff practices.

Overall, the issues that pertain to productivity are not able to be resolved within the scope of Focus 2002. These form part of the Organisational Review and require in accordance with the Public Sector Management Act, negotiation with the Public Service Association and Staff Consultative Committee.

### **3.2 Productivity Gains and Organisational Review**

The reductions made to the initial 2002/2003 Budget submissions were primarily from operational and capital costs. This was due to a deliberate intention to minimise any specific impact on staffing levels. It was acknowledged that pre-emptive action in this area would be inappropriate given the commitments made to the Staff Consultative Committee about acting in a consultative manner and giving consideration to equity, fairness and consistency. The Organisational Review was also underway providing a process to identify the issues for consideration.

Organisational review is of course an on-going management issue. However, at this stage, the issues currently being investigated in this regard are:

- The need to finalise a revised structure at the Manager and Operational level
- Equitable rostering and remuneration
- Overtime Costs
- Time off in lieu
- Flexible Working Hours
- Leave planning and leave use
- Standardising contractual terms and conditions
- Penalty rates
- Multi skilling



- Salary relativity
- Competency based incremental advancement
- Continuing to implement on-going productivity improvements

The following expands on major issues in this regard.

### Spread of Hours

There are a number of areas and GBE's that require staff to be in attendance 7 days per week as part of the regular pattern of work, and in fact, the core of their work is conducted outside "normal hours". On weekends this attracts overtime rates of pay. The cost of work outside "normal" hours is impacting on capacity to deliver services at these times. Payment of regular overtime rates in this manner is not consistent with business practice in many parts of the Norfolk Island private sector, Australia or New Zealand.

The one area that has addressed this issue is the Hospital Enterprise where "out of hours" work receives a weekend or evening loading that is less than the overtime rate.

This issue primarily impacts:

Area	Overtime for 2001/2002
Airport and Fire Services	Over \$50,000
Customs	Over \$50,000

### Overtime

The use of overtime is identified as a result of insufficient staff and high work load by most managers with the majority of overtime primarily falling to the manager and supervisor level.

There has not been a systematic review of overtime use identifying actual needs against patterns of work that have established themselves over time.

In 2001 the amount spent on overtime equalled approximately 11 full time positions.

The use of overtime is an expensive option to fulfilling on-going staff shortages and at a minimum is 35% more expensive than casual labour. Management of peak times of work would provide a planned response that could incorporate the use of contract or casual labour or see the employment of additional permanent staff.

In 2001/2002 this issue primarily affected:

Area	Overtime for 2001/2002
Electricity	Over \$39,200
Telecom	Over \$15,000
EDP	Over \$9,000
Liquor Bond	Over \$7,000
Postal Services	Over \$6,000



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### Time Off in Lieu (TOIL)

Hours worked over 37.5 hours per week have at times been allowed to accumulate and the extra time worked taken off at another time.

The accrual and taking of TOIL, if not properly controlled, impacts on overall productivity and management of job times, distorts real wages costs and results in reduced accountability. Varied work practices occur across Revenue Fund and GBE areas in relation to TOIL and standardisation is required.

In particular time off in lieu has been used at:

- Works
- Roads
- Electricity
- Forestry

#### **Recommendation 5**

**That an agreed format for identifying business performance indicators be developed and incorporated into business and management planning procedure.**

### 3.3 Management Planning and Financial Strategy

#### Management Plan

The Focus 2002 project has clearly identified a broad range of issues requiring further consideration and development. Clearly, it is not possible within a comparatively short time-frame to fully address all the issues raised. However, it would be particularly beneficial to establish a clear Management Planning framework to assist in ensuring a coordinated and sustained approach to progressing these issues.

The Acting Chief Executive Officer has also raised the need for such a process to ensure that the priorities of the Legislative Assembly are translated into operational plans (Business Plans) for the Public Service and has indicated that the Corporate Management Group has commenced the preparation of a Management Plan.

A Management Plan could:

- Establish clear and agreed (long-term and short term) goals based on the direction established by the Government
- Clearly identify time-frames, responsible officers and resource needs
- Measure performance

Once established, the Management Plan should be revised each year as part of the budgetary process.

It is understood that the Plan currently being prepared by the Corporate Management Group will include details of



- Business Plans
  - Objectives
  - Risks and Opportunities (for the unit)
  - Key Performance Indicators
  - Key Performance Indicator results (completed at year end)
  - Recurrent Activities
    - Activity
    - Completion Date
    - Responsible Officer
    - Outcome (to be completed at review dates during the year)
  - Special Projects
    - Milestones
    - Completion Date
    - Responsible Officer
    - Outcome (to be completed at review dates during the year)

The Plan that is being prepared will provide a mechanism for:

1. A single strategic planning document
2. The Public Service to develop business plans and budgets based on the strategic direction provided by the Legislative Assembly/s
3. The business plans to be linked to a performance management system
4. Regular progress updates to be provided to the Legislative Assembly



**Sample Management Plan**

<b>Directorate</b>			
<b>Section</b>			
<b>Objective</b>			
<b>Opportunities &amp; Risks</b>			
<b>Key Performance Indicators (KPI)</b>	1. . 2. . 3. . 4. . 5. .		
<b>KPI Result</b>	1. . 2. . 3. . 4. . 5. .		
<b>Recurrent Activities</b>			
<b>Activity</b>	<b>Completion Date</b>	<b>Responsible Officer</b>	<b>Outcome</b>
<b>Special Project – [Name of Project]</b>			
<b>Milestones</b>	<b>Completion Date</b>	<b>Responsible Officer</b>	<b>Outcome</b>

**Financial Strategy Policy**

The following points are draft items for consideration in the formation of a Financial Strategy Policy:

1. Consideration of annual budgets will include 5 year projections based on known factors.
2. The five year projections will note “Pressures” such as:
  - Dramatically increasing welfare costs
  - Considerable infrastructure deterioration
  - Substantial unbudgeted costs associated with a current major crime investigation
  - Urgent capital requirements at our hospital
  - Uncertainty regarding tourism projections and associated revenue



3. Every endeavour will be made to ensure balanced budgeting.
4. Funds from one-off entrepreneurial activities will not be committed for ongoing operational and basic infrastructure requirements unless such funds become guaranteed for a specific period.
5. Opportunities will continue to be pursued for additional entrepreneurial income sources however consideration of allocation of funds for such purposes will only proceed after a cost/benefit/risks/likelihood of success report has been considered.
6. Under certain circumstances consideration may be given to resolving to seek external loans for major capital projects provided such loans are structured to minimise the financial impact on the Organisation's base budget and are not to be raised for funding recurrent expenditure.
7. Strategies to improve the maintenance levels of the Administration's infrastructure will be implemented.
8. The planning of any new facilities will include consideration of the resulting operational costs and that these costs are funded in future budgets and included in strategic projections.
9. Unfunded projects or works are not to proceed until the Government has allocated the necessary funding (emergency issues requiring funding are to be referred to the next Legislative Assembly meeting for allocation).
10. Opportunities for grant funding will be pursued wherever possible however any such application will only be made after appropriate community consultation and financial analysis (having regard to any matching funds requirement and on-going operational/maintenance costs).

### **Privatisation**

The Focus Project Management Team had various conversations regarding the privatisation and contracting out of services Administration currently provides through GBEs or Revenue Fund areas. Some considerations were the high set up or equipment costs involved in taking over an operation which could give rise to a monopoly situation arising. In other instances it was debatable if privatisation would result in lowering the cost of services.

As a result of the work conducted for Focus 2002 on developing a costings format which was then used to cost various services, information can easily be made available on the true costs of delivering services by Administration. This information will be valuable in assessing the costs and benefits of any contracting out or privatisation that is put forward for consideration.



**Recommendation 6**

**That Management Plans be introduced by July 2003 across all Areas and GBEs that are tied in to Strategic Planning and Budget processes and incorporate key performance indicators.**

**Recommendation 7**

**That a Financial Strategy Policy be developed, adopted and legislated.**

**Recommendation 8**

**That further investigation occur by the CMG into the costs and benefits of privatising and contracting out of Government services. The results of the CMG's investigation are to be delivered to the Minister for Finance.**

In addition, the Focus Project Management Team agreed that a Financial Strategy Policy should look at the conditions under which GBEs and statutory bodies operate, with the intention of ensuring that they be required to operate with an appropriate degree of commercialisation.

This aims to ensure that fees and charges for services are not kept at artificially low levels while at the same time Government subsidies are required to fund on-going operations. In essence this would require GBEs and statutory bodies to operate as efficiently as possible and charge appropriately for their services.

### **3.4 Social Services Review**

One of the single largest areas of expenditure increase over past years has been to Welfare, which includes Hospital and Medical Assistance (HMA) including the payment of Social Services Benefits. HMA payments are payments made for the medical expenses of people in receipt of a Social Services Benefit including age, widow and special benefit.

HMA payments have risen by over \$460,000 in the past 5 years and in the 2001/2002 Financial Year cost \$845,950.

HMA payments are based on policies that have been formulated over the years. Their evolution has involved recommendations by the Social Services Board and adoption into policy by the executive member. These policies are well documented and well understood but not supported by legislation. The Focus group recommends that these policies be given statutory authority by becoming guidelines issued under the Social Services Act 1980.

Payment of Social Services Benefits (pensions) rose over 66% between 1997 and 2001. In 1999 a 20% increase in benefit rates made payments equivalent to Australian pension rates. In 2001/2002 the cost has escalated to \$652,000 primarily as a result of more people becoming eligible for aged pensions.

The Focus 2002 Welfare Working Group concluded that the solution to curtailing cost increases in both HMA payments and Social Services Benefits lay with adoption of the recommendations of the Social Services Review Report completed in April 2002. The recommendations of this Review include the introduction of statutory guidelines for payment of HMA and stricter control on Social Services eligibility.



Without the adoption of these recommendations, Welfare costs for Social Services Benefits and HMA payments can only be expected to continue to rise. While this area should expect to see expenditure increases as more people move into retirement age, adoption of the recommendations would see a slowing in the rapid rise of HMA payments, but would not result in overall expenditure reductions

The Legal Services Unit is presently drafting regulations and amendments to the current legislation while the recommendations of the Review as a whole are currently with the Minister for Community Services and Tourism.

### **Recommendation 9**

**That the recommendation of the Social Services Review be adopted (Attachment 3).**

## **3.5 Information Technology and Risk**

The following practices currently occur at Administration:

- Each month multiple accounts for telephone, electricity and levies etc. are sent out from Administration in individual envelopes. It is not uncommon for a household or business to receive a minimum of 3 or 4 separate bills each month.
- The internal process for recording payment of accounts made at Telecom can result in taking up to two or three days for payments to be entered at Kingston. At times this has resulted in over due and disconnection notices being sent on paid accounts.
- Within Administration salaries are primarily paid by cash with limited choice being made by employees for direct deposit to individual bank accounts. Direct deposit details have to be manually provided to the banks.

However it is important to note the following historical reasons for the above:

- the use of outdated data base systems including customisation of the Burroughs system.
- Staff being paid in cash to minimise their exposure to the F.I.L. (staff are given the opportunity of having their pay in two places, either two bank accounts or one bank and one cash).

The Government has accepted that a new system is required and has begun the process of changing over to the Smartstream data base. However implementation of the second phase of updating to the Pathways data base was not able to go ahead this year as the funds were not available for completion. Upwards of \$170,000 is required to purchase and install the system and will take 6 – 8 months to become operational. In the interim the Accounts Department operates with two systems that are unable to speak to each other resulting in inefficiencies and a high work load for staff.

While the Burroughs system exists Administration is placed in a situation that exposes it to considerable risk. Essential parts of the operation of Burroughs are only known by one employee. While all configuration changes are fully documented, Burroughs is such an antiquated system that it is likely that consultant support would not be found in Australia or New Zealand if required.



In addition to external impacts, the IT system impacts internally on an individual Manager's capacity to fully analyse their area's performance. While comprehensive cost centre budget and actual expenditure information is available on the Intranet, the system provides no overall report facility or tools for Managers and Supervisors to analyse the performance of their area and make decisions. Accountability is therefore reduced and decision making made on a best guess basis can result.

For example without a detailed report of the Time In Lieu owing to individual employees Managers cannot be expected to manage long term work timetables with any confidence of their work force being available. Without monthly profit and loss reports areas that sell products cannot know what adjustments they should be making to prices and product lines. Without easily accessible information systems being available between Customs and Immigration, both areas are likely to go about the business of collecting the same information or making decisions without the necessary information available.

The risk management issues of this situation and other undocumented IT systems within Administration (eg: Customs) must be identified and a plan for their resolution implemented quickly. An IT risk analysis has recently been undertaken.

As is discussed further in this Report, it is essential that management planning processes be implemented across all areas of Administration. Without sufficient IT systems providing the information Managers need to ascertain how their area is performing they will be severely hampered in meeting strategic and business performance outcomes.

In addition to IT risk issues there are other risks that Administration needs to address and incorporate into strategic, human resource and management planning. There are a number of instances in Administration where critical pieces of information about the operation of an area are held by one employee. This has primarily occurred as the daily work and expertise of an area is conducted and built up with one employee. Risk assessments that look at operating performance and management information systems are urgently required.

**Recommendation 10**  
That an organisation wide risk management analysis be conducted that includes IT issues, reviews of operating performance and management information systems. This information is to be incorporated into the Organisational Review process and work place reviews.

**Recommendation 11**  
That as a matter of priority all IT systems be fully documented.

**Recommendation 12**  
That the Pathways data base system or a similar system be funded for complete implementation in the current financial year.



## **4. Avoidance and Fees/Charges Not Currently Being Collected**

Two issues emerged from Reviews undertaken across a number of Areas.

1. That payment of fees and charges is being avoided by some members of the public and commercial sector
2. That some charges and fees are not being collected by Administration

### **4.1 Avoidance**

In the last financial year Administration made provision for over \$70,000 of doubtful debts from the Revenue Fund. In addition \$34,826 was provided for doubtful debts from the Healthcare Fund from unpaid levies.

The Norfolk Island Hospital made a provision of \$50,000 for doubtful debts in 2002. Recently the Hospital put in place a new system to deal with recovery of debts and hopes that significant funds will be paid.

While Administration has a basic system of debt recovery large amounts are still owing.

The Focus 2002 Project Management Team discussed some of the reasons payments were not being made on Healthcare levies and discussed ideas to recover monies. One idea involved a linking of information across various Administration Areas. This would allow eg: electricity to be cut off for non payment of a Healthcare Levy after substantial warnings and options for payment had been presented the customer.

These ideas require further discussion and comment on legislative changes required to implement them.

#### **Recommendation 13**

**That a report identifying a break down on the areas where bad debts are occurring and the residential status of those avoiding payments be completed by the Finance Manager and CMG with suggested ideas for a Debt Recovery Policy to the Finance Minister by the end of March 2003.**

It is unlikely that recommendations to curb avoidance of fees and charges can be identified and implemented in time to produce outcomes for this financial year. It would be expected that a reduction of provisions for bad debts could be seen for the 2003/2004 Financial year dependent on the recommendations made.

### **4.2 Charges Not Being Collected (at point of sale)**

There are a number of Administration areas and GBEs that sell or rent products and services. In most of these situations payment for goods is not made at the point of purchase with an invoice being generated from the Accounts Department. Across the areas, there are various practices for sending information to Accounts and it can take time for the information to make its way to this Department.



It was also felt that without a standard system there is also the possibility that sales information may not make its way to Accounts for an invoice to be generated.

This occurs:

- At the Tanalith Plant
- When slaughtering occurs and other stock control activities
- At muster time
- At Forestry
- At the Works Depot
- For Telecom accounts
- For Electricity accounts

In addition, within the Stock area payment for registration of bulls is based on a system that requires bull owners to initiate payment as no invoice is sent at all.

Telecom and Electricity have relatively low bad debtors, primarily due to the repercussions of non-payment ie: telephone and electricity being cut. In the short term there is no reason to change the current billing system in these areas (aside from the issue of multiple bills being sent as previously discussed).

Within the Revenue Fund there is also no process that allows individual areas to be alerted as to who bad debtors are which allows Managers to keep supplying non payers. Unless they have initiated their own internal system, Managers are removed from the invoicing and payment process and have no facility to generate customer sales history, profit and loss or other reports on the state of sales.

Within Revenue Fund areas it would be impracticable to set up individual accounting systems at each site. However the need to establish a system that allows for generation of an invoice and payment at the point of sale could provide the following benefits:

- Reduce bad debtors with more payments made at point of sale
- Faster payment for goods
- Standardised invoicing and payment requirements across Revenue Fund Areas would provide easier internal and external auditing
- Managers would have more immediate information on the income their Area generates
- Encourage greater budgeting responsibility by Managers

**Recommendation 14**

**That a standardised system of invoicing and receipting payments be introduced across all Revenue Fund Areas.**



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## 5. Trend Analysis For Future Major Work

As previously stated Administration has not consistently made provision for financing major capital works through creation of reserves or some other form of sinking fund. Capital and major expenditure in the Revenue Fund has been financed from recurrent funds derived from GBE payments, while GBEs have funded most capital items from within each year's Budget.

Commonwealth grants and loans have also been successfully applied for and have funded major items such as: the Sewerage Scheme, the 1992 Airport Runway Upgrade, three Networking the Nation Grants for Telecom, contribution to the Waste Management Centre building and equipment, and the Cascade Cliff Safety Project. Additionally, negotiations for an interest-free Commonwealth loan for the 2003 runway upgrade are currently being finalised.

As an External Territory under the authority of Australia it is understood that Norfolk Island is eligible to apply for Commonwealth grants and monies and should reasonably expect to be successful with a number of those applications. However it is also understood that the Norfolk Island Government must implement a responsible system of planning to fund major works from its own savings which can then be augmented with successful Commonwealth grant monies.

The Grants Commission Report completed in 1997 identified the average annual expenditure on capital items over the previous 10 years at \$1.4 million. Between 1992 and 2002 the average amount spent on capital infrastructure rose to \$1.6 million per annum (Attachement 12)

It is clear that despite this spending there are a considerable number of items that cannot be attended to as there is insufficient funding available. There are a number of very major items that require funding in the next few years and there will always be unexpected expenses, such as the Airport security needs that we suddenly find ourselves having to provide as a result of increased terrorist activity.

There are considerable risks facing Norfolk Island if capital works continue to be funded from recurrent funds derived from GBE payments. As the Access Economics report says "There are dangers in an economy slowly consuming the capital embodied in Government enterprises – it is a form of dissaving".

Included in the major expenses that Administration needs to plan for over the next 10 years are:

- Jetty Upgrades and maintenance
- Airport run way upgrades
- Airport security and building upgrades
- Establishment of alternative energy sources to diesel
- Expanding the water assurance scheme
- Upgrading the entire computer and data base system
- Roads
- Replacing the Tanalith Plant cylinder
- Vehicle replacements
- Building works
- Waste Management Centre equipment
- Hospital upgrade or replacement
- Electricity reticulation upgrades



In addition to the cost of major capital work other major expenses are anticipated over the next 10 years including:

- Wage costs
- Major Crime Investigation including custody and trial costs
- Increases in the number of Social Security Benefit recipients
- Increased number and cost of Medivacs
- Establishment of on Island Tribunals
- Preservation of historical information including births, deaths and marriages records
- Land valuations and land administration legislation
- Occupational Health & Safety legislation and prevention
- Early Intervention Programs

**Recommendation 15**

**That an assets management system be implemented.**

**Recommendation 16**

**That a sinking fund for major assets replacements be established. That Budgeting for the fund be included in the 2003/2004 Financial Year.**

**Recommendation 17**

**That recommendations on how a legislated sinking fund would work including the annual amount the fund would be increased by and options for funding be prepared by the CMG and reported back to the Minister for Finance.**



## 6. New Revenue

It was decided that revenue would not be considered until all expenditure savings had been identified.

One of the reasons we chose to look at some new revenue options is that considerable time is required to analyse options, make a decision on which option to pursue, consult with the community and then implement the new regime. It can take at least a year to implement some new revenue raising scheme, with others requiring even longer set up times. While it was never envisaged that within the time-frame of Focus 2002 new revenue streams could be decided on and implemented, it was considered that analysis of the alternatives and a presentation of the options could occur.

As reported there are minimal expenditure savings able to be identified for short term implementation and longer term savings require attendance to the issues identified in sections 3 and 4. It is clear that even in the short term revenues need to increase significantly to maintain the current level of service delivery and meet increased cost predictions, including increased numbers of people receiving a Social Services Benefit, maintenance of infrastructure needs, meeting PSA wage claims and Hospital funding needs. It could be conservatively estimated that in the short term an additional \$1.5 million revenue needs to be injected into Administration's annual budget. This figure could possibly be doubled in the long term.

Notwithstanding the decision to delay looking at new revenue options, a number of recommendations have been made concerning increasing charges and instigating user pays options.

### 6.1 Increases to Fees and Charges

AREA	ISSUE	DESCRIPTION
Fire Service	Category 5 Fire Service	<p>This service is currently being used by one airline and will be required by all regular passenger services by May 2003. The one airline that currently uses the service negotiated a price 13 years ago, which returns only 18% of the actual cost of providing the service (each service costs \$480 and \$104 is charged).</p> <p>If the new airlines are signed on at the current rate then substantial subsidy by the Government will occur. A decision on new rates must be made in the near future.</p> <p>It is recommended that subsequent price rises to the Category 5 Fire Service provide one year's notice to Airlines</p>



AREA	ISSUE	DESCRIPTION
Airport	Landing Charges	<p>Landing Fees were negotiated in 1991 with Air New Zealand at a fixed rate. That arrangement is due to expire in 2003. In addition the Airport Runway Upgrade is likely to be imminently funded by an interest-free loan from the Commonwealth. Savings for future upgrades by the Norfolk Island Government will need to immediately begin. While increase should occur this year, to be fair to the need for lead in times for Airlines to determine ticket pricing no increase will occur until 2004.</p> <p>It is recommended that Airport landing charges be increased by July 2004.</p>
Hospital	Charges	<p>The Norfolk Island Hospital Act 1985, requires that "health services provided by the Enterprise are to be so provided at the true economic cost of the services" (Part 1: 8 (a)) and that "The Board shall review the charges specified for health services not less than once every 2 years or as directed by the executive member" (Part 5: 24. (6)).</p> <p>The last increase in Hospital rates occurred in 1993. Doctors' consultations have remained at the same rate for at least the last 7 years. It is most likely that fees charged are no longer at the true cost of the service, as increases in service delivery costs have steadily risen since these last reviews.</p> <p>The grant provided to the Hospital was initially provided to fund specific items such as equipment and irregular high cost items. Over time grant money has been used to fund operating costs as the Hospital has been unable to fund the same proportion of it's activities from income derived from fees and charges. The grant has in reality become re-current funding. In order to curtail the funds provided by the grant, increases in fees and charges are required.</p> <p>It is recommended that fees and charges at the Norfolk Island Hospital be increased. That a review of the current cost of service delivery be conducted to determine new rates.</p> <p>It is also recommended that to ensure that rates do not jump in high increments on an irregular basis, a system be established to introduce and maintain regular, small incremental increases eg: whenever an increase in RPI occurs. In addition the review conducted by the Board every two years will confirm if rates are at the true economic cost of the service and initiate increases as required.</p>



AREA	ISSUE	DESCRIPTION
Stock and Noxious Weeds	Fees and Charges	<p>A costing was completed on all stock charges that found that many were well below the cost of delivery. The Pasturage Fee was acknowledged as a fee that could not recover full costs (approximately \$172 per head p.a), as this would most likely result in forcing cattle owners to take cattle off the roads. Cattle on the road and in open areas was considered to be part of “the Norfolk way of life” and should not be forced to change.</p> <p>Attachment 14 lists increased charges for: pasturage fees; to destroy or deliver a bull; tag and drench cattle; driving fee; trailer fee; castration; impounding loose cattle; mustering outside muster time.</p> <p>It is recommended that the suggested increases to stock charges be adopted.</p> <p>Expected additional income: \$5,000</p>
Telecom	Under-Road Borer Hire	<p>This equipment is currently rented out for \$200 and includes two staff working the machine for an unlimited amount of time. The minimum period of use is usually one day. The actual cost to Telecom including staff time is \$385 per day.</p> <p>It is recommended that Telecom hire charges for the use of the be changed to: \$200 for 3 hours minimum charge, \$65 per hour thereafter. This does not include any Bob Cat use which is additional.</p> <p>Expected additional Income: \$3,000 – 5,000</p>
Tanalith	Charges	<p>A review of Tanalith charges identified some charges that required revision (Attachment 20)</p> <p>It is recommended that the revised Tanalith charges be adopted.</p>

**Recommendation 18**

**That a charge be made on local phone calls with the funds to be used solely for major expenditure items.**

**Recommendation 19**

**That the income raised from the sale of any Norfolk Island Government assets sales be used solely for funding major capital expenditure items.**



**Recommendation 20**

That subsequent price rises to the Category 5 Fire Service provide one year's notice to Airlines

**Recommendation 21**

Airport landing charges be increased by July 2004.

**Recommendation 22**

That fees and charges at the Norfolk Island Hospital be increased. That a review of the current cost of service delivery be conducted to determine new rates.

**Recommendation 23**

To ensure that rates do not jump in high increments on an irregular basis, a system be established to introduce and maintain regular, small incremental increases eg: whenever an increase in RPI occurs. In addition the review conducted by the Board every two years will confirm if rates are at the true economic cost of the service and initiate increases as required.

**Recommendation 24**

That the suggested increases to stock charges be adopted.

**Recommendation 25**

That Telecom hire charges for the use of the Under Road Borer be changed to: \$200 for 3 hours minimum charge, \$65 per hour thereafter. This does not include any Bob Cat use which is additional.

**Recommendation 26**

That the revised tanalith charges be adopted.

**6.2 New Fees and Charges, Including User-Pays**

AREA	ISSUE	DESCRIPTION
Telecom	Local Call Charges	It is recommended that a charge be made on local calls.  Expected income: from \$310,800 to \$2.072 million depending on charge rate (from 10 cents per call up to 50 cents as described in Attachment 15)



AREA	ISSUE	DESCRIPTION
Waste	Disposal Costs	<p>The Waste Group has made a number of recommendations in relation to high cost disposal items and waste generally. These are discussed in Attachment 16 and include a number of new charges that centre around user-pays systems.</p> <p>Recommendations of the Waste Group are reproduced below.</p>
Social Security Benefits	Super-annuation Scheme	<p>Focus 2002 began exploring options for the establishment of an Island Wide Compulsory Superannuation Scheme.</p> <p>The Project Management Team decided that further investigation was needed on an option that uses Australian legislation for the protection and infrastructure offered through the use of accredited schemes. This would be complimented by Norfolk Island legislation that would include Norfolk Island's specific requirements from a participating Superannuation Scheme. (Attachment 17)</p> <p>It is recommended that an Island Wide Compulsory Superannuation Scheme be developed.</p>

**Recommendation 27**

- (a) By July 2003 Waste Management Legislation be introduced that:**
- Establishes that the Norfolk Island Government will operate waste disposal systems in an environmentally sustainable and responsible way.
  - Creates a Norfolk Island Waste Corporation (NIWC) as a new Government Corporation, incorporating the current Water Assurance Scheme and solid waste management.
  - Allows NIWC to carry out income generating activities that are relevant to waste disposal and for the income to be retained by NIWC to fund its operations. This includes the export for sale of reusable and recyclable waste materials.
  - Sets targets for NIWC to become self funding and for the reduction of waste generated over a period of time eg: 10 years.
  - Establishes a Waste Officer position with responsibility for all NIWC waste operations.
- (b) Norfolk Island waste Centre be funded for \$300,000 p.a from the Water Assurance Scheme and from a user pays type system. The Water Assurance Scheme will be expanded and contributions from households not part of the Scheme will be sought.**
- (c) A Vehicle Bond be introduced of \$400 for every vehicle being brought on to the Island. \$200 of the Bond will be repayable when the vehicle is presented for disposal at NIWC. The Bond is transferable on sale of the car until the final owner presents the car for disposal and collects the refund.**



- (d) A one-off period of time be identified for a \$50 payment for existing vehicles to be brought into NIWC for disposal.
- (e) That a decision be made on a Community Composting Facility option (including Windrow) by the 31<sup>st</sup> December 2002.
- (f) That capital items be purchased either from monies accumulated within NIWC or through Commonwealth Government Grants
- (g) Legislation to be introduced that places a levy on the use of plastic shopping bags on Norfolk Island. Levy funds are to be used for the sole purpose of Waste or Environmental Management.
- (h) Purchase an Eco-flex type system to enable reuse of shredded and cut old tyres in various options. Dependent on the success of the Eco-flex type system, policies to be introduced that require Roads and Works to incorporate shredded tyres in footpath construction and other appropriate situations.
- (i) Chem Collect or a similar program be used to dispose of hazardous chemicals. Strict and severe penalties be introduced for the disposal of chemicals in other than approved ways. Strict controls be placed on the import of chemicals and a list of banned chemicals drawn up.

**Recommendation 28**

**That an Island Wide Compulsory Superannuation be developed.**

In addition a review of Administration owned land was conducted to ascertain if the portions were being used appropriately and for the highest and best use. Attachment 18 provides a comprehensive report on this review which was the first step in a process that recommends:

**Recommendation 29**

**That in relation to the Use and Management of Administration Owned Land that:**

- a) A detailed strategic review of all Administration land holdings, including DCA Circle and Crown lands for which Administration is responsible, should be undertaken to ensure that all sites are used to the highest and best or most suitable use;
- b) A strategic approach to the management of all Administration land holdings should be developed. Management of Administration land holdings should be centralised into one section of Administration from which use of the sites can be co-ordinated and planned as part of an overall land management strategy;
- c) A housing policy should be developed to manage those Administration properties that have been developed for housing. Management of housing should also be centralised into one section, preferably managed as part of the overall Administration land holdings.
- d) A policy should be developed to manage private sector proposals for commercial use of government owned lands.



### 6.3 Other Revenue Raising Options

Other new revenue options still require serious consideration even though they will undoubtedly be unpopular. However it is essential to the long term sustainability of Norfolk Island for new revenue raising options to be identified and implemented. This does not negate the need to address current barriers to expenditure reductions as previously identified, or to fully explore strategies to increase the efficiency and effectiveness of current service delivery.

The revenue required by Administration is far greater than can be achieved through expenditure cuts alone.

**Recommendation 30**

**That approval be given for intense investigation into new revenue options as soon as practicable.**

Attachment 19 reviews issues of taxation design that need to be considered when looking at any new tax. The tables below outline some of these areas, describing the criteria for assessing the appropriateness of proposed revenue streams:

Criteria	Comment
<b>Equity (Progressive or Regressive)</b>	Is it Fair? <u>A progressive tax</u> is one that seeks (in some measure) to redistribute wealth. An example of this may be a GST that has a high rate on luxury goods but does not tax staple foods.  <u>A Regressive tax</u> is one which does not seek to address this issue. For example, a Poll Tax or Head Tax.
<b>Certainty</b>	Will it be possible to accurately predict revenue?
<b>Minimise Avoidance</b>	Is it difficult to avoid?
<b>Convenience</b>	Are there convenient payment options?
<b>Ease of Implementation</b>	Can it be implemented without undue complexity and cost?
<b>Efficiency</b>	Is there a good balance between the cost of implementation and the associated revenue?
<b>Transparent</b>	Is it likely that the public will clearly understand the basis of the tax or charge?
<b>Not focused on taxing tourists</b>	Does it avoid increasing taxes on tourists?
<b>Not dependent on a Govt Business Monopoly</b>	Does it support the "level playing field" approach of Competition Policy?
<b>Applies User Pays Principles</b>	Is it based on payment for use of a service?
<b>Likelihood of Public Acceptance</b>	How likely is it to be acceptable to the public?



Using these criteria taxes and charges can be assessed using the following matrix.

	Equity	Certainty	Minimises Avoidance	Convenience	Ease of Implementation	Efficiency	Transparent	Not Focused on Tourists	Not Government Monopoly	User Pays	Likelihood of Public Acceptance	Total (Revenue Options)
<b>Taxes</b>												
Income Tax												0
GST												0
Land Rates												0
Customs Duty												0
Capital Gains Tax												
<b>Charges</b>												
Trunk Calls												0
Local Calls												0
Vehicle Rego												0
Waste Disposal												0
<b>Total (Criteria)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	