



Australian Government

Department of Transport and Regional Services

STATEMENT OF REQUIREMENT

Background/Introduction

The Norfolk Island Government (NIG) has wide social, economic and infrastructure responsibilities for the Island's permanent population of less than 2000 people. The Island is exempt from mainland taxation arrangements and therefore is not a beneficiary of Commonwealth revenue-sharing with the other States and Territories.

A number of reports over several years have raised fundamental concerns about the NIG's financial capacity to deliver services at appropriate standards and raised doubts about the sustainability of the Territory's self-government arrangements. An apparent downturn in its key industry - tourism - and a perception of poor maintenance and/or funding of key social and economic infrastructure compound the financial hardship the NIG may be experiencing.

The Australian Government wishes to determine and understand the risk/s of the NIG not being able to meet debt repayments and recurrent costs while providing the range and quality of services to the Norfolk Island community comparable to those provided in a similar sized remote community in other parts of Australia.

Objective

To report on the NIG's current financial situation and to provide an understanding of the risk and/or degree of a financial collapse, including a forecast of the future financial position of the NIG in the short to medium terms.

Requirements for the Assessment

The report on the financial position of the NIG and Administration (Public Service) will cover all relevant matters including:

- Detailed examination of the NIG's revenues, recurrent and other expenditures, liabilities and cash reserves;

- Whether the NIG and Administration is currently solvent or is likely to become insolvent in the next 6-12 months based on current policies;
 - if so, what options are available to prevent this and an assessment/ranking of the options for implementation
 - analysis of the risks associated with implementing each of the options
- A forecast of the NIG's future financial position for the next three years based on current policies; listing assumptions
- An analysis of the relationship between tourist numbers and NIG revenues, based on the past five years;
- Asset and infrastructure investment patterns by the NIG, and the future funding implications of the Asset Management Plan, either based on the draft or final document. Consideration should include an analysis of the risks and the implications of any proposed asset replacement plan not being met;
- The ability/capacity of the NIG to fund increased levels of debt for capital assets replacement based on current revenue collection methods and cash reserves, without compromising recurrent expenditure on administration and services; and
- Assessment of the quality of relevant Norfolk Island financial and budgetary information.