



27 December 2022

Senator David Pocock
Parliament House
PO Box 6100
Senate
Canberra, ACT
2600

Dear Senator Pocock,

Certain NIRC Functions Outsourced to LGAQ's Peak Services

Thank you for your correspondence dated 14 December 2022 concerning Norfolk Island Regional Council's (NIRC) staffing profile. Your keen interest in Norfolk Island's future prosperity is much appreciated.

The specific concern expressed in your letter is regarding career opportunities possibly being denied to young Norfolk Islanders and perhaps a missed opportunity to build a pipeline for future leaders of the Island.

Having worked in local government in Australia for around forty years, including isolated regionally based councils, in ordinary circumstances my preferred approach to workforce development includes incubating local career opportunities in the way you are suggesting - where it is feasible to do so. However, since its inception in 2016, NIRC has not been operating under 'normal' circumstances.

By the time NIRC entered the period of interim administration in 2021, its operating circumstances were already quite 'abnormal' requiring NIRC's functions and workforce structure to undergo radical reform. Currently, NIRC is juggling many internal reforms simultaneously. The reforms involve some outsourcing in what are still 'very urgent and pressing' circumstances. If I am to achieve the objectives of the period of administration and prepare NIRC for the resumption of a democratic model by December 2024, I need to act quickly to settle NIRC's operations down, before adding more complexity to the mix.

The circumstances that saw NIRC at the brink of financial insolvency by the end of 2020 were a 'dire emergency'. When I was asked about my availability for the Interim Administrator's role in December 2020, I was informed that without a Commonwealth Government bailout, NIRC had sufficient cash to last for only one more week. The fact that the Commonwealth was willing to provide NIRC with some bail-out funds was unprecedented.

By comparison, when the Central Coast (NSW) Council recently went into administration facing a cash shortfall of around a \$100M, the NSW Government refused the Administrator any financial assistance, and all except one of the major banks, refused any further debt finance and a full-blown financial collapse was imminent. However, Central Coast Council was able to rely on its strong asset base, combined with the immediate introduction of radical cost cutting measures, including a significant

reduction to the size of the workforce, to convince a bank to lend to it, to keep it afloat. By contrast, when it went into interim administration, NIRC had no significant realisable assets to use as security for loan debt financing.

Contributing to NIRC's failure by 2020 were the deteriorated state of its major assets, its inept financial management, and lack of an appropriate governance framework whereby NIRC had failed to implement the most basic controls in these areas of responsibility. The Public Inquiry into NIRC conducted in 2021 revealed that its governing body had demonstrated an unwillingness to accept responsibility for implementing appropriate governance arrangements and that this was a significant contributing factor to NIRC's parlous financial position. Personally, I can inform you that the position was further exacerbated by NIRC's lack of access to critical skills, and an underlying workforce culture characterised by inefficiency, nepotism, and cronyism.

After ten months in 2021 as Interim Administrator, I was appointed as Administrator in early December 2021 for a three-year term meaning I had three years (of which now only two years remain) to rescue NIRC from its failed state. This would not be possible without introducing urgent measures to fast-track necessary organisational reforms. NIRC has now embarked on a planned improvement program based around a set of independent External Audit Findings, which I am confident will see it become sustainable and realise the ability for a more democratic model to be successfully implemented when the period of administration ceases. It is an immense task to be achieved within the time allowed.

On your visits, you have already seen first-hand that some of NIRC's reforms have been tough to implement, not pleasing everyone. However, it would be improper to base all NIRC's decisions on their popularity with Islanders. Given time to work, the benefits of the reforms will become evident.

Peak Services (LGAQ)

To accelerate the reform process, in October 2021 NIRC engaged Peak Services to provide strategic resourcing for a set of specific services. As the commercial subsidiary of the Local Government Association of Queensland (LGAQ), Peak Services is uniquely placed to be able to provide a wide range of services tailored to NIRC's needs. Largely due to the lack of access to recruiting or retaining competent, skilled people on Island, some functions have been outsourced to Peak Services. These are in the areas in which the need for reform is most pressing. Functions that previously were either being carried out incompetently, or not being carried out at all, are being outsourced to Peak Services for a fixed term (renewable). NIRC has traditionally struggled to engage skilled local government practitioners, and this is frequently evidenced by the limited responses to advertised roles across NIRC's workforce. Due to labour market shortages across all of Australia, this is a reality for both skilled and unskilled positions.

Another benefit that NIRC is targeting through the Peak Services contract arrangement is service provision at a significantly lower cost, with defined outcomes and minimal contract supervision. Lowering NIRC's costs is an essential component of its Transition to Sustainability (TtoS) upon which its sustainability depends.

Based in the same offices as the LGAQ in Brisbane, Peak Services has access to a broad range of LGA skills, established systems, work environment and experience in delivering on outsourcing-based agreements. While NIRC had a strong vision in place, I required the support and expertise of an experienced service delivery partner to establish a satellite office in Brisbane – like Peak Services had provided in Cairns for several remote northern Queensland councils - providing access to a larger more qualified pool of resources.

Engaging Peak Services delivers:

- Highly skilled, qualified specialists;
- Shifts the risk profile from NIRC to Peak Services, saving substantial recruitment costs;
- Low risk of personnel turnover, replacement, separation;
- Leveraging of LGAQ's systems, processes, and expertise. The services provided leverages the membership model that 77 LG authorities have created in Queensland. For example:
 - Communications team – access to a team of LG media professionals
 - Procurement – access to a large team of LG purchasing professionals and access to leveraged contracts in place for all Qld LGA's
 - HR Support – for higher level HR services, advice, and policy development
- Extensive local government experience – crucial for formulating policies, processes, and procedures in a local government context; and
- Improved service delivery for Norfolk Island.

Prior to 2021-2022, NIRC had tried unsuccessfully to engage staff who could deliver these services under an employee model. This resulted in high turnover, or not finding candidates with the right skill set at all. This Peak Services model provides access to already tested, skilled teams in the LG space. Furthermore, NIRC has had to navigate through a very hostile environment on island. Breaches of confidence and sensitive information have been commonplace. Leaking of confidential personal information into the community has been an ongoing source of concern. Whereas local employment is always preferred by NIRC if the right candidate is available, this is often rare for skilled positions.

Better Outcomes for NIRC

The speed in which the service arrangement was established with Peak Services was a success. It was operational in less than four weeks. Basing the functional roles in Brisbane has made it significantly less challenging to attract the best candidates to perform them, even within the current extremely tough employment market. The calibre of individuals performing each role has been high and, in all cases, they would not have applied for their role if it had been based on Norfolk Island. So far, attrition has been very low unlike for Island based roles. Peak Services facilities in Local Government House have provided a home for not only the Peak/Norfolk Island team, but also other employees from NIRC when they are in Brisbane. Technology has worked very well with good use of Teams video conferencing calling, connecting the Peak Services and Norfolk Island teams.

The Peak Services arrangement delivers outcomes that NIRC had not previously been able to achieve. For example, when Mr Roach took over as General Manager in late 2019, it was impossible for him to accurately assess NIRC's financial position because of the totally inadequate governance and financial management and reporting framework in place when he arrived. NIRC faced a vast backlog running into several years of financial transaction and reporting work, even though NIRC had only been established from 2016. NIRC's lack of financial management compliance was exemplified by its failure each year to complete financial statements anywhere near the statutory dates. Even routine financial tasks, like bank reconciliations that every business needs to attend to, were simply not done. Mr Roach had to import an expert consulting team to sort out the resulting mess. The experts discovered that over 30,000 bank transactions had not been reconciled taking months of work to rectify.

It has not been uncommon for experts that NIRC has brought to Island to undertake rectification work, to be badly treated by apparently resentful Islanders to the extent that that some of them have left without staying on Island long enough to complete their work. An example of this occurred in the work health and safety management area. When Mr Roach started, there were virtually no WHS management systems in place at NIRC, exposing the workforce to the risk of injury or death, and NIRC and its managers to extreme risk of prosecution. Attempts to rectify this among a workforce that is cynical about virtually all requirements that stem from Australian laws were met with derision and obstinate resistance. The WHS officer found himself in an intolerable position and left Norfolk Island. That compliance management work is now contracted out to Peak Services. They have access to a high-level WHS management expertise that NIRC can never hope to match.

Another example of this type of inappropriate behaviour occurred when threats were made to intimidate a supplier of one of the new self-propelled lighterage vessels who had been brought to Island to perform warranty work. I know that this type of intimidating behaviour is quite typical, having experienced it myself on Island.

Notable Achievements NIRC & Peak Services – Year 1

Major achievements during the first year of the arrangement with Peak Services included the following:

- NIRC senior management now receive timely, accurate advice on procurement, human resources, legal and financial issues. This in turn has created more time for NIRC's managers to focus on strategic issues, rather than having to be so hands on with these daily matters. This benefits the local community immeasurably, as often remote communities struggle to drive innovation and smarter management decisions as a result of being overloaded with these manual tasks.
- The opportunity to drive change in an organisation that wasn't properly established in the first place. Many of the EAF's identified this as an inhibitor, and this model is certainly addressing the long list of challenges in that space.
- Bank Reconciliations - on commencement with Peak Services, in excess of 30,000 financial transactions were unallocated and still housed within a suspense account. These transactions appeared to be stagnant, ageing and without any identified plan to resolve them. The backlog was not actively being worked upon. Since then, the backlog has been extensively reviewed with appropriate dispersal of all transactions. The suspense account has now been reduced to a normal operating run rate of around 30 transactions.
- Modernising NIRC Policies through the *Transitioned Policy Review Plan*. This includes old / aging policies and procedures carried forward from the Norfolk Island Administration.
- A new industry leading, system-based governance reporting solution was established. The *Envisio* planning system setup and rollout is complete including on-site user training delivery. The system improves accuracy, effectiveness and ultimately performance across the entire organisation.
- Financial reporting – while in place previously, the output was inconsistent in terms of timing and accuracy. Quarterly Budget and monthly investment reports are now both accurate and consistently produced on time, significantly increasing the flow of critical information and support available to the NIRC Management Team.

- Accounts Payable – system and process improvements identified and implemented resulting in time and resource savings.
- Development of a *Port Safety Management Plan*.
- Improved communications, including expansion of NIRC’s monthly community newsletter, the *Norfolk Fuss*, and active posting on social media channels.
- At least \$166K of recruitment and onboarding expenses saved by NIRC - originally, a potential cost saving of approximately \$125K in recruitment costs had been predicted. For the period to 30 June 2022 alone. The saved \$167K is \$40K more than originally estimated.
- It would have required a significant amount of effort, time, and manpower for NIRC to have been able to deliver similar outcomes on their own. By tapping into Peak Services’ capability, the setup was quick, efficient, and almost entirely eliminated establishment costs.
- Having a satellite office in a city market has meant NIRC now has a larger, more talented pool for these specialist, professional roles, producing an immeasurable cost saving.

The Peak Services model has provided NIRC with confidence that work is now being produced to a standard typical of a local government authority. This will continue for the remainder of the period of Administration.

Your Questions Answered

Your specific questions are answered below.

Is NIRC acquiring mainly ‘Specialist’ Services from Peak Services (LGAQ)?

Yes - Typical project work undertaken by Peak Services for NIRC appears in the Table below. The vast majority of the work is of a specialist nature requiring well above entry-level skills and expertise. The state of affairs at the outset of the period of administration showed that the appropriate levels of skills required to perform the work competently and efficiently either do not exist or are not readily available to NIRC on Island.

<p>Governance</p>	<ul style="list-style-type: none"> • Annual Compliance Calendar - coordinate the creation of a compliance calendar based on the NSW OLG calendar to provide a central place to track compliance tasks throughout the year and meet compliance obligations. • Modernising NIRC Policy through the <i>Transitioned Policy Review Plan</i> – significant advancement has been made on NIRC policy reviews. This includes old & aging policies and procedures carried forward from the Administration. • NIRC Committee Secretariat including Audit Risk & Improvement Committee; Audit Committee; Reserves and Conservation Advisory Committee and Sustainable Advisory Committee. • Coordinating Annual Returns with managers. Provide managers with guidelines and the required template to submit an up-to-date annual return.
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	<ul style="list-style-type: none"> • <i>2020-2021 Annual Report</i> - compilation and finalising of the 2020-2021 Annual Report and covering Council meeting report for submission to the June Ordinary Council meeting. • <i>2022-26 Delivery Program</i> - production of the 2022-2026 Delivery Program Framework and Plan, including plan setup in the new <i>Envisio</i> software platform and covering Council meeting report for 28 days public display. • <i>2022-2023 Operational Plan</i> - production of the 2022-2026 Operational Plan and covering Council meeting report for 28 days public display. • New industry-leading, system-based governance reporting solution established. The <i>Envisio</i> planning system setup and rollout is complete including on-site user training delivery. The system improves accuracy, effectiveness and ultimately performance across the entire organisation. • <i>Q3 Service Delivery Agreement (SDA)</i> and submission - coordinate the data collection and transfer into the <i>Envisio</i> reporting platform and finalisation of the Q3 SDA including submission to the Department. • Commenced creating registers where required - e.g. Annual Returns, Declarations of Interest, Gifts and Benefits, Related Party Disclosures. • Framework Plan for governance projects - a process has commenced of identifying and building a framework plan and timeline for governance projects over the next 12 months.
Financial Management	<ul style="list-style-type: none"> • Financial Bank Reconciliation process. Upon commencement of the Peak program, in excess of 30,000 financial transactions lingered within a suspense account. These transactions appeared to be stagnant, ageing and without any identified plan to resolve them. The backlog was not actively being worked upon. Since then, the backlog has now been extensively reviewed with appropriate treatments of those stagnant transactions. The suspense account has now been reduced to a normal operating run rate of circ 30 transactions. These transactions included outstanding deposits associated with tourism, liquor bond, airport, museum registry, customer care and planning and building. Year to date sales is now correct and compliant. • Bank reconciliation is now completed daily. • Telecom and electricity enquiries have reduced considerably as a direct result of thorough investigation of existing systems and the flow though of information to the appropriate portal. • Financial reporting – while in place previously, the output appeared to be inconsistent in terms of timing and accuracy. Quarterly budget and monthly investment reports are now both

	<p>accurate and consistently produced on time, significantly increasing the support available to the NIRC management team.</p> <ul style="list-style-type: none"> • Accounts payable are processed twice weekly as a direct result of refining the process. System and process improvements have been identified and implemented resulting in time and resource savings. • Transferring of BPay data to Telstream, BOSS and Authority: this encompassed the transferring of BPAY data from Commbiz to Telstream (Electricity) BOSS (Telecom) and Authority (Accounts Receivable and Rates). • Processing of direct deposits BookEasy commission, Australia Post (Telecom Prepost) grants and associated Federal Government Departments.
Payroll	<ul style="list-style-type: none"> • Provision of fortnightly payroll services with associated employee record keeping, industrial Award interpretation, and maintenance of leave registers.
WH&S and Risk Management	<ul style="list-style-type: none"> • Provision of technical WHS advice on request. • Ongoing liaison and negotiation with parties to resolve difficult WHS issues. • Ongoing review and actioning of WHS incidents as they occur. • Review and feedback on <i>Draft Port Security Plan</i> including liaison with contractors and other parties. • Development of <i>Port Safety Management Plan</i>. • Liaison with Commonwealth departments including Infrastructure, ComCare, AMSA and others as well as various specialist contractors to facilitate a well-managed transition to the new port management system. • Development and trialling of digital safety management systems for use across NIRC. • Identification of items to be purchased to ensure Commonwealth Act WHS compliance. • Trialling and purchasing, including stockpiling and transport to NI of safety equipment and PPE. • Facilitating testing and certification of NIRC lifting gear, apparatus, etc. • Identification, purchasing and development of an asset register for lighterage related equipment.

<p>Media/Communications</p>	<p>Communications services are delivered by Peak Services' marketing and Communications team, supporting the ongoing:</p> <ul style="list-style-type: none"> • Production of NIRC newsletter once a month. • Management of the weekly posting of the Government gazettes. • Media releases for Council. • Additional ad hoc support as required. The team has provided marketing and communication expertise in the positive promotion of Council, its operational activities, and being a desirable place to work. This has included: <ul style="list-style-type: none"> • The initial development of the <i>Communications Plan</i> and <i>Social Media Strategy</i>. • The initiation and implementation of Mailchimp, to publish the monthly <i>Norfolk Fuss</i> newsletter to over 1,160 on island and off island residents. It has successfully obtained an average readership of approximately 50%. Prior to this, there was no EDM distribution or measurement of readership. • Facebook content has been improved which has resulted in an increase of followers, and reach has also increased by 81%. • 82 media releases published (to 30 June 2022) • 24 gazettes published (to 30 June 2022). • The creation of an official LinkedIn profile for NIRC in March. In just two months of publishing, it attracted 163 followers. • The design of reports and numerous other activities that NIRC was unable to achieve prior to the communications program with Peak Services. • The design of a 134-page <i>State of the Environment Report</i> + 19-page summary document for presentation to Council and community. Previously, there has been no professional design of reports. • OpenGov content creation. • The development of video content for NIRC's social media and for the Museum's Facebook page. • This is the first time NIRC has used video as part of their content creation. • A logo re-design project in consultation with an external designer. • Website content re-fresh in preparation for new website design.
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	<ul style="list-style-type: none"> • Presentation builds for LGAQ Waste Forum plus accompanying video
ICT Support	<p>ICT Support is provided on Island by a single Peak Services consultant at a substantially lower cost replacing three previously permanent positions on NIRC's staff. This work has recently included the installation of NIRC's new computer network in the Bicentennial Building.</p>
Procurement Office	<p>Peak Services' Procurement Office team has provided extensive support to NIRC. This has included a mix of standard procurement and tender support plus additional project work as directed by NIRC. The service is not provided by one person. Instead, depending on the nature of the activities Peak Services matches the skills to the requirements. So far five of Peak's Procurement Consultants, all with different specialist skills, have worked on tasks for NIRC. The team has been able to provide their expertise and support resulting in the delivery of:</p> <ul style="list-style-type: none"> • Ongoing support of procurement activities and public tenders or RFQ's. • Norfolk Island Procurement Gap Analysis. • Norfolk Island (Expression of Interest for the Wharf Project - Stage 1). • Norfolk Island (Select-Tender for the Wharf Project - Stage 2). • New templates for Council land / building use. • Procurement of waste management equipment. • Council housing letters to tenants. • Procurement of audit services. • Transportation Stormwater Assets Engineering. • Waste Management Solution (Phase 1).
HR Support and Advice	<p>Peak Services' Legal and Workforce team has provided limited HR Support to NIRC, as required. The services exclude sperate legal advice that was provided to Council regarding redundancies. Some of the topics of advice that have been provided to NIRC are:</p> <ul style="list-style-type: none"> • enterprise agreement interpretation; • employee related issues e.g. - redundancy and consultation requirements; • statutory appointments;

	<ul style="list-style-type: none"> • steps to mitigate adverse action and/or unfair dismissal claims for employee in receipt of WorkCover payments; • statutory comparison of Fair Work Act and Norfolk Island Legislation Amendment Act for the purpose of a transfer of business.
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How many roles are currently filled by non-Island Residents based at Peak Services?

- Governance – 2 people
- Financial Management – 3 people
- Payroll – 1 person
- WHS & Risk Management – 1 person
- Media/Communications – 1 person
- ICT – 1 person (resides part-time on Island)

(Note: not all the above roles are full-time)

Were roles advertised publicly?

No - While roles have been advertised on Island in the past, NIRC's past failure to recruit competent local people with the required skill sets and its appalling organizational performance in the lead up to the period of Administration dictated that a fresh approach to acquiring back-of-house services was necessary.

NIRC is an equal opportunity employer. All staff 'jobs' are advertised locally, as well as on mainland Australia for more highly skilled positions. However, NIRC does not presently classify the services provided by Peak Services as 'staff jobs' – rather, we are outsourcing high level specialist services in the following areas:

- Governance
- Financial Management
- Payroll
- WHS & Risk Management
- Media/Communications
- ICT

Why is the work done by non-residents of Norfolk Island?

The evolution of and reasons for the arrangement with Peak Services (LGAQ) are explained above (See: Pages 1 to 3 above).

Opportunities for young Norfolk Islanders to access career opportunities with NIRC?

During the period of administration very few career opportunities have arisen at NIRC. The organisation had to downsize through that period, undergoing two successive redundancy exercises. This was because NIRC was over-staffed relative to its capacity to cover its operational costs. Exacerbating the situation is the community's general unwillingness to contribute to operational costs through rates and charges. In that environment, we need to operate with a lean workforce that reflects NIRC's circumstances. Being as lean as NIRC is, means there are limited opportunities for in-house traineeships compounded by a lack of competent trainers in NIRC's workforce.

Before receiving your letter, I had already raised the possibility of establishing Brisbane-based local government traineeships within Peak Services where young Norfolk Island residents could be implanted as trainees – working either on-Island and/or in Brisbane. That would open future career opportunities in a much wider local government employment market than just limited to Island. This concept is something I would be happy to develop further, however it would need to be financially supported by the Commonwealth.

As always, I will be more than happy to answer any further questions.

Kind Regards

Mike Colreavy
Administrator
Norfolk Island Regional Council



SENATOR DAVID POCOCK
Senator for the ACT

Michael Colreavy
Administrator
Norfolk Island Regional Council
PO Box 95
NORFOLK ISLAND 2899

Dear ~~Mr Colreavy~~ Michael,

I write to you concerning the staffing profile of the Norfolk Island Regional Council (the NIRC).

I understand that several positions have been off-shored and are currently being performed by people living in Brisbane.

While I appreciate the NIRC may need the skills of people who do not live on the Island, I am concerned that some of these positions are not specialist roles and could be filled by people living on the Island.

I am concerned that by off-shoring positions, the NIRC is denying young Norfolk Islanders the chance to access career opportunities, gain experience in local government and is missing an opportunity to build a pipeline of future leaders for the Island.

Are you able to clarify how many roles are currently filled by people who do not reside on the Island?

For each of these roles, I would also appreciate any information you can provide on whether those roles were advertised publicly, whether they were advertised as positions based on Norfolk Island and why those positions were offered to people who do not reside on the Island.

Sincerely,

Senator David Pocock

14 Dec 2022

CC: The Hon. Kristy McBain MP, Minister for Regional Development, Local Government and Territories



SENATOR DAVID POCOCK
Senator for the ACT

Michael Colreavy
Administrator
Norfolk Island Regional Council
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