



**The Administrator  
Australian Territory of Norfolk Island**

## 2015/16 Periodic Financial Statements Quarter 1 Summary

### **Background**

Section 48H of the *Norfolk Island Act 1979* and Section 20 of the *Commonwealth Finance Minister's (Norfolk Island) Orders 2011 (as amended)* (CFMOs) require the Administrator to prepare periodic (quarterly) financial statements for the Administration of Norfolk Island (ANI), the Norfolk Island Hospital Enterprise (NIHE), the Norfolk Island Government Tourist Bureau (NIGTB) and the consolidated entity.

It is the first time these statements have been prepared in the format required by the CFMOs and they are an important tool in demonstrating accountability of public expenditure to the community.

### **Overview**

This report provides a brief analysis of the budget position of each of the above entities for the year to 30 September 2015. The periodic financial statements for the first quarter have been published on the ANI website and can be accessed via

<http://www.norfolkisland.gov.nf/reports/Financial%20Statements/>.

The following tables provide summaries of the budget position of each entity as at 30 September 2015:

*Table 1: Summary of ANI Budget Position*

Item	2015/16	2015/16	Variance (\$)	Comment
	Actual (\$)	Budget (\$)		
Income	<b>12,426,648</b>	8,293,259	4,133,389	Income is higher than budget due to \$3.2m in 2014/15 Australian Government funding being received in 2015/16.
Expenses	<b>9,379,502</b>	9,352,027	(27,475)	
<b>Surplus/(deficit)</b>	<b>3,047,146</b>	(1,058,768)	<b>4,105,914</b>	
Assets	<b>80,278,988</b>	70,463,483	9,815,505	Asset values have increased following the revaluation conducted in 2014/15. The outcomes of this were not known when setting the budget and therefore were not factored into budgeted asset figures.
Liabilities	<b>14,829,372</b>	15,473,824	644,452	
<b>Net assets</b>	<b>65,449,616</b>	54,989,659	<b>10,459,957</b>	

Table 2: Summary of NIHE Budget Position

Item	2015/16	2015/16	Variance (\$)	Comment
	Actual (\$)	Budget (\$)		
Income	<b>1,255,286</b>	1,221,300	33,986	Expenses are lower than expected due to: <ul style="list-style-type: none"> <li>• Lower numbers of inpatients than forecast;</li> <li>• Lower depreciation expense than budgeted due to a decrease in asset values following the 2014/15 revaluation; and</li> <li>• Some staff vacancies not being filled in the short term.</li> </ul> Income is also higher due to a one off donation of \$50,000.
Expenses	<b>1,198,200</b>	1,283,446	85,246	
<b>Surplus/(deficit)</b>	<b>57,086</b>	(62,146)	<b>119,232</b>	
Assets	<b>3,744,948</b>	4,796,530	(1,051,582)	Asset values for buildings have decreased following the revaluation conducted in 2014/15. The outcomes of this were not known when setting the budget and therefore were not factored into budgeted asset figures.
Liabilities	<b>855,005</b>	862,390	(7,385)	
<b>Net assets</b>	<b>2,889,943</b>	3,934,140	<b>(1,044,197)</b>	

Table 3: Summary of NIGTB Budget Position

Item	2015/16	2015/16	Variance (\$)	Comment
	Actual (\$)	Budget (\$)		
Income	<b>458,328</b>	350,448	107,880	Income is higher due to NIGTB recognising revenue from ANI earlier than was budgeted. This is a budget timing difference which will be corrected in quarter two.
Expenses	<b>362,394</b>	347,157	(15,237)	
<b>Surplus/(deficit)</b>	<b>95,934</b>	3,291	<b>92,643</b>	
Assets	<b>297,759</b>	188,894	108,865	NIGTB achieved a higher than planned surplus in 2014/15 and in quarter one of 2015/16. This has resulted in more cash on hand as at 30 September 2015 than was anticipated when the budget was prepared.
Liabilities	<b>53,274</b>	41,757	(11,517)	
<b>Net assets</b>	<b>244,485</b>	147,137	<b>97,348</b>	

The periodic financial statements have been prepared on an accrual basis.

Better than budgeted results are primarily due to 2014/15 Australian Government funding being received in 2015/16. Other factors which have contributed to this outcome include lower than forecast demand for hospital services, timing differences between budgets and actual payments and adjustments to asset values in 2014/15 which have impacted depreciation estimates. Overall ANI and NIHE still expect to report significant deficits in 2015/16.

Therefore these results have not been driven by structural or service delivery reform and while much has been achieved over the past five months, there is still a significant amount of work to be done to achieve long term sustainability. In 2016 the momentum of positive change will need to step up a gear.

While living on an Island means we will always need to be more resourceful, it remains critical to develop a sustainable funding model and organisation structure to avoid a repeat of the current budgetary challenges which affect the scope and quality of services delivered.

The Interim Advisory Council and the Executive Director will continue to consult with and represent the views of the community and within the Administration, to inform decisions about services and functions of the future Regional Council and the likely costs and resourcing implication of these.

Going forward, good governance will also be central for the conduct of the new Regional Council. Good governance will be driven by Strategic and Operational Plans which will be based around the services to be delivered by the Administration for the remainder of 2015/16 and then by the Regional Council in 2016/17 and beyond.

Once implemented, good governance and business process improvement will stabilise the Regional Council's budget position and allow for funding to be allocated based on community needs and priorities, including for much needed improvements in the island's infrastructure.

However importantly, the extent of services may need to be reduced to achieve long term savings and changes to work practices will be needed to improve efficiency and productivity.

Strategic and Operational Plans are currently being developed and will be released for public discussion when finalised.

**The Hon Gary Hardgrave**  
**18 December 2015**