



Analysis of Remote Island Disadvantages – Norfolk Island

**Report prepared for the Department of Infrastructure
and Regional Development (DIRD)**

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Glossary

Acronym/Term	Definition
ABS	Australian Bureau of Statistics
DIRD	Department of Infrastructure and Regional Development
FAG(s)	Financial Assistance Grant(s)
IOTs	Indian Ocean Territories
KAVHA	Kingston and Arthur's Vale Historic Area
LGA	Local Government Area
LGGC	Local Government Grant Commission
NIRC	Norfolk Island Regional Council
NSW	New South Wales
the Island	Norfolk Island
WA	Western Australia

1 Introduction

1.1 Background

Norfolk Island ('the Island') is a remote island located off the east coast of Australia, home to around 2,000 permanent residents. With its unique place in history, first settled by Polynesians before being sighted by Captain Cook, and its history as a British penal colony, Norfolk Island is an Australian external territory. Norfolk Island's main economic driver is tourism. The Kingston and Arthurs Vale Historic Area (KAVHA) is a listed World Heritage Site; the unique flora, fauna and topography of Norfolk Island are also world renowned.¹

Norfolk Island reform context

While Norfolk Island's Australian association has been in existence for more than 200 years, its self-governance powers were granted in 1979 after which the island elected to determine its own affairs. In 2006, the Australian Government commenced a review of Norfolk Island governance.² Financial issues and tourism decline in the late 2010's led to the re-opening of the review processes and ultimately the Island's self-governing powers were exchanged for Federal support and bailout. As part of this reform process, it was determined that residents would be required to pay taxes as per Australian requirements, in exchange for welfare, health, and social services provision (such as Medicare, Centrelink and pensions).³ The review process led to an agreement to replace the Norfolk Island self-governance model with the Norfolk Island Regional Council (NIRC), operating under the Federal, State and Local Government of Australia⁴.

NIRC is responsible for all local council-type functions on Norfolk Island including waste management, land rates and planning. An Administrator for the Island was also appointed to lead community engagement through the ongoing reform on the Island.⁵ The Administrator, has some legislative powers, supporting the Commonwealth's role on Island. The NIRC also delivers some state-type functions under an agreement with the Australian Government Department of Infrastructure and Regional Development (DIRD or the Department). These state-type functions are performed under service agreements facilitated by DIRD, including:⁶

- Education – including support staff for Norfolk Island Central School;
- Policing, Courts and Legal Services – including special constables, registrar of probates, bailiff and sheriff, gaolers and custodial officers, clerk of the court of petty sessions, crown law officer, prosecutions services, debt recovery, companies auditors authority, registrar and assistant registrar of companies, registrar of brands and marks, coroner and deputy coroner, clerk of the coroners court, rule making committee, secretary of the rule making committee, magistrate,

¹ Australian Government, n.d., *Kingston and Arthur's Value Historic Value*, KAVHA Norfolk Island (website).

² Australian Government, 2017, *What is Norfolk Island Reform?*, Department of Infrastructure and Regional Development (website).

³ Australian Government, 2017, *What is Norfolk Island Reform?*, Department of Infrastructure and Regional Development (website).

⁴ NIRC, 2017, *About Council*, Norfolk Island Regional Council (website).

⁵ Australian Government, 2017, *Administrator of Norfolk Island*, Department of Infrastructure and Regional Development (website).

⁶ Schedule 1: State Type Services provided by the NIRC (DIRD)

medical superintendent, legal aid advisory committee, mental health advocate, registrar of lands and registrar of titles, authorised persons, registrar of supreme court and the deputy registrar of the supreme court;

- Tribunal/Boards – administrative review tribunal, mental health tribunal, statutory appointments;
- Child Welfare - child welfare officer;
- Registry, Licencing and Regulatory Enforcement – motor vehicle registration, drivers licences, land titles registrations, companies register, associations, registrar of births, deaths and marriages, liquor licencing, workplace safety, environmental protection;
- Emergency Services – fire and marine search and rescue, ambulance services;
- KAVHA and Museums – landscape and garden maintenance, facilities maintenance, KAVHA interpretation and public programs, museums;
- Office of the Administrator – office support, gaming authority regulation, lotteries;
- Pest and noxious weed control;
- Workers compensation;
- Recording keeping;
- Ports management;
- Spatial policy and planning;
- Information Communications Technology (ICT) support; and
- Pensioner Rates Rebates.

Financial Assistance Grants

Following the Norfolk Island reforms, the NIRC, in its role as a local council has been eligible to receive Financial Assistance Grants (FAGs) payments in accordance with the *Commonwealth Local Government (Financial Assistance) Act (1995)*. These FAGs are made up of two unique components; a general purpose grant and a roads grant – both of which are paid quarterly to councils. Australian State and Territory Governments, through their respective local government grants commissions, recommend the distribution of the FAGs funding on a yearly basis.

The commissions use specific methodologies that assess each LGA's (Local Government Area) revenue and expenditure, and takes into the account the unique factors that may affect each council's ability to deliver local government services. The NSW (New South Wales) Local Government Grants Commission (LGGC) recommends a payment amount for Norfolk Island on behalf of the Commonwealth Government and in accordance with the Act. Norfolk Island's grant is not apportioned from NSW's pool of FAG funding, rather it is allocated, from the NSW calculation, by the Commonwealth through the DIRD.

According to the documentation provided by the NSW LGGC to DIRD, the recommendation for the 2017-18 FAG for Norfolk Island has been calculated on the basis that the NIRC is considered to be most closely aligned with the rural, agricultural, small (RAS) category of council, comparable to Brewarrina. **For the 2017-18 grant allocation, a FAG of \$2,343,708 for the General Purpose Component and a \$106,030 for the Local Roads Component was recommended by the NSW LGGC, as assessed for Brewarrina and thus applied to Norfolk Island.** In particular, the NSW LGGC methodology includes a number of 'disability factors' that account for unique council disadvantage in relation to service delivery. The full list of disability factors considered within the NSW LGGC methodology are listed in Appendix A.

A similar process is undertaken in other comparator jurisdictions, such as the Indian Ocean Territories (IOTs), where grant allocation recommendations for Christmas Island and Cocos (Keeling) Islands are provided by the Western Australian (WA) LGGC to DIRD, based on the application of the WA LGGC methodology. It is noted however that unlike the NSW LGGC, specific considerations associated with

remote island disadvantage are taken into account by the WA LGGC in the calculation of the FAG recommendation.

The following outlines the National Principles associated with the allocation of the FAGs.

National Principles

Grants are allocated in accordance with the National principles under the *Local Government (Financial Assistance) Act (1995)*, as detailed below.

1. **Horizontal equalisation** – grants are allocated to local governing bodies, as far as practicable, on a full horizontal equalisation basis as defined by the Act.
2. **Effort neutrality** – as far as practicable, the policies of individual local governing bodies in terms of expenditure and revenue effort will not affect grant determination.
3. **Minimum grant** – the minimum general purpose grant per year will not be less than 30 per cent of the total State or Territory entitlement if it were allocated on a per capita basis.
4. **Other grant support** – other relevant grant support provided to meet any of the expenditure needs assessed should be taken into account using an inclusion approach.
5. **Aboriginal peoples and Torres Strait Islanders** – Financial assistance shall be allocated in a way which recognises the needs of Aboriginal peoples and Torres Strait islanders within their boundaries.
6. **Council amalgamation** – following amalgamation, the grant provided to the new body for each of the four years following amalgamation should be the total amount that would have been provided to the former bodies if they had remained separate entities.
7. **Identified road component** – the identified road component of the financial assistance grants should be allocated to local governing bodies as far as practicable on the basis of the relevant needs for road expenditure and to preserve road assets. Relevant considerations include length, type and usage of roads in each area.

Source: *Department of Infrastructure and Regional Development, National principles for the allocation of grants under the Local Government (Financial Assistance) Act 1995*

1.2 Purpose and Scope

Following the reforms to establish the NIRC, the Department engaged KPMG to undertake a review of the most recent determination of the level of FAG allocated to Norfolk Island, and in particular the disability factors applied. The purpose of the review is to test the reasonableness of the current FAG allocation, and provide information to assess the future implications for grant funding.

The review considered the following:

- the current Local Government FAG allocation, and the disability factors considered in most recent allocation to Norfolk Island (under the NSW LGGC grant allocation model);
- the method and apportionment of other jurisdictional comparators that receive FAGs (e.g. IOTs such as Christmas Island);
- other factors significant to Norfolk Island; and
- the suitability and need for a supplementary allocation of funds.

The review involved an assessment of the application of the relevant disability factors in the context of remote island disadvantage (namely, for Norfolk Island). However, it should be noted that it was out of the scope for the review to consider or propose any changes to the NSW LGGC grant allocation methodology.

1.3 Limitations

In interpreting the findings of the review, it is important to note the following limitations:

- the ability to undertake the review was limited by the availability of information to inform the review. Specifically, the review is reliant on information and documentation provided by the Department, the NIRC and information obtained through consultations;
- the review is limited to testing the appropriateness of the application of the disability factors in the context of the remote island disadvantage of Norfolk Island, and does not involve revising and recalculating assumptions within the NSW LGGC FAG methodology;
- detailed testing and diagnostics of the FAG calculation is beyond the scope of the review;
- the review focuses on the factors that are relevant to Norfolk Island and the ability to deliver local government services. Whilst the NIRC does deliver some state and Federal functions on behalf of these governments, the associated service agreements were not assessed as part of this review;
- the NSW LGGC was unavailable to engage in the review process being undertaken, and thus their views were not able to be taken into consideration as part of this review. Accordingly, all assessment of the application of the NSW LGGC methodology to Norfolk Island has been calculated on the basis of all information provided by DIRD and publically available information. Specifically, the most recently publically available documentation of the NSW LGGC methodology is the NSW LGGC 2015-16 Annual Report, which documents the methodology for the 2016-17 FAG allocations. The methodology for the 2017-18 FAG allocations was not available publically at the time of this review. Consultations with relevant stakeholders in DIRD did however note that there were no 'material' changes to the 2016-17 and 2017-18 methodology that were made known to DIRD. Additionally, a comprehensive review of the contribution of revenue allowances and isolation allowances was not conducted, given no information was provided on the calculation of these components in the context of Norfolk Island; and
- given the scope of this review, the identified Commonwealth funding does not represent an exhaustive or complete view of all funding provided by the Commonwealth. Notwithstanding, in order to understand the potential additional funding required to support the delivery of local government services in the context of Norfolk Island, best efforts through research, consultation, and consideration of materials provided by DIRD were undertaken to establish the remit of Commonwealth Government funding provided to the NIRC to deliver services.

1.4 Document Structure

The remainder of the document is structured as follows:

- **Section 2** describes the review framework as specified and agreed with DIRD;
- **Section 3** outlines the review of remote island disadvantages in the context of Norfolk Island. This section details the assessment of the disability factors applied in relation to the remote island disadvantages experienced by Norfolk Island, as well as other factors that may impact the funding arrangement for the Island that were identified during the review and through consultations;
- **Section 4** details the key findings and recommendations following the application of the review framework; and
- **Appendix A** provides a complete list of the disability factors and an initial assessment of these to identify factors for detailed consideration in the review.

2 Approach

The approach to undertaking the review involved the following activities:

- development of a review framework, to structure the analysis and assessment of the grant allocation and the consideration of remote island disadvantages;
- literature review and desktop research, to gather evidence to inform the review; and
- stakeholder consultations, to test preliminary review outputs and gather further information to add to the review findings as well as to understand the implications of the review on current and future funding.

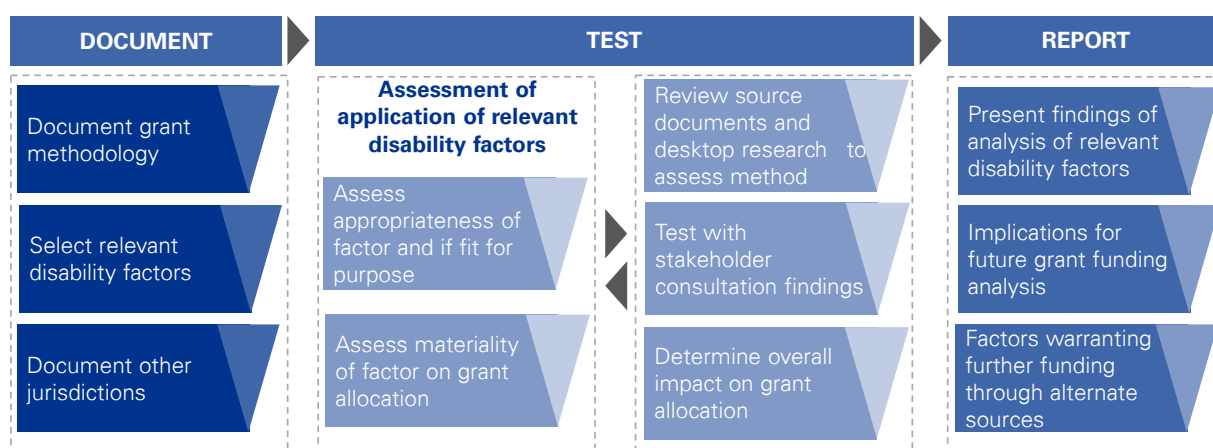
The approach to the review is outlined in further detail in the following sections.

2.1 Review Framework

The review framework developed took the form of a staged process with some elements of iteration, as shown in Figure 2-1. The approach was divided into three discrete phases – *document*, *test* and *report*. An explanation of each of the three phases is provided below and outlined in further detail in the following subsections:

- **Document** - exploring and documenting the NSW LGGC grant methodology and application of disability factors, as well as relevant jurisdictional comparators, namely the Western Australian Local Government Grants Commission (WA LGGC) methodology. The document phase entailed a detailed description of the disability factor and understanding the metrics and rationale underpinning the application of each factor. Through this process, only relevant (as discussed in 2.1.1 and Appendix A) disability factors were assessed.
- **Test** - the testing phase involved reviewing source documents and carrying out additional research to test the appropriateness of the application of each relevant disability factor. Furthermore the phase also included assessment of the materiality of each disability factor to determine the impact of the assumption on the resultant outcome of the grant allocation. Relevant factors were considered in relation to other comparable NSW LGA's as well as grants allocated to IOTs (e.g. Christmas and Cocos (Keeling) Islands under the WA LGGC methodology).
- **Report** – the reporting phase involved the documentation of the assessment of each factor and based on this, facilitated determination of the implications for future grant funding analysis, and identified factors warranting further funding through alternate sources.

Figure 1: Review framework



Source: KPMG.

Each of the steps in the review framework are detailed below.

2.1.1 Step 1: Document

Document grant methodology and disability factors

Step 1 involved understanding the model which the NSW LGGC uses to determine the grant allocation made to each local council. Each year, the NSW LGGC is allotted funds from the Commonwealth Treasury to distribute to each of its LGAs based upon a state-set methodology. Each FAG calculated from this state pool is made up of both a General Purpose and Local Roads component. In particular, this review focussed on the disability factors used by the NSW LGGC in recommending the total FAG to be paid by the Commonwealth to Norfolk Island, and their appropriateness in regards to Norfolk Island's unique remote island disadvantages.

Identify relevant disability factors

The disability factors considered by the NSW LGGC are outlined in Appendix A. Each factor was assessed based on the following classifications:

- **Relevant for assessment** – the factor is, or may be, applicable to Norfolk Island, and the NIRC's role on Island in delivering services may be affected by the Island's unique remote island context (and thus warranted assessment); and
- **Not relevant for assessment** – the factor is either not applicable to Norfolk Island, or is applicable, however the NIRC's delivery of local government services is not different to other mainland LGAs (and thus did not warrant further assessment).

Relevant factors were the focus of the review in the context of potential remote island disadvantages.

Document other jurisdictions

A comparator jurisdiction was also examined in order to benchmark and assess the reasonableness of the application of the disability factors in the context of Norfolk Island. In particular, the review considered the FAG determination methodology for the IOTs under the WA LGGC. The following table details how disability categories are similarly reflected across the two different jurisdictions. The WA LGGC model (a balanced budget model)⁷ has less categories than the NSW LGGC model

⁷ The model applied by the WA LGGC was described to KPMG in direct consultation with the Commission. The balanced budget model is when the total government spending equals government tax receipts.

(regression model), however the overall application of these categories results in largely similar financial allocations.

Table 2-1: Overview of LGGC disability categories for WA and NSW

WA LGGC disability categories	NSW LGGC disability categories
Governance	Administration
	Planning and Building Services
Law, Order and Public Safety	Fire Control and Emergency Services
Education, Health and Welfare	Aged Person's Services
	Health and Safety
Community Amenities	Animal Control
	Noxious Plants and Pest Control
	Libraries
	Cemeteries
	Stormwater Drainage and Flood Control
	Street and Gutter Cleaning
Recreation and Culture	Recreation
Transport	Maintenance - Urban Local Roads
	Maintenance - Sealed Rural Local Roads
	Maintenance - Unsealed Rural Local Roads
	Aerodromes
	Street Lighting

Source: NSW LGGC Annual Report 2015-16 and WA LGGC, Methodology for the Distribution of Commonwealth Financial Assistance Grants to Local Governments in Western Australia, 2015.

Note: that the full list of factors, and assessment of their relevance within each disability category is outlined in Appendix A.

2.1.2 Step 2: Test

Assessment of application of relevant disability factors

Each relevant disability factor (as detailed in Appendix A) within the NSW LGGC methodology was considered, based on two key parameters – appropriateness and materiality. Specifically:

- **Appropriateness:** considered the suitability of the application of the disability factor, and whether it is fit-for-purpose in the context of remote island disadvantage. This considered the:
 - *Variation*, considers the appropriateness of the data point used in the context of the remote island disadvantages of Norfolk Island. For example, this considered the metric assigned to Norfolk Island, and the degree of variation in relation to other comparable NSW LGA's with similar characteristics (in the case of the 2017/2018 allocation this is remote, agricultural councils e.g. Brewarrina⁸), or comparable Indian Ocean Territories (e.g. Christmas Island) under the WA LGGC methodology.
 - *Evidence*, provided to underpin the rationale for the disability factor, particularly, the appropriateness of the measures or metrics used in the application of the relevant disability factors in the context of the remote island disadvantages, and the associated costs borne by the NIRC. This included, for example, the metric applied within each relevant disability factor,

⁸ As noted in the document provided by DIRD titled 'Norfolk Island: Financial Assistance Grant Assessment' provided to DIRD and the NIRC by the Office of Local Government for the NSW LGGC.

in relation to Norfolk Island’s unique remote island disadvantages. This considered the metrics used in other jurisdictions, such as those for comparable Indian Ocean Territories (e.g. Christmas Island) under the WA LGGC methodology.

- **Materiality:** the level of significance that the assumption had in the overall context of the grant allocation. This assessment took into account both materiality terms of plausible overall impact on the total FAG allocation, as well as the assigned ‘weighting’⁹ used by the NSW LGGC in their model¹⁰.

Analysis of the disability factor application used a rating system as outlined in Table 2-2 below. Note that the review involved an assessment of the application of the relevant disability factors in the context of remote island disadvantage (namely, for Norfolk Island). However, the review did not consider or propose any changes to the NSW LGGC grant allocation methodology.

Table 2-2: Analysis of appropriateness and materiality of disability factor application

Appropriateness	Appropriate	The application of the disability factor is appropriate and is fit-for-purpose in the context of the remote island disadvantages faced by Norfolk Island.
	Moderately appropriate	The application of the disability factor is somewhat appropriate, however one or more of the potential variation and evidence indicate the application of the disability factor may not be fit-for-purpose in the context of the remote island disadvantages faced by Norfolk Island.
	Not appropriate	The application of the disability factor is not appropriate and is not fit-for-purpose in terms of the one or more of the variation and evidence. Consideration of unique remote island disadvantages and suitability of further funding through alternative sources may be required.
	Unknown	There is insufficient information available to make an assessment of the appropriateness of the disability factor application.
Materiality	Material	The application of the disability factor has a material impact on the overall grant allocation.
	Moderately Material	The application of the disability factor has a moderate impact on the overall grant allocation.
	Immaterial	The application of the disability factor has an immaterial impact on the overall grant allocation.

Source: KPMG.

Testing and refinement of assessment

An iterative approach was utilised to test and refine the initial outputs of the review framework; using desktop research and findings from stakeholder consultations.

⁹ Weighting is defined by the NSW LGGC to mean ‘the significance of the measure in terms of the expected additional cost of delivering a certain service’

¹⁰ Note: the weightings used in this assessment are taken from the most recently published NSW LGGC Annual Report (2015/2016); this report states that in the following year (2016/2017) that the model was being re-considered by Ernst and Young. Thus it may be that the weightings for the current year FAG are slightly higher or lower than those used in this review.

Determine overall impact on grant allocation

The framework, desktop research and stakeholder consultations identified a series of financial implications, which informed the findings presented in Step 3.

Table 2-3: Implications for grant allocation

	Material	Moderately material	Immaterial
Appropriate	No financial implications	No financial implications	No financial implications
Moderately appropriate	Financial implications.	Potential financial implications.	No financial implications
Not appropriate	Financial implications.	Potential financial implications.	Potential financial implications.

Source: KPMG.

Specifically, the assessment provides input into the implications for future grant funding analysis, and the suitability of further funding through alternate sources. These are outlined in detail in Section Four: Next Steps.

2.1.3 Step 3: Report

This report documents the findings of the review, research and stakeholder consultations to form a conclusion on the disadvantages of the remote Norfolk Island. It provides analysis and findings on the following:

- an overview of the NSW LGGC assessment methodology with a focus on relevant disability factors;
- analysis of the application of relevant disability factors associated with the Norfolk Island community based on findings of desktop research (including comparison to other jurisdictions) and stakeholder consultations;
- implications of the assessment for future grant funding analysis; and
- identification of considerations that may warrant further funding through alternate sources.

2.2 Documentation Review

Documentation provided by DIRD, NIRC and the WA LGGC was reviewed to inform understanding of drivers of council costs and savings. A list of documentation reviewed is included in Table 2-4.

Table 2-4: Documentation to inform the review

Reference material	Description
Norfolk Island Financial Assistance Grant Assessment.	Includes breakdown of the NSW Cabinet approved, NSW LGGC recommendation to the DIRD for the NIRC FAG for 2016-2017 based on the NSW LGGC FAG allocation model.

Reference material

Description

Letter dated 12/09/2017 from the Mayor of NIRC to the Minister for Regional Development, Local Government and Territories and Regional Communications.	Details the disappointment of the NIRC in regards to the value of the most recent FAG allocation, and states that the model doesn't adequately consider the disabilities of Australian external territories.
Appendix A – Disability Factor Calculation Summary for 2016-2017 for Conargo (category S council).	Includes a breakdown of the way in which disability factors weight against the overall state minimum FAG for each category.
GEN2016 – NSW LGGC – Return of General Information.	Excel spreadsheet required to be completed by LGAs that details eight specific data points required by the NSW LGGC year-on-year.
WA LGGC Indian Ocean Territories Grant Breakdown.	Details of additional considerations and calculations used to determine FAGs for the IOTs in Western Australia.
Government of Western Australia Department of Local Government and Communities Letter.	Details 2016/2017 Financial Assistance Grants for the Shires of Christmas Island and Cocos (Keeling) Islands
Government of Western Australia Department of Local Government and Communities Letter.	Details 2015/2016 Financial Assistance Grants for the Shires of Christmas Island and Cocos (Keeling) Islands.
WALGGC – Principles, Methods, Distribution of Financial Assistance	Methodology for the distribution of Commonwealth Financial Assistance Grants to local governments in Western Australia.
NSW Local Government Grants – NIRC 2016/2017	A record of local government grants that the NIRC is ineligible for based on its unique position as an external council, governed under NSW state legislation.
NIRC – self-comparison of FAG variation	Details the NIRC's view on inequitable differences between the Norfolk Island FAG and that apportioned to Christmas Island.
Agenda for meeting between Norfolk Island MP Gai Brodtmann and MP for Regional Development, Local Government and Territories and Regional Communications, Fiona Nash	Highlights points raised by the Island's representation MP, Gai Brodtmann to Senator Fiona Nash MP; discusses the various issues the Island faces that are not allocated for in the FAG as well as the flexibility of the WA LGGC system in addressing remote island disadvantages in the IOTs.
FAG Factors	NIRC's view on the 'true' impact of disability factors that should apply to the Island, that are not currently considered by the NSW LGGC given they model the FAG from their calculations on Brewarrina.
Schedule 1 – State Type Services	An overview of Federally supported, NSW services that are delivered by NIRC.

Reference material

Description

Schedule 1 – KAVHA

An overview of Federally supported works to be delivered by the NIRC to maintain the KAVHA site.

Source: Documents collated by KPMG based on discussions with the Department.

2.3 Stakeholder Consultation

Stakeholder consultations were undertaken as part of the review to gather additional evidence to inform the assessment of disability factors, as well as report upon the findings on the current and future implications of FAGs disbursed to Norfolk Island. The outcomes of consultations are summarised in Table 2-5 and more information described in Section 3.2: Other Considerations.

Table 2-5: Stakeholder consultations undertaken

Stakeholder	Outcome of Consultation
NSW LGGC	Note: as identified in the Limitations of this report, this consultation was not completed.
WA LGGC	An understanding of the WA LGGC's FAG allocation and determination of cost adjusters used in that allocation; and a view of how these have been considered for Christmas Island.
DIRD (Engaged a variety of stakeholders)	An understanding of the characteristics of Norfolk Island that may be impacting upon the need for an increased FAG that are in relation to reform on Island. Additionally, an understanding of the DIRD's role in determining and allocating FAGs.
Administrator (Norfolk Island)	An understanding of the impact of the reform on Island and the role of the Administrator in facilitating the NIRC's improvements in service delivery on Island.
General Manager (NIRC)	An understanding of the impact of Norfolk Island's remote isolation in delivering local government services and how the shortfall in FAG allocation is restricting the ability of the NIRC to improve service delivery. An understanding other contextual factors that impact upon the NIRC, including Commonwealth Service Delivery Agreements and breakdowns of telecommunications and electricity responsibilities.
Mayor (NIRC)	An understanding of the impact of Norfolk Island's remote isolation in delivering local government services (in the view of the Mayor, who advocates strongly for the Island) and how the shortfall in FAG

Stakeholder

Outcome of Consultation

allocation is restricting the ability of the NIRC to improve service delivery.

An understanding other contextual factors that impact upon the NIRC, including Commonwealth Service Delivery Agreements and breakdowns of telecommunications and electricity responsibilities.

Source: KPMG

3 Review of Remote Island Disadvantages

This section provides an application of the review framework to review the remote island disadvantages of Norfolk Island in relation to the NSW LGGC methodology, including the following components:

- assessment of the disability factor application in accordance with the NSW LGGC methodology; and
- other considerations identified in relation to the remote island disadvantages of Norfolk Island that were identified through consultations and documentation review.

Together, these have informed the key findings and recommendations detailed in Section 4.

3.1 Assessment of Disability Factor Application

The following table details the review findings in relation to the disability factors considered under the NSW LGGC methodology. As outlined in Section 2, this considers each factor in relation to:

- **degree of appropriateness**, given both:
 - the appropriateness of the data point used in the context of the remote island disadvantages of Norfolk Island;
 - the appropriateness of the measures or metrics used in the application of the relevant disability factors in the context of the remote island disadvantages, and the associated costs borne by the NIRC;
- **materiality**, given the level of materiality of the disability factor on the magnitude of the overall dollar value of the grant. Given the limitations associated with the availability of information specific to the calculation of the Norfolk Island grant, this has been considered based on two proxy factors, including:
 - **value of the standard cost**, noting that these standard costs are calculated to represent the average expenditure per unit of service delivery or local council function, typically on a \$ per capita basis. These standard costs are based on a five year average of the annual average net expenditures per unit by all councils. Note that within the current data and information provided, these have been provided at the function level;¹¹

¹¹ NSW Local Government Grants Commission, Annual Report 2015-16, Appendix 3, p. 41.

- **weighting of the disability factor**, which provides an indication of the estimated additional cost to be added to the disability; and ¹²
- **financial implications**, where the assessment of the above may constitute the need for additional funding to better reflect the costs and barriers in relation to the remote island disadvantages faced by the NIRC.

The assessment of the application of relevant disability factors is detailed in Table 3-1 below.

¹² NSW Local Government Grants Commission, Annual Report 2015-16, Appendix 5, p. 46.

Table 3-1: Assessment of disability factor application

Relevant disability factor	2016-17 measure and source ¹³	Norfolk Island data point	Appropriateness assessment	Appropriateness assessment	Standard cost	Weighting factor	Materiality assessment	Implications for grant allocation
<p>Administration – Aboriginal and Torres Strait Islander</p> <p>Additional costs for councils with a significant Aboriginal population.</p>	<p>Proportion of the population Aboriginal or Torres Strait Islander.</p> <p><i>Australian Bureau of Statistics (ABS), Census 2011, Usual Residents Profile.</i></p>	<ul style="list-style-type: none"> Norfolk Island: 0.3 per cent Aboriginal and Torres Strait Islander (ABS Census 2016) Brewarrina: 61.5 per cent Aboriginal and Torres Strait Islander (ABS Census 2016) 	<ul style="list-style-type: none"> The application of the current measure may not be appropriate in the context of Norfolk Island, given the cultural heritage, ancestry and language of the Norfolk Island population is distinct from those of Aboriginal and Torres Strait Islander populations on mainland Australia. Specifically, 20 per cent of Norfolk Island residents are of Pitcairn ancestry, and 41 per cent speak Norf'k-Pitcairn.¹⁴ Under the WA LGGC, the Indigenous cost adjuster is not applied to IOT's in the same manner as for mainland LGA's. Rather, ancestry data is used, to reflect the cultural diversity of the Shires. This recognises Malay, Indonesian and Javanese heritage of the people for Cocos (Keeling) Islands and Chinese and Malay people for Christmas Island. 	Not appropriate	\$198.01	Weighting: 0.005	Immaterial	<ul style="list-style-type: none"> Potential financial implications – there may be additional costs associated with the need to provide culturally and linguistically appropriate services. A supplementary payment may be considered, with additional data on the costs associated with culturally appropriate service delivery. However, there is currently limited evidence on the quantum of additional costs incurred for Norfolk Island. Consideration of a different definition of indigenous populations under the WA LGGC methodology (replacing Indigenous with ancestral) allocated the following associated with the Indigenous cost adjuster: <ul style="list-style-type: none"> \$237.47 per capita for Cocos (Keeling) Islands (total allowance of \$140,109, with total population of 590) \$63.08 per capita to Christmas Island (total allowance of \$141,246 with total population of 2239) Note the calculation of these values is derived from the cultural characteristics of the Islands, and would need to be considered separately in the cultural context of Norfolk Island, and any additional costs of service delivery. Further, the NIRC does not provide any translation services to its ancestral populations. Thus the overall financial implication are expected to be minimal.
<p>Administration – Economies of Scale</p> <p>Higher per capita costs of administration for councils with small populations</p>	<p>A population based score of 100 to 225 is used with councils whose population is greater than 20,000 receiving nil disability and those whose population is less than 1,250 receiving the maximum disability score.</p> <p><i>Australian Bureau of Statistics (ABS), Regional Population Growth, Australia, 2014-15.</i></p>	<ul style="list-style-type: none"> Population: <ul style="list-style-type: none"> Norfolk Island: 1,748 (ABS Census 2016) Brewarrina: 1,651 (ABS Census 2016) Expenditure per capita: <ul style="list-style-type: none"> Norfolk Island: \$25,275 (historical actual 2015-16) Brewarrina: \$6,700 (historical actual 2015-16) 	<ul style="list-style-type: none"> While the application of this disability factor recognises the additional administration costs for councils with small population, economies of scale was noted as a key disadvantage faced by the NIRC. However, consultation findings noted the economies of scale barriers and associated administration costs for NIRC were more substantial than those of similar sized regional councils. <i>Further detail on the extent of these additional costs is presented in Section 3.2 below.</i> 	Moderately Appropriate	\$198.01	Weighting: 1.25	Material	<p>Financial implications – additional funding may be required to account for the surplus administration costs associated with remote Norfolk Island, this is due to higher per capita costs (more than four times that of Brewarrina); this cost is significantly higher than the costs incurred by typical regional NSW councils.</p> <p>The exact difference in administration costs was difficult to determine; while this would have been possible with an understanding of the baseline figure allotted to this factor for Brewarrina as applied to Norfolk Island, this information was not made available by the NSW LGGC for the purpose of this review.</p>

¹³ This details the relevant data source and method of calculation for the disability factor, given the most recent available publically available documentation – the NSW LGGC 2015-16 Annual Report, which documents the methodology for the 2016-17 FAG allocations. Note that the methodology, relevant data source, and method for calculation for the 2017-18 FAG allocations was not available publically at the time of this review. Consultations with relevant stakeholders in DIRD did however note that there were no 'material' changes between the 2016-17 and 2017-18 methodology that were made known to DIRD.

¹⁴ Australian Bureau of Statistics (ABS), Census 2016, Usual Residents Profile.

Relevant disability factor	2016-17 measure and source ¹³	Norfolk Island data point	Appropriateness assessment	Appropriateness assessment	Standard cost	Weighting factor	Materiality assessment	Implications for grant allocation
Administration – Population Distribution Costs of staff travel and duplication of services.	The sum of the population of centres greater than 200 multiplied by their distance from council headquarters (km) divided by the overall council population. <i>Note an alternative calculation for population greater than 50,000.</i> Australian Bureau of Statistics (ABS) Census 2011.	Norfolk Island has two population centres away from council headquarters. One is approximately 3.5 km from headquarters, the other 3 km. Two centres a total of 6.5 km in distance from headquarters is '13'. Noting that the population of Norfolk Island is 1,748. <i>Data point: 0.007¹⁵</i>	<ul style="list-style-type: none"> Consultation findings indicate additional cost drivers for NIRC associated with costs of staff travel, which are greater than those of an average NSW regional council (for example staff travel to the mainland can be in excess of \$2,500 per visit due to flight costs, accommodation requirements and food allowances). However, the extent of duplication of services does not appropriately reflect the cost drivers of service delivery associated with remote island disadvantage. For example, additional staff travel costs are incurred for Norfolk Island given with the need to travel off the Island for council activities. Consultation findings noted that required travel costs outside the council area are greater those for regional councils. These include, for example: <ul style="list-style-type: none"> <i>Human resources and training costs</i> – high cost of flights, coupled with additional accommodation costs given limited flight. This is the case regardless of whether staff training was delivered on Island or on the mainland. <i>Recruitment and retention</i> – Consultation findings indicate that NIRC faces recruitment and retention challenges greater than those of a regional council. The current telecommunications network presents a barrier for interviewing candidates. Moreover, the cost of relocation is substantially more than for regional councils. NIRC provides relocation funding of between \$5,000-10,000, however this is insufficient in covering the full costs of relocation, presenting further barriers to recruitment of staff. 	Moderately appropriate	\$198.01	Weighting: 0.006	Moderately Material	Potential financial implications – additional funding may be required to account for additional administration costs associated with human resources, training, recruitment and retention. For example, under the WA LGGC methodology, a Human Resource Allowance is provided to IOT's, to account for additional costs associated with undertaking staff training and development as well as recruiting and retaining staff. The most recent allocations under this allowance were: <ul style="list-style-type: none"> Christmas Island: \$100,000; and Cocos (Keeling) Islands: \$50,000. Given that Norfolk Island is located at a distance from Sydney that lies between the distance of Perth from both Christmas Island and Cocos (Keeling) Island, it is reasonable to expect some additional support costs for human resources.
Aerodromes – Net Expenditure Above average expenditure, which is generally beyond council control	Adjusted net expenditure per capita averaged over 5 years <i>Office of Local Government (OLG), Special Schedule 1 (2010-11 to 2014-15); Australian Bureau of Statistics (ABS), Regional Population Growth, 2014-15.</i>	<ul style="list-style-type: none"> Estimated Aerodrome expenditure: <ul style="list-style-type: none"> Norfolk Island: \$2,524,244 (2014-15 historical actual) Brewarrina: \$143,000 (2015-16 historical actual) 	<ul style="list-style-type: none"> Unlike most regional councils, NIRC manages the operations of an international airport, with costs greater than other regional airports (importantly, the NIRC receive support from the Department of Immigration and Border Protection however). Consultation findings conferred the importance of the airport in maintaining the tourism industry (around 60 per cent of the Norfolk Island economy), as a channel for goods and services, as well as the only 	Moderately Appropriate	\$2.83	Weighting: 1.0 (maximum disability factor of 587)	Moderately Material	Financial implications – the calculation of allowances associated with aerodromes may not take into consideration costs associated with maintaining an international airport for Norfolk Island. There is a clear need to ensure the airport stays open to allow tourism on Island. Additionally, commercial airlines (e.g. Air NZ) are underwritten by the DIRD to ensure the flight path remains open. Note: see Section 3.2 'Other Considerations' to detail the need to upgrade airport infrastructure and assets.

¹⁵ Given the detail on the breakdown of the disability factors affecting Brewarrina, this Administration factor data point is non-comparable.

Relevant disability factor	2016-17 measure and source ¹³	Norfolk Island data point	Appropriateness assessment	Appropriateness assessment	Standard cost	Weighting factor	Materiality assessment	Implications for grant allocation
			<p>means for passenger transportation to the mainland.</p> <ul style="list-style-type: none"> In addition, high costs of servicing the airport were noted, particularly given the low frequency of planes. Moreover, NIRC has experienced challenges in working with commercial airlines to ensure key routes are maintained at sufficient frequency and cost to support visitation and transportation needs. 					
Aged Persons' Services – Aged Persons (60 years and over) Additional need for services.	Proportion of the population aged 60 years and over. <i>Australian Bureau of Statistics (ABS), Population by Age and Sex, 2014.</i>	<ul style="list-style-type: none"> Norfolk Island: 44.7 per cent (ABS Census 2016) Regional NSW LGAs: 27.2 per cent (ABS Census 2016) 	<ul style="list-style-type: none"> Norfolk Island has a higher proportion of older persons, which, coupled with challenges of scale associated with service delivery on the Island, drives additional cost of service. 	Moderately Appropriate	\$0.83	Weighting: 1.0	Moderately Material	Potential financial implications. Note: the costs of additional aged care services could not be calculated as part of this review; the variation between local, state and federal type service delivery could not be determined with the scope of works. .
Aged Persons' Services – Pensioners Additional council responsibility for aged services.	Proportion of the population receiving the aged pension, and mature age allowances. <i>Centrelink, Customers by Postcodes – June 2008 (Recipients of Pensions, Benefits and Family Payments)</i>	Population over 60 years of age: <ul style="list-style-type: none"> Norfolk Island: 44.7 per cent (ABS Census 2016) Regional NSW LGAs: 27.2 per cent (ABS Census 2016) 	<ul style="list-style-type: none"> Norfolk Island has a higher proportion of older persons, which, coupled challenges of scale associated with service delivery on the Island, drives additional cost of service. The total additional cost of these drivers could not be calculated as part of this review. For context, pensions and associated costs were approximately \$3.5 million per annum (for 130 pensioners) when determined by the previous Norfolk Island Administration; however the Australian Pensioner Rate is higher than the Administration catered for and thus costs are now also higher. These costs are covered outside of NIRC responsibility. 	Moderately Appropriate	\$0.83	Weighting: 1.2	Moderately Material	Potential financial implications. Note: the costs of additional aged care services could not be calculated as part of this review; the variation between local, state and federal type service delivery could not be determined with the scope of works.
Animal Control – Population Distribution Costs of staff travel and duplication of services.	As for Administration <i>Australian Bureau of Statistics (ABS) Census 2011.</i>	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Consultation findings indicate additional cost drivers for NIRC associated with costs of staff travel, which are greater than those of an average NSW regional council. <i>Further detail on the extent of these additional costs is presented in Section 3.2 below.</i> 	Moderately Appropriate	\$2.54	Weighting: 0.015	Immaterial	No financial implications.
Cemeteries – Population Distribution Costs of staff travel and duplication of services.	As for Administration <i>Australian Bureau of Statistics (ABS) Census 2011.</i>	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Consultation findings indicate additional cost drivers for NIRC associated with costs of staff travel, which are greater than those of an average NSW regional council. <i>Further detail on the extent of these additional costs is presented in Section 3.2 below.</i> 	Moderately Appropriate	\$0.35	Weighting: 0.070	Immaterial	No financial implications.
Children's Services – Population Distribution	As for Administration <i>Australian Bureau of Statistics (ABS) Census 2011.</i>	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Consultation findings indicate additional cost drivers for NIRC associated with costs of staff travel, which are greater than those of an average NSW regional council. 	Moderately Appropriate	\$3.37	Weighting: 0.001	Immaterial	No financial implications.

Relevant disability factor	2016-17 measure and source ¹³	Norfolk Island data point	Appropriateness assessment	Appropriateness assessment	Standard cost	Weighting factor	Materiality assessment	Implications for grant allocation
Costs of staff travel and duplication of services.			<ul style="list-style-type: none"> Further detail on the extent of these additional costs is presented in Section 3.2 below. 					
Children's Services – Pre-School Children (0-4 years) Additional need for services targeted at this age group which makes up the bulk of local government involvement in children's services.	Proportion of the population in 0-4 year's age group. <i>Australian Bureau of Statistics (ABS), Population by Age and Sex, 2014.</i>	<ul style="list-style-type: none"> Norfolk Island: 5.2 per cent (ABS Census 2016) Regional NSW LGAs: 5.8 per cent (ABS Census 2016) 	<ul style="list-style-type: none"> This disability factor was considered appropriate, as the cost drivers associated with the relative age demographics in servicing the Norfolk Island population is comparable to regional NSW communities. 	Appropriate	\$3.37	Weighting: 1.0	Moderately Material	No financial implications.
Community Services – Occupation Additional council responsibility for community services in areas of low socio-economic status.	Proportion of the employed persons in lower socio-economic occupational groups. <i>Australian Bureau of Statistics (ABS) Census 2011.</i>	<ul style="list-style-type: none"> Norfolk Island: 52.1 per cent (ABS Census 2016) Average of regional NSW LGAs: 46.6 per cent (ABS Census 2016) <p><i>Proportions have been calculated as less than \$41,599 per year.</i></p>	<ul style="list-style-type: none"> This disability factor was considered appropriate, as the cost drivers associated with the relative socio-economic disadvantage in servicing the Norfolk Island population is comparable to regional NSW communities. 	Appropriate	\$12.40	Weighting: 0.750	Moderately material	No financial implications.
Community Services – Population Distribution Costs of staff travel and duplication of services.	As for Administration <i>Australian Bureau of Statistics (ABS) Census 2011.</i>	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Consultation findings indicate additional cost drivers for NIRC associated with costs of staff travel, which are greater than those of an average NSW regional council. However, the extent of duplication of services does not appropriately reflect the cost drivers of service delivery associated with remote island disadvantage. Further detail on the extent of these additional costs is presented in Section 3.2 below. 	Moderately Appropriate	\$12.40	Weighting: 0.001	Moderately material	Potential financial implications – additional funding may be required to account for additional administration costs associated with human resources, training, recruitment and retention in the delivery of community services. For example, under the WA LGGC methodology, a Human Resource Allowance is provided to IOT's, to account for additional costs associated with undertaking staff training and development as well as recruiting and retaining staff. The most recent allocations under this allowance were: <ul style="list-style-type: none"> Christmas Island: \$100,000; and Cocos (Keeling) Islands: \$50,000. Given that Norfolk Island is located at a distance from Sydney that lies between the distance of Perth from both Christmas Island and Cocos (Keeling) Island, it is reasonable to expect some additional support costs for HR.
Community Services – Pension and Benefit Recipients Low income persons as a target group for	Proportion of the population receiving social security pensions <i>Centrelink, Customers by Postcodes – 2008 (Recipients of pensions,</i>	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Consultation findings indicate additional cost drivers for NIRC associated with costs of staff travel, which are greater than those of an average NSW regional council. However, the extent of duplication of services does not appropriately reflect the cost drivers of 	Appropriate	\$12.40	Weighting: 0.965	Moderately material	No financial implications. It should be noted, that pension rebates are provided to those eligible by the NIRC as per state legislation in NSW; accordingly this is compensated to the NIRC by the DIRD.

Relevant disability factor	2016-17 measure and source ¹³	Norfolk Island data point	Appropriateness assessment	Appropriateness assessment	Standard cost	Weighting factor	Materiality assessment	Implications for grant allocation
community services.	<i>benefits and family payments</i>).		<p>service delivery associated with remote island disadvantage.</p> <ul style="list-style-type: none"> <i>Further detail on the extent of these additional costs is presented in Section 3.2 below.</i> 					
Fire Control and Emergency Services – Duplication of SES Units Cost of duplication of SES units	Index based on the population of each centre with an SES unit located more than 10 km from the administrative centre multiplied by its distance from the administrative centre divided by the total population of the LGA. <i>SES Headquarters; Australian Bureau of Statistics (ABS) Census 2011.</i>	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Consultation findings indicate significant cost drivers for emergency services associated with remoteness. Unlike other regional councils, NIRC is unable to leverage the support of Emergency Services in neighbouring local government areas. Moreover, the cost of delivering these services is impacted by remoteness. For example, the NIRC sourced a second hand fire truck from Queensland purchased for around \$5,000, however, freight and shipping costs were an additional \$5,000 to the Island, a one-off cost which would not be incurred by other NSW regional councils. 	Not appropriate	\$16.54	Weighting: 0.002	Moderately Material	Potential financial implications <ul style="list-style-type: none"> Expenditure on emergency services (including fire-related services): <ul style="list-style-type: none"> Norfolk Island: \$668,118 (2014-15 historical actual); and Brewarrina: \$113,000 (2015-16 historical actual). <p><i>Note that Brewarrina expenditure includes the fire service levy and fire protection</i></p>
Healthy and Safety – Public Toilets Significant variation in Council expenditure related to non-resident use.	Score based on expenditure and Commission's assessment of need to provide public toilets. <i>Office of Local Government (OLG), Special Schedule 1, 2014-15.</i>	<ul style="list-style-type: none"> Norfolk Island: approximately 30,000 visitors in 2016-2017 (Norfolk Island Regional Council) 	<ul style="list-style-type: none"> The DIRD provides financial support to NIRC to maintain public facilities through the service delivery agreements between NIRC to deliver state-based services (e.g. public toilet facilities). This is particularly critical for Norfolk Island given the economic reliance on tourism to support the Island. 	Appropriate	\$9.22	Weighting: 0.25	Immaterial	No financial implication.
Libraries – Population Distribution Costs of staff travel and duplication of services.	As for Administration <i>Australian Bureau of Statistics (ABS) Census 2011.</i>	<ul style="list-style-type: none"> N/A. 	<ul style="list-style-type: none"> Consultation findings indicate additional cost drivers for NIRC associated with costs of staff travel, which are greater than those of an average NSW regional council. <i>Further detail on the extent of these additional costs is presented in Section 3.2 below.</i> 	Moderately Appropriate	\$34.16	Weighting: 0.018	Immaterial	No financial implication.

Relevant disability factor	2016-17 measure and source ¹³	Norfolk Island data point	Appropriateness assessment	Appropriateness assessment	Standard cost	Weighting factor	Materiality assessment	Implications for grant allocation
Recreation – Non-resident use Costs of additional services required in regional and tourist centres.	Index generally in range 100-125 determined by the Commission based on a sampling of councils. <i>Grants Commission.</i>	<ul style="list-style-type: none"> Norfolk Island: approximately 30,000 visitors in 2016-2017 (Norfolk Island Regional Council) 	<ul style="list-style-type: none"> Whilst the index allocated is not known, evidence from the review indicates significant costs borne by NIRC, particularly tourists. This is particularly critical for Norfolk Island given the economic reliance on tourism to support the Island. Consultation findings estimated 60 per cent of the Norfolk Island economy (including associated industries) is contingent on tourism. Moreover, the NIRC is responsible for the promotion of the island, spending around \$1.2 million on promotional and marketing materials for the Island and in running the Visitor Information Centre. This is above the typical expectations of a local council, where in NSW, local councils may have the ability to leverage Destination NSW support. 	Appropriate	\$102.47	Weighting: 1.0	Material	Potential Financial Implication.¹⁶ The NIRC does experience clear costs associated with the delivery of non-resident use (i.e. tourism) use of facilities. Tourism marketing and promotion itself is conducted by the NIRC, however there is some support provided to the Island through Tourism NZ (value unknown) and through underwriting Air New Zealand flights to the Island to maintain tourism numbers (value unknown). For specific recreation facilities the NIRC in the current operational plan has allocated \$150,000 for maintaining tourism facilities in 2017/2018.
Recreation – Non-urban measure Cost advantages of councils whose residents have the opportunity to use facilities provided in adjacent centres.	Index in a range 80-100 determined by the Commission based on a sampling of councils (negatives are calculated). <i>Grants Commission.</i>	<ul style="list-style-type: none"> It is assumed that Norfolk Island would have the lowest possible score, given there are no opportunities for adjacent facilities. 	<ul style="list-style-type: none"> Given the remoteness of Norfolk Island, the application of this disability factor may not reflect the full extent of disadvantage experienced by Norfolk Island in relation to other regional NSW councils. Unlike other regional councils, there are currently no opportunities for use of adjacent facilities. 	Not appropriate	\$102.47	Weighting: 1.0	Material	Potential financial implications. Given that the NIRC cannot share facilities there is a possible additional cost associated with managing facilities. Especially since it is feasible to suggest that facilities can be shared between adjacent councils on the mainland, thus minimising the cost of required facilities maintenance. Of note however, is the need for significant working relationships between councils; this historically has not always been the case.
Recreation – Population Distribution Costs of staff travel and duplication of services.	As for Administration <i>Australian Bureau of Statistics (ABS) Census 2011.</i>	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Consultation findings indicate additional cost drivers for NIRC associated with costs of staff travel, which are greater than those of an average NSW regional council. <i>Further detail on the extent of these additional costs is presented in Section 3.2 below.</i> 	Moderately Appropriate	\$102.47	Weighting: 0.003	Immaterial	No financial implication.

¹⁶ Note: for this disability factor the exact financial implication incurred by the NIRC above and beyond the allocation made in the FAG for Brewarrina could not be determined as no baseline was established due to the inability to consult with the NSW LGGC.

Relevant disability factor	2016-17 measure and source ¹³	Norfolk Island data point	Appropriateness assessment	Appropriateness assessment	Standard cost	Weighting factor	Materiality assessment	Implications for grant allocation
Stormwater Drainage and Flood Control – Stormwater Drainage Index Variation in cost of construction and maintenance related to a number of variables considered to be most significant.	Index provided by consultants after studying rainfall, urban land use and impervious area, ground slope, associated construction costs, soil and geology, and the age of the stormwater system. <i>Stormwater drainage return, 1987.</i>	<ul style="list-style-type: none"> Information for Norfolk Island is not currently available. 	<ul style="list-style-type: none"> Given data limitations, the appropriateness of the application of this disability factor was not able to be assessed. 	Unknown	\$84.69 (per property)	Weighting: 1.0	Immaterial	No financial implication. DIRD supported this finding in consultation, noting that there was no recorded data that would be of financial implication for this disability factor.

Source: KPMG analysis of information provided by Department of Infrastructure and Regional Development, Norfolk Island Regional Council and publicly available sources.

3.2 Other Considerations

As part of the review, a series of other factors were identified that have the potential to have additional cost or revenue impacts that may disadvantage Norfolk Island in relative comparison to other regional councils. These are not captured in the disability factors used by NSW LGGC to distribute the FAGs. Four key themes were identified and are detailed further below:

- challenges associated with geography;
- the current ageing asset base and historical maintenance backlog of local council;
- ongoing reform transition and governance arrangements; and
- delivery of services outside the remit of local government.

These considerations and relevant evidence gathered through the review are summarised in Table 3-2.

Table 3-2: Considerations gathered from desktop and document review and stakeholder consultations

Theme	Consideration	Supporting evidence
Geographical isolation	Shipping/Air Freight and unique port facilities	<p>Norfolk Island is located approximately 1,670 kilometres from Sydney, 1,464 kilometres from Brisbane and 1,065 kilometres from Auckland. Shipping and air freight are the only two ways in which goods can be procured to the Island. Given these large distances, the costs associated with freighting goods is a significant disadvantage experienced by the Island. In the reporting year 2014/2015 more than \$24.5 million of goods was freighted to the Island.¹⁷ The additional cost of freighting goods can be as high as 37 per cent of the value of the item itself.¹⁸ Air freighted goods are frequently not prioritised over tourist passengers, meaning freight delays occur frequently, however the choice to air freight, over the more reliable sea shipping method is a consumer choice (and thus some consequence should be borne by the same). Despite this, factoring the cost of bringing all necessary goods to adequately deliver local government services is not considered within the FAG allocation made by the NSW LGGC.</p> <p>The Cascade Pier is vital to delivering sea freighted goods to the Island, as there is no natural harbour or port facilities. While the NSW LGGC model takes into account isolation, the use of Brewarrina council as a benchmark for Norfolk may be inappropriate, given</p>

¹⁷ Administration of Norfolk Island 2014/2015 Annual Financial Statement.

¹⁸ NIRC provided document, 'FAG Factors'.

Theme	Consideration	Supporting evidence
		Brewarrina is readily serviced by major roads and highways despite its relative remoteness. It should be noted that the Department has already committed to upgrading this vital piece of infrastructure; along with other capital upgrades on Island.
	Inability to share service delivery, plant and facilities with adjacent LGAs.	<p>Norfolk Island is isolated from the mainland. The closest LGA to the Island is Byron Bay in northern NSW. Typically LGA's can share service delivery requirements by coordinating with adjacent LGA's. This could include share facilities (e.g. recreation, halls), plant (e.g. machinery for maintenance and upkeep) and emergency services provision (e.g. coordinate responses to natural disasters and share fire and SES requirements across geographies)</p> <p>A recent report by the Australian Services Union¹⁹, noted that 'shared service arrangements between cooperating local councils represented a much better way of improving council efficiency'; typically the services can be shared across waste management, environmental services, shared used of assets, back office operations and compliance. Given its geographic isolation, Norfolk Island council is unable to achieve efficiencies through shared service arrangements such as these, particularly those involving physical assets. Norfolk Island could share some soft-service facilities with mainland councils, however the logistics and management requirements to do so make this less feasible.</p>
Ageing asset base and historical upgrade and maintenance backlog	Road network	<p>Norfolk Island currently has 78 km of road networks connecting the Island's villages to its attractions and infrastructure. While the NIRC did receive a portion of funding allocated in the FAG to the local road component, this does not take into account the need to restore the road network which is dated, damaged and eroded²⁰. The poor road network not only makes travel around the Island for locals difficult at times, but limits the ability of tourists to access the Island and its most valued attractions.</p> <p>The Island is currently undergoing an asset stocktake assessment that will help identify areas of priority concern across the Island, with recent maintenance and upgrades being less than optimal.²¹ The total value of the infrastructure asset base inherited by the NIRC in 2016 was \$62,398,375.²² As noted earlier, some high priority capital demanding infrastructure projects are already underway (e.g. Cascade Pier) with the financial support of the DIRD.</p>
	Airport	The airport is a vital asset as a key port for both local access to the Island and to facilitate tourist passage. The airport is a designated Australian External Territory International Airport. The NIRC currently oversees passenger arrival arrangements, charging passengers a fee upon entry). This fee is an important source of revenue for the council and helps to generate a surplus for repairs and infrastructure investment at the airport. The airport runway is in need of repair. It is likely that NIRC may request further support, both capital and non-capital, to facilitate the project (despite a Commonwealth loan being assented into by the Administration of Norfolk Island in 2003 to do

¹⁹ Report titled 'Sustaining Services for Future Generations: Summary Report' published by the Australian Services Union.

²⁰ *Ibid*, and as described in consultation with the NIRC.

²¹ Acumen Alliance report to the Norfolk Island Government in 2005 already stated that the Island did not have an adequate asset management plan, and that upkeep was not maintained.

²² 2015/2016 Consolidated Financial Statements –Norfolk Island.

Theme	Consideration	Supporting evidence
		so). ²³ While only a small international airport, customs, security, migration and safety standards must be maintained (however the Australian Department of Immigration and Border Protection provides financial support to deliver these).
Ongoing reform transition and governance arrangements	Grant ineligibility	<p>Unlike other remote islands, the NIRC are not eligible for any grant programs issued by a state or territory government. Most councils (especially regional councils) can access specific purpose grant support, to deliver services within the remit of local government, this includes for example: road grants, community service grants and infrastructure grants. One such grant that NIRC is ineligible for is the Regional Growth Fund, which is a \$1.3 billion allocation of funds by the NSW government to help support regional infrastructure. According to the NIRC's assessment of NSW grants – they have calculated eligibility for up to \$4.91 million.²⁴ While these grants are competitive in nature and require successful application and sourcing, they would constitute a significant additional pool of funding should the NIRC be awarded them. Additionally, there are grant procurement and application capability gaps within NIRC that makes winning grants through Commonwealth programs difficult.</p> <p>For example, in 2016/2017 Brewarrina was awarded a total of \$7,324,000 in grant funding for operational purposes and \$753,000 for capital purposes.²⁵ Shoalhaven City Council was awarded a total of \$25,328,000 in grant funding for operational purposes and \$32,229,000 for capital purposes.²⁶</p>
	Current revenue and future opportunities for revenue generation	<p>The NIRC relies largely upon revenues from sales of goods and services, taxation revenue, fees and fines, interest, rental income and royalties. In 2016, this revenue totalled \$33,032,204.²⁷ In relation to revenue generation on Island however, this is somewhat stagnant. The Island is limited by its economies of scale due to its population size. For example, rates currently only generate around \$1.3 million of NIRC revenue, while rates can be increased over time it is not expected that total gross rate revenue generation will be significant.²⁸ The inability of the NIRC to generate rates revenue is limited by the population size and the socioeconomic status of its community which limits their capacity to pay higher rates; generally the level of rates charged is already lower than in most LGAs. These factors may present challenges in the context of the proposed rates growth required to the NIRC's 2020 rates revenue target of generating \$1.4 million annually.²⁹ A number of economic development strategies have been put in place by the NIRC to investigate future opportunities for revenue generation. NIRC may require financial support to deliver upon these activities in the absence of its abilities to capitalise on economies of scale that would typically drive revenue generation.</p>
Delivery of services outside the	Electricity	The NIRC is currently overseeing the provision of electricity on Island, including running diesel generators and reticulating power. ³⁰ The capacity of the network has reached capacity due to dated infrastructure. This infrastructure also limits the ability of green energy sources being utilised (currently there is a moratorium on Island for solar power generation due to the inability of the network to store

²³ House Committee Report (Australian Parliament) tabled on 'The Norfolk Island Economy' (Chapter 2).

²⁴ NIRC ineligibility for NSW LGA grant funding, document provided by NIRC as noted in Section 2.2.

²⁵ 2016/2017 Brewarrina Council Financial Statements

²⁶ 2016/2017 Shoalhaven City Council Financial Statements.

²⁷ 2015/2016 Consolidated Financial Statements – Norfolk Island

²⁸ Norfolk Island Municipal Rating Implementation Strategy 2014/2015-2017/2018.

²⁹ Target set by NIRC, as dictated by their General Manager in consultation.

³⁰ Norfolk Island website

Theme	Consideration	Supporting evidence
remit of local government		solar). ³¹ The NIRC runs an electricity facilitation arm, Norfolk Island Electricity, which manages the electrical service on Island. However, no other regional council is responsible for the provision of electricity and the associated large costs of managing assets that generate electricity.
	Tourism	NIRC is responsible for promotion of the Island to sustain and grow visitation numbers. Previously this responsibility was held by the Norfolk Island Government Tourist Bureau, who had expended an average annual spend of more than \$1.2 million on promotion and marketing products for the Island. While the NIRC doesn't have to follow the same path as the Bureau, a lack of marketing and strategy could risk a decline in tourism numbers and other related revenue. It's reported that 41 per cent of Norfolk Island's Gross Product can be attributed to tourism, and links this closely with providing employment opportunities on Island too. ³² Gross product from tourism in NSW in 2015-2016 was only 3.0 per cent. Unlike other regional NSW Councils that are supported by Destination NSW, the tourism on the Island is self-promoted. However NIRC does receive some help from Tourism Australia.
	Telecommunications	The NIRC, through Norfolk Telecom, delivers mainland grade telecommunications on Island. This includes both local and international capable technology for telephones, internet and satellite services. The Island does have access to NBN, however this does not provide for all telecommunications services, and thus the NIRC's facilitation of Norfolk Telecom is vital. In the most recently available data on the provision of Norfolk Telecom, this cost approximately \$1.6 million per annum. ³³ Improving the telecommunications services of the Island is considered a key priority area to ensure future government bailout is not required; ³⁴ and is critical to attracting new tourist visitors too (e.g. conference attendees, events and media). The provision of telecommunications also falls under the responsibility of NIRC, unlike any other council in NSW (typically this is the mandate of Federal government).

³¹ SGS Economics and Planning - Economic Development Strategy prepared for the Department of Infrastructure and Regional Development (July 2015); and the most recent 2015-2016 Annual Report (overseen by the Australian National Audit Office).

³² SGS Economics and Planning – Norfolk Island Tourism Industry.

³³ 2014/2015 Administration of Norfolk Island Annual Report.

³⁴ Submission to the Joint Standing Committee on the NBN, Re; NBN's mandate in relation to Norfolk Island.

4 Key Findings and Recommendations

This section provides a summary of the key considerations and recommendations in relation to the review findings of the FAG allocation to Norfolk Island. The recommendations are in reference to the FAG allocation itself as determined by the NSW LGGC, as well as the findings of the literature review and stakeholder consultations which highlighted a range of other unique factors and associated cost drivers of service provision for the community.

It is important again to note the limitations of these recommendations; including lack of, and availability of, certain necessary data and reports for the review, as well as a lack of engagement from key stakeholders at the NSW LGGC, and the unique position of the NIRC in delivering local, state and Federal government services.

4.1 Key Findings

The NSW LGGC methodology is consistent in its application of the disability factors across NSW local councils, and in accordance with the National Principles. Given the remote island disadvantages of Norfolk Island, there are a number of factors within this method, and other considerations associated with Norfolk Island itself, that may warrant a different funding approach in addition to the current NSW LGGC calculation of the FAG.

While the NSW LGGC methodology is fit-for-purpose in determining the disabilities of remote NSW LGAs, the method does not sufficiently account for the disadvantages of remote and physically isolated LGAs such as Norfolk Island. In particular, the use of a comparable regional council (Brewarrina, in 2017-18) as a proxy is consistent with both the NSW LGGC approach and National Principles.

Given the unique remote island disadvantage of Norfolk Island, a number of factors require additional consideration. The case for supplementary financial support in line with these factors is therefore twofold, name:

- **Limitations in the appropriateness of disability factors applied to Norfolk Island as an LGA (through allocation to Brewarrina) through use of the NSW LGGC FAG allocation.** Particularly, the factors identified in the review framework as being financially material. These limitations are not a criticism of the NSW methodology for allocating FAG grants but recognise the unique situation Norfolk Island has and that current disability factors are not fit-for-purpose for the Island; and.

- **The need to consider additional disadvantages experienced by the NIRC in service delivery,** including (but not limited to):
 - the inherent inability of the NIRC to share services, plant and facilities with adjacent LGAs;
 - shipping and air freight costs incurred (and the need to use lighters to move freight from sea to port) inflates the cost of service delivery;
 - services provided by NIRC that are beyond that of a typical council, including: electricity, tourism promotion, telecommunications and international airport facilities; and
 - other short and long term financial needs to improve the current asset base on Island given the ageing nature of critical infrastructure and overcoming the historical maintenance backlog relating to their upgrades.

As a result, there is a case to supplement the FAG allocation, as well as consider additional contextual issues experienced by the NIRC that may impact costs of service delivery compared to other regional LGA's.

It is noted that these findings should be considered in the context of challenges associated with:

- current levels of available information, particularly limited quantitative financial information that present challenges to calculating the magnitude of a potential additional quantum of funding; and
- limitations associated with the nature and extent of socio-demographic, infrastructure, service delivery, and other key data points required to estimate the relativity of need of Norfolk Island in relation to other councils in NSW.

4.2 Recommendations

Three distinct recommendations have resulted from the review findings outlined above.

Recommendation 1: A supplementary payment in addition to the 2017-18 allocation is required to better account for the remote island disadvantages for the NIRC in delivering local government services.

In line with the two key findings detailed above, there is evidence for a supplementary payment to the NIRC to reflect the remote island disadvantages faced by the Council in the delivery of local government services. In particular, the review of the NSW LGGC application of the disability factors, coupled with findings from consultations and desktop research identified the following considerations that may warrant an additional financial component. These are detailed in Table 4-1 below.

Table 4-1: Factors warranting a secondary top-up payment to NIRC

Disability Factor	Potential magnitude of additional funding required
All disability factors where 'population distribution' was a consideration	It would be reasonable to recommend to provide some additional HR support to Norfolk Island given the cost of relocating staff, travel to the mainland and undertaking recruitment and staff retention. It should be noted that above and beyond this, DIRD covers the costs of any off Island travel completed for reasons outside of the control of NIRC. Given that the Island is located at a distance from metropolitan Sydney between that of the allocation made for both Christmas Island and Cocos (Keeling) Island, <u>an additional human resources support value of \$75,000 is expected to be reasonable.</u>

Disability Factor	Potential magnitude of additional funding required
Administration - Economies of scale	<p>This factor seeks to account for the limited economies of scale in delivering services to a small population. For the purposes of the review, it is assumed that a maximum index would reflect the limited economies of scale in delivering services on Island. However, without sufficient detail on the index allocated to Norfolk Island, a potential magnitude of additional funding is not able to be calculated.</p> <p>Moreover, it is noted that the that the additional costs associated with limited economies of scale may align with the additional costs of local government service delivery noted below, namely:</p> <ul style="list-style-type: none"> • Property, plant and equipment sharing arrangements; • Shipping/Air Freight; and • Waste Management. <p>The potential magnitude of additional funding associated with these are provided below.</p>
Aerodromes	<p>Norfolk Island expenditure on airports (draft 2017/2018 operational plan) totalled approximately \$2.3 million. This includes an additional repayment for airport resurfacing loans of \$0.2 million will also be required. Note: this operational plan nets to a surplus in the 2017/2018 budget due to user fees and charges. This surplus is to be allocated to future airport runway repairs investment. Additionally, the Department of Immigration and Border Protection compensates the NIRC for delivering customs and quarantine services.</p> <p>Operational expenditure for Norfolk Island was \$670,000; in Brewarrina expenditure on aerodromes (forecasted 2017/2018) totalled \$145,765. The feasible difference in operating aerodromes between Brewarrina and Norfolk Island is approximately \$525,000. Thus it is proposed that this factor could be financially supported with an additional support of \$350,000. While this does not fully represent the total operational difference between the two LGA's it considers Norfolk Island's ability to raise revenue from its airport, unlike Brewarrina.</p>
Fire Control and Emergency Services - Duplication of SES Units	<p>From historical actual calculations 2017/2018 expenditure for Norfolk Island for Fire Control and Emergency Services is \$684,821. Brewarrina, in the same period, has expenditure of only \$115,185.</p> <p>The feasible difference in provisioning fire control and emergency services is approximately \$570,000.</p> <p>The Commonwealth does however provide additional financial supports for this activity on Island through a Service Delivery Agreement to the value of approximately \$774,000.</p> <p>Thus, consequently this disability factor may only warrant minor further funding support, for investing in plant and equipment for the Island (noting that the NIRC cannot rely on adjacent councils to share these). The quantum cannot be calculated for this factor given Commonwealth support already outweighs NIRC expenditure on this factor.</p>

Disability Factor	Potential magnitude of additional funding required
Planning and Building Services	<p>2017/2018 expected expenditure for NIRC for building and development control is \$213,000.</p> <p>Brewarrina 2017/2018 expected expenditure for town planning is only \$17,328.</p> <p>The Commonwealth does however provide additional financial supports for this activity on Island through a Service Delivery Agreement to the value of approximately \$50,000.</p> <p>Thus, overall the difference between Brewarrina and Norfolk Island for building related costs is \$195,672; however considering the Commonwealth support received this totals \$145,675. Thus it would be reasonable to <u>consider additional financial support for this factor of \$145,000.</u></p>
Recreation disability factors	<p>To encourage tourism on Island, the NIRC currently has allocated \$1.12 million in the 2017/2018 operational plan (that would inherently encourage use of recreation facilities by non-Island persons). While there has been some support from Tourism NZ and underwriting of Air New Zealand flights to the Island, the NIRC is still spending significantly more than its comparator. Brewarrina's 2017/2018 tourism expenditure³⁵ is forecasted to be \$608,544.</p> <p>The difference between the two LGAs is around <u>\$514,000, and represents a fair additional amount for allocation in a second financial payment.</u></p>

Source: KPMG, NIRC Operational Plan 2017/2018 and historical financial statements for both the NIRC and Brewarrina Shire Council.

Secondly, to enable the adequate provision of services on the Island the NIRC also has to overcome issues relating to its isolation from the mainland. This results in two additional disadvantages not considered in the NSW LGGC model that warrant further financial support. The financial implication of these disadvantages is detailed in Table 4-2.

Table 4-2: Factors not considered by the NSW LGGC in relation to local government service delivery

Factor	Considerations
Property, plant and equipment sharing arrangements	<p>Previous work prepared for NSW Government on the value of council mergers, or service sharing arrangements, determined that savings could lie between \$175,000 - \$1.05 million over a ten year assessed period (2003/2004 – 2013/2014). Examples of successful share arrangements include IT systems, road re-sealing and coordination of joint tender applications for external contracting. It should be noted however, that while this could be considered as an example of lost value to Norfolk Island, the reality of service sharing arrangements between councils is that they are less frequent and successful as perceived.³⁶</p> <p>Total financial efficiency savings from sharing arrangements is dependent however on the specific service deliveries shared and includes sharing both 'external' or hard services such as water and waste management and library facilities, and 'soft' or corporate services such as HR, IT and payroll.</p>

³⁵ An appropriate proxy from the Brewarrina financial statements was used for this figure.

³⁶ Shared Services Analysis of Bombala, Snowy River and Cooma Monaro Shire Councils (KPMG, May 2015).

	<p>Given that it is still technically feasible for NIRC to share, collaborate or co-procure 'soft' or corporate type services with other LGA's, it suggested that the reported efficiency savings from only the sharing of 'hard' external services such as waste and water management and libraries be used. In this instance, it is recommended that the efficiency calculations of the report be used. That is a 15% efficiency saving on employee expenses and a 1.5% efficiency saving on materials or overheads (of which typically 60% are considered shareable).</p> <p>Applying this to NIRC:</p> <ul style="list-style-type: none"> • 2017-2018 NIRC draft operational plan for waste, sewerage and libraries employee costs: \$410,000; 15% of which is approximately \$61,500. • 2017-2018 NIRC draft operation plan for waste, sewerage and libraries overheads: \$224,000; of which 0.09% is approximately \$2,000. <p>This yields <u>an additional supporting payment of \$64,000.</u></p>
Shipping/Air Freight	<p>The cost of shipping and freighting goods to the Island is expensive. Where consumers are purchasing goods from the mainland the cost of freight is passed on directly, however for the NIRC these costs must be covered.</p> <p>It is estimated that freight costs are typically about \$3.50/kilogram for break-bulk sea freight and \$5.00/kilogram for air freight. The NIRC provided a clear example; shipping new generators to the Island valued at \$500,000 is going to cost \$500,000 in additional freight. The NIRC will most likely require further financial support for this. Generally, freight costs over the course of a year for council can reach \$500,000.</p> <p>Given that all councils would bear some freight burdens, as no one council is completely self-reliant – <u>an additional supporting payment of between 40-60 per cent of this NIRC estimated cost of freight incurred would be reasonable; i.e. between \$200,000 and \$300,000.</u></p>
Waste Management	<p>While waste management services between Norfolk Island and Brewarrina councils are comparable (upon assessment of forecasted 2017/2018 expenditure values), in the near future the NIRC is required to significantly invest in upgrading their facilities to meet mainland disposal, sanitation and environmental sustainability requirements. The NSW LGGC allocation for waste management services to Brewarrina does not consider these factors.</p> <p>NIRC calculates that new investment in baling and associated equipment to more efficiently package some recyclable and waste will cost \$415,000, and an aerated composting system to address organic waste will cost \$1.4 million; totalling \$1.8 million. Additionally, the ongoing operational costs of these facilities would be more than \$1 million per annum. While these costs are to be incurred in the future, it is appropriate to factor the need to invest in these facilities.</p> <p>Using the WA LGGC additional cost adjustor as an indicator of proposed additional funding for sanitation costs associated with isolated islands, it may be <u>reasonable to allocate the NIRC an additional \$200,000</u> to commence works on the above required investments to improve waste management on Island, representing a little more than 10 per cent of estimated cost of investment. In line with payments under the WA LGGC methodology, an ongoing payment of this magnitude may be required to ensure ongoing compliance with relevant environmental legislation or regulations.</p>

Collectively, the considerations identified in the above tables may warrant an additional payment of between \$1,548,000 and \$1,648,000, noting the limited availability of recent financial and other critical data required to estimate the quantum of financial costs borne by the NIRC or any efficiencies able to be delivered.

Where possible, efforts have been undertaken to understand the full quantum of current and future allocated by the Commonwealth Government to support the Norfolk Island reform rollout, and the delivery of services on Island, by the NIRC and other entities. Given current data and information availability, further consideration and analysis of Commonwealth funding will be required, to determine sufficient funding, in the context of Commonwealth and State funding mechanisms.

Recommendation 2: Agree and embed an approach for future grant allocations, to better account for the remote island disadvantages experienced by the NIRC in the delivery of local government services.

It is agreed that the current NSW LGGC FAG allocation methodology is sufficient for determining grants for NSW mainland LGAs. However, given the difficulty and disadvantage the Island experiences due to its remote isolation it is expected that continual additional financial support will be required by the NIRC to ensure that it can deliver upon its remit to provide local government services. An ongoing approach to determining the quantum of this additional financial support, beyond the methodology for the base FAG determined by the NSW LGGC, should be agreed upon that ensures sufficient assistance is provided to the NIRC. Additionally, this methodology needs to be clear in its clear application to Norfolk Island and avoid setting precedent for other islands near to NSW (e.g. Lord Howe Island).

This payment would need to consider the following:

- the base FAG already allocated to the NIRC in each financial year (in which the National Principles for FAG allocation will have been applied);
- the need to consider unique disability factors experienced by the NIRC (as outlined in Recommendation 1 above); and
- the need to benchmark this additional payment against comparator isolated and remote territories.

A clear outline of this process will be required, to avoid creating a precedent in which other councils will also seek additional support. This could be avoided by ensuring that the DIRD is transparent in the provision of additional, ongoing payments for NSW remote, and isolated, councils (Norfolk Island).

Recommendation 3: In relation to additional future payments, further consideration is required of a number of other aspects significant to Norfolk Island that may warrant alternative funding mechanisms.

In alignment with recommendation one and two, and the need to establish a consistent approach to supporting on Island service delivery, it may be necessary to facilitate a one-off payment to address other concerns raised by the NIRC. These issues are related to two key areas:

1. The NIRC requires financial support in the short term to invest in improving the minimum standard of its ageing infrastructure asset base and a historical backlog of maintenance. The cost of this is beyond the current means of the council, and while this financial support is not related to local government services, the infrastructure facilitates their delivery. These assets include: local roads and council facilities.
2. Additionally, the NIRC delivers services outside the remittance of local government, including telecommunications, electricity and tourism promotion. Without these critical functions, the Island would be further isolated from the mainland, and its economy would suffer, resulting in an increasing need to provide financial assistance to the Island in the future.

Key examples of the other financial considerations are detailed in Table 4-3 below.

Table 4-3: Other financial considerations

<p>Maintain telecommunications, electricity and tourism promotion.</p>	<p>In the 2017/2018 Operational Plan for NIRC it is expected the cost of running Norfolk Telecom to run at a profit of \$175,000; however Electricity generation will run at a deficit of \$123,000. Finally tourism promotion is expected to run at a deficit of \$1.12 million. Overall the additional costs of running these services will be \$1.07 million (noting that additional financial support for tourism promotion has already been allocated through Recommendation One of this report).</p> <p>It is important to note that these services are requisite services for the Island and as such are necessary to be maintained. These services would not typically be facilitated by a local council.</p>
<p>Investment in asset maintenance and upgrades</p>	<p>It is not expected that the Commonwealth should directly fund maintenance and upgrades of assets for the NIRC, as any legacy issues (and thus current and possibly future issues) are the responsibility of the council. In their 2017/2018 Operational Plan, the NIRC has estimated \$4.54 million is required in capital to conduct asset maintenance and upgrades.</p> <p>However, these assets are vital to the day-to-day function of the Island, and given that the NIRC has inherited the responsibility of restoring a large pool of assets, the Commonwealth could consider a one-off additional capital injection to support the NIRC and prevent future financial stress.</p>

Source: *Norfolk Island Financial Statements (forecasted using consumer price indices) & KPMG.*

5 Appendix A: Disability Factors

As described in Section 2.1, an assessment of each NSW LGGC categorised disability factor’s relevance was made to determine factors for assessment in the review framework itself. This facilitated a prioritisation of disability factors according to their need for examination in relation to remote island disadvantage. The relevance assessment was conducted by KPMG, and was validated through consultation with stakeholders. It was particularly important to note that some factors may appear relevant (e.g. Heritage; as there are a number of unique heritage considerations on Island due to the KAVHA area) a clear alignment of DIRD supported, NSW ‘state’ services may already be funding additional support outside of the FAG considerations.³⁷

Appendix Table A 1: Determination of relevant disability factors

Disability Categories	Disability factor	Relevance	Rationale
Administration	Aboriginal and Torres Strait Islander	Relevant	This disability factor has been categorised as relevant; while the Island does have a minor Aboriginal and Torres Strait population, other ancestral populations may need to be taken into account for Norfolk Island (e.g. the local population who lay claim to Pitcairn heritage).
	Economies of Scale	Relevant	This disability factor has been categorised as relevant; while a clear data source is used for this disability factor, Norfolk Island is unique in that service delivery cannot be expanded adequately on Island due to limitations related to

³⁷ This was particularly validated using the Schedule 1 – State Service Delivery document provided by DIRD.

economies of scale (population growth is low, ability to increase rates is already maximized).

Non-English Speaking Background	Not Relevant		
Population Distribution	Relevant	This disability factor has been categorised as relevant; while the disability factor recognises 'costs of staff travel and duplication of services' this factor doesn't take into account the travel requirements for NIRC staff to travel to mainland meetings, trainings or events, and only accounts for on Island travel weightings.	
Below Average Population Growth	Not-Relevant		
Sparsity	Relevant	This disability factor has been categorised as relevant; the factor currently allocates additional funds in the FAG for costs borne due to large council areas. While the Island itself is small in size, the distance of the Island from other councils, small regional centres and large cities is not accounted for.	
Aerodromes	Net Expenditure: Aerodromes	Relevant	This disability factor has been categorised as relevant; this factor is a significant consideration for the Island. The NIRC is the only other LGA that has an International aerodrome; the maintenance of the aerodromes facilities is a high cost for the NIRC. If the aerodrome is not maintained, this has a significant effect on the ability of tourists to reach the Island as well as critical supplies.
	Aged Persons (60 years and over)	Relevant	

Aged Person's Services	Pensioners	Relevant	This disability factor has been categorised as relevant; the Island is currently experiencing a consistent decline in youth who leave the Island to seek tertiary education and further employment opportunities. The aging population is only serviced by one small hospital, with declining infrastructure.
	Population Distribution	Not-Relevant	
Animal Control	Population Distribution	Relevant	This disability factor has been categorised as relevant; while the disability factor recognises 'costs of staff travel and duplication of services' this factor doesn't take into account the isolation of the Island from other mainland services.
Cemeteries	Population Distribution	Relevant	This disability factor has been categorised as relevant; while the disability factor recognises 'costs of staff travel and duplication of services' this factor doesn't take into account the isolation of the Island from other mainland services.
Children's Services	One Parent Families	Not -Relevant	
	Population Distribution	Relevant	This disability factor has been categorised as relevant; while the disability factor recognises 'costs of staff travel and duplication of services' this factor doesn't take into account the isolation of the Island from other mainland services.
	Pre-School Children (0-4 years)	Relevant	This disability factor has been categorised as relevant; subject to further consideration of demographic trends.

	Aboriginal and Torres Strait Peoples	Not-Relevant	
	Non-English Speaking Background	Not -Relevant	
	Occupation	Relevant	This disability factor has been categorised as relevant; the factor assess the council's responsibility to delivery community services given the proportion of lower socioeconomic occupations. The number of jobs that fall into this category on Island is most likely higher than other LGA's.
Community Services	Pension and Benefit recipients	Relevant	This disability factor has been categorised as relevant; the factor is designed to take into consideration any low income groups that are a target for community services. Generally the Island, is a lower socioeconomic status compared to mainland LGA's.
	Population Distribution	Relevant	This disability factor has been categorised as relevant; while the disability factor recognises 'costs of staff travel and duplication of services' this factor doesn't take into account the isolation of the Island from other mainland services.
	Youth (15-24 years)	Not-Relevant	
Cultural Facilities	Duplication of Halls	Not Relevant	
	Non-Resident Use - Cultural Facilities	Not -Relevant	

	Duplication of SES Units	Relevant	This disability factor has been categorised as relevant; given that the Island relies on its own fire and emergency services, a greater consideration needs to be paid to inability of the Island to rely on 'neighbouring' LGA's to assist in an emergency.
Fire Control and Emergency Services	Flood Boats	Not Relevant	
	Flood Prone Buildings	Not Relevant	
	Rural Fire Fighting Contributions	Not -Relevant	
	Urban Fire Levy	Not Relevant	
	Food Premises	Relevant	This disability factor has been categorised as relevant; while the factor typically considers 'additional inspection costs' for high proportions of food premises, Norfolk Island needs to have some weighting given to its isolation and barriers for inspection.
Health and Safety	Non-English Speaking Background	Not - Relevant	
	Population Distribution	Not - Relevant	
	Public Toilets	Relevant	This disability factor has been categorised as relevant; the maintenance of public toilet facilities on Island for use by non-residents is higher than most LGA's as more toilets need to be provided for the tourist populations that visit the Island.

	Vandalism and Crime	Not Relevant	
	Aged Persons (60 years and over)	Not -Relevant	
	Non-English Speaking Background	Not -Relevant	
	Non-Resident Borrowers	Not Relevant	
Libraries	Population Distribution	Relevant	This disability factor has been categorised as relevant; while the disability factor recognises 'costs of staff travel and duplication of services' this factor doesn't take into account the isolation of the Island from other mainland services.
	Students: Full Time	Not - Relevant	
	Development Activity	Relevant	This disability factor has been categorised as relevant; given that the Island relies on its own registries and certification service to approve and acknowledge a number of services – these registries would typically be run by a state based entity.
Planning and Building Services	Environmental Sensitivity	Not - Relevant	
	Heritage	Not - Relevant	
	Non-English Speaking Background	Not - Relevant	
	Non-Residential Urban Properties	Not - Relevant	

	Population Distribution	Relevant	This disability factor has been categorised as relevant; while the disability factor recognises 'costs of staff travel and duplication of services' this factor doesn't take into account the isolation of the Island from other mainland services.
	Regional Centres and Secondary CBDs	Not - Relevant	
	Age Structure (5-29 years)	Not - Relevant	
	Beach Lifesaving	Not - Relevant	
	Climate Measure	Not - Relevant	
	Day Trippers	Not - Relevant	
Recreation	Duplication of Playing Fields	Not - Relevant	
	Duplication of Pools	Not - Relevant	
	Non-Resident Use - Recreation	Relevant	This disability factor has been categorised as relevant; given that NIRC delivers tourism promotion and coordination services to attract prospective visitors to the Island. This is costly given the need to advertise, coordinate and market widely, but also due to the isolation and remoteness of the Island compared to its visitor population.

	Non-Urban Measure	Relevant	This disability factor has been categorised as relevant; the Island has no ability to rely on nearby, adjacent community centres in other LGAs.
	Population Distribution	Relevant	This disability factor has been categorised as relevant; while the disability factor recognises 'costs of staff travel and duplication of services' this factor doesn't take into account the isolation of the Island from other mainland services.
	Tidal/Rock Pools	Not -Relevant	
	Flood Prone Urban buildings	Not Relevant	
	Levee Measure	Not Relevant	
Stormwater Drainage and Flood Control	Stormwater Drainage Index	Relevant	This disability factor has been categorised as relevant; while this factor takes into account the variation in costs associated with construction of stormwater facilities, it is likely this does not take into account the isolation of the Island compared to typical mainland NSW LGAs.
Street and Gutter Cleaning	Non-Residential Urban Properties	Not - Relevant	
	Urban Density	Not - Relevant	
Street Lighting	Net Expenditure: Street Lighting	Not - Relevant	
	Infestation	Not - Relevant	

Noxious Plants and
Pest Control

Terrain

Not - Relevant



Source: NSW LGGC Annual Report 2015-2016; Appendix C: Disability Factors and KPMG

