

**DRAFTSUBMISSION TO THE JOINT STANDING COMMITTEE ON THE
NATIONAL CAPITAL AND EXTERNAL TERRITORIES**

**Inquiry into Norfolk Island Governance Part 2:
Sustainability of Government Arrangements on Norfolk
Island**

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

1 Background

The Department of Family and Community Services (FaCS) made a submission to the first part of this inquiry, as part of the terms of reference covered the introduction of the standard Australian tax regime and, by association, standard Social Security benefits to the Island. That submission outlined some of the issues associated with residents of the Island becoming eligible for the full range of FaCS payments and services. These included:

- social security and family assistance arrangements are intertwined with Australia's taxation, health and superannuation systems; changes to the provision of each of these has implications for the others;
- means testing and compliance information may not be available to the same level as the rest of Australia;
- supplementary benefits and concessions are not available to potentially eligible recipients on the island; and
- the current lack of information technology, administrative and physical infrastructure that would be needed to support assessment of an individual's barriers to economic and social participation and eligibility for payments.

This submission considers in more detail the issues associated with Norfolk Island's geographic and economic circumstances. It discusses implications for FaCS programs and services such as child care services and employment programs rather than simply the provision of a financial safety net. It also notes that the Island could have access to community capacity building programs in conjunction with standard social security payments and programs.

FaCS has specific interests in promoting better social and economic outcomes for all Australian communities, including those that are in isolated locations. FaCS promotes stronger communities through:

- encouraging the development of community capacity for self-help;
- helping ameliorate the effects of pressures on and within communities; and
- facilitating partnerships between business, community groups and governments to achieve well-targeted and tailored solutions.

FaCS also places an important focus on the roles of individuals within communities. To maximise the engagement of all Australians in society, the Department:

- encourages increased participation by enabling access and promoting opportunities;
- fosters a culture of self-reliance in the community and planning for the future, including for retirement;
- provides an effective income support safety net; and

- develops partnerships with key stakeholders (other departments, business and community organisations and service providers) to improve efficiency and effectiveness of services, to identify emerging problems and to develop appropriate policy responses.

2 Social Security eligibility for Norfolk Island residents

2.1 Overview

Replacing the existing tax regime with Australia's ordinary income tax laws will affect the residents of Norfolk Island in various ways depending on their income and financial situation. As these taxes would be based on different thresholds, regulations and goals to those currently prevailing on the island, there may be adverse consequences for some residents. It can be argued, therefore, that to maintain a level of equity and fairness, Norfolk Island residents should also be eligible for support through the same social security payments and services available on the mainland and other eligible island communities.

Residents of Norfolk Island could be made eligible for the standard social security arrangements for mainstream Australia, and this would provide a socially acceptable safety net along with incentives for self-reliance at a level that is consistent with community values and taxpayer affordability.

Because communities can often differ in their economic, demographic and social make-up, they may have specific local needs. Therefore, in addition to being eligible for the support of the full range of FaCS payments and benefits, the Island might also be eligible for initiatives under the Stronger Families and Communities Strategy (SFCS). These initiatives have been designed to help families, children and communities at risk and include community capacity building activities like leadership and mentoring programs that help communities provide support, services and opportunities for individuals.

2.2 Additional support for isolated communities

FaCS has had extensive experience in supporting and providing services to rural, remote and isolated communities. These include small rural communities, Indigenous populations in remote Australia, and isolated islands such as Christmas, Thursday and Tiwi Islands.

The issues and circumstances facing individual isolated communities can differ significantly from more urban locations, and indeed from other isolated communities. For example, housing costs on Island communities such as Christmas Island can be very high, as can the cost of food. On the other hand, cars, alcohol and cigarettes are relatively inexpensive because no GST or import duties are charged. Island communities can also have a unique cultural make-up, quite different from those of remote communities on the mainland, let alone those of less remote regions. For example, individuals on Christmas Island are of predominantly Chinese origin (around 60%), with those of Malay and Australian origin each comprising around 20% of the population.

Because of the circumstances often faced by isolated communities and individuals within them, flexible service delivery arrangements and individualised assistance have proven to be most effective in achieving desired outcomes. For example, the Community Development and Employment Projects (CDEP) offer remote Indigenous communities an alternative to passively receiving unemployment benefits. CDEP is based on community development with participants being employed in projects ranging from housing and road maintenance to artefact production and horticultural enterprises. A focus of the CDEP program is the involvement of the local community in the design and governance of projects. Meaningful employment outside of CDEP is seen as an intended outcome for many participants.

The portfolio has responsibility for a number of programs under the SFCS that help empower communities. For example, the Local Answers initiative gives communities the power to develop their own solutions to local issues and helps them help themselves by supporting locally developed and implemented projects. Some of the projects that can be supported under Local Answers include those that:

- build effective parenting and relationship skills;
- build opportunities and skills for economic self-reliance in families and communities;
- build partnerships between local services that strengthen support to families and communities, so they deliver better services and meet unmet needs;
- assist young parents, in particular to further their education or gain access to training and other services, when they are seeking to make the transition to employment; and
- assist members of the community to get involved in community life through local volunteering, mentoring of young people, and training to build community leadership and initiative.

As prescriptive national solutions can lack the flexibility to adequately address complex local problems, the initiatives that make-up the Strategy, such as Local Answers, can be tailored to suit a community's circumstances. Developing solutions to complex social problems requires all stakeholders to work together and the Strategy focuses on engaging stakeholders in the decision making process.

2.3 Community representation

FaCS experience shows that, communities benefit from having some form of representative group that can interact with the Government on behalf of the community. This is the one of the most effective ways that Government can get accurate feedback on the effects of policy, and is also essential to gaining community support for new initiatives.

These representative organisations may be an informal group of community representatives or be a more formal authority such as a shire council on Thursday Island or the Tiwi Island Local Government. Whether formal or informal, it is vital that these organisations adequately reflect the community they are representing.

For example the Shire Council on Christmas Island is democratically elected and the Tiwi Local Government is broadly based with representatives from Nguuu (Bathurst Island), Pirlangimpi and Milikapiti (Melville Island) and the Wurankuwu Aboriginal Corporation.

An example of where a representative organisation actively engages both Commonwealth and State authorities is the Christmas Island Shire Council, which actively lobbied for the introduction of a Child Care Centre. The Council established a management committee dedicated to the success of the Centre and to ensure relevant standards of Centre construction and staff training were met. The committee now also acts to ensure funding requirements are met and monitors the quality of the service. FaCS funds the Centre under the Innovative Child Care program.

Local authorities can also be responsible for the administration of social security payments and related services. For example the Tiwi Island Local Government is responsible for:

- managing community employment programs and, where relevant, promoting and managing the provision of social security services or benefits; and
- promotion and provision of community welfare, health and care facilities for people of all ages, on behalf of State and Commonwealth bureaucracies.

Many FaCS programs need a local representative or "partner" to be considered for funding. For example, the involvement and support (through provision of tools, for example) of a local partner representative was essential for a Green Corps project on Christmas Island. A Green Corps project was also established on Tiwi Island, again due to local support.

Norfolk Island differs in some important respects from other remote island communities. On the one hand its economic base appears more sustainable than that of those communities. On the other, the first report¹ of this Committee suggests that its society may be less cohesive. However, the Government's experience in Christmas and Tiwi Island and in many other remote communities give confidence that it should be possible to both develop community capabilities and deliver a social security system in Norfolk Island.

3 Other considerations

3.1 Legal and legislative implications

Opening social security eligibility to Norfolk Island residents would require legislative amendments of the social security law. Generally, social security payments are provided to people who are residing in Australia. As Norfolk Island is not considered

¹ Joint Standing Committee on the National Capital and External Territories "Quis Custodiet Ipsos Custodes? Inquiry into Governance on Norfolk Island" December, 2003.

to be part of Australia for the purposes of the Social Security Act, amendments would be required to ensure that those residing in Norfolk Island would satisfy the social security residence requirements.

Making residence in Norfolk Island equivalent to residence in Australia could have the effect of giving eligibility for family assistance² to Norfolk Island residents. However, family assistance payments are part of the taxation system and the amount of the family assistance entitlement is calculated in respect of the claimant's taxable income, as defined in the taxation law. The intrinsic linkages of family assistance with the taxation system may provide some complications, depending on whether personal income tax, as it applies to mainland Australia, is implemented on Norfolk Island.

If the current Norfolk Island tax regime were simply replaced by that of mainland Australia's, the legislative changes would be straight forward as these Islanders would then fall under the standard tax legislation. However, if some or all of the Norfolk Island tax regime was maintained, more complex legislation would be required that provided an equitable level of access for Norfolk Islanders while taking into account a differing tax regime. This could also present problems for compliance and data matching.

If other services or programs administered by the department were to be extended to Norfolk Islanders (eg housing support), more legislative amendments would be required.

3.2 Financial implications for the Commonwealth

There is currently insufficient demographic data available on which to form an accurate costing for providing social security payments and programs to Norfolk Island. While an accurate costing should be based on the actual demographic profile of the Island, FaCS can provide an estimate of eligible recipients and expenditure by applying the per capita incidence of benefit receipt and expenditure in Australia to the Norfolk Island total population.

Based on this assumption, FaCS estimates the cost of providing ordinary social security payments and programs to Norfolk Island residents to be of the order of \$5 million a year (see [Attachment A](#) for a more detailed costing). However, this expenditure will be very sensitive to the demographic profile, levels of labour market participation, distribution of income levels and details of the social welfare system implemented on Norfolk Island. This level of expenditure should be considered in the context of the estimated \$9 million³ that would be received by the Commonwealth through the introduction of the Australian ordinary income tax regime to the Island.

² Includes Family Tax Benefit, Maternity and Maternity Immunisation Allowance and Child Care Benefit

³ Department of the Treasury estimate.

4 Conclusion

FaCS has specific interests in promoting better social and economic outcomes for all Australian communities, including those that are in isolated locations. In addition, FaCS has had extensive experience in supporting and providing services to rural, remote and isolated communities such as Christmas, Thursday and Tiwi Islands.

The social support system in Australia is intrinsically inter-related with the tax system and has implications for any extension of income support eligibility to Norfolk Island residents. Because the two systems are so closely linked, the type and level of income support that could be provided to the Island is dependent on the specific tax system that will be applied. The type of tax system to be applied to Norfolk Island will also determine the level of legislative amendments required to the Social Security Act and related legislation.

FaCS experience shows that communities benefit from having some form of representative group that can interact with the Government on behalf of the community. This is the one of the most effective ways that Government can get accurate feedback on the effects of policy, and is also essential to gaining community support for new initiatives. Norfolk Island differs in some respects from those of other remote island communities as it has a stronger economic base but a less cohesive community identity.

If it were decided to extend social security eligibility to Norfolk Island, residents would be eligible for the full range of FaCS benefits and payments. In addition, the Island would also be eligible for support under flexible community capacity building programs such as the SFCS. For example, the Local Answers initiative gives communities the power to develop their own solutions to local issues and helps them help themselves by supporting locally developed and implemented projects.

Estimated number of eligible recipients and expenditure by payment main payment type

Payment type⁴	Estimated number of eligible recipients on Norfolk Island	Estimated Annual Cost
Age Pension ⁵	191	\$1,869,762
Carer Payment	6	\$61,067
Disability Support Pension	54	\$574,826
Parenting Payment Single	35	\$357,811
Austudy	3	\$26,012
Newstart Allowance	44	\$398,172
Widow Allowance (all)	4	\$36,310
Youth Allowance	32	\$195,615
Partner Allowance	8	\$70,856
Parenting Payment Partnered	15	\$109,508
	Estimated number of eligible recipient Families on Norfolk Island	
Family Tax Benefit (A)	144	\$680,001
Family Tax Benefit (B)	99	\$203,944
Child Care Benefit	57	\$116,028
Estimated eligible recipient expenditure		\$4,699,912
Estimated programs and services expenditure⁶		\$95,342
Estimated Total (recipient, services and programs expenditure)		\$4,795,254

Note: Depending on the nature and extent of FaCS services to be provided to Norfolk Island, there may be applicable costs associated with set-up and administration.

⁴Provision of services and programs based are on the application of the per capita incidence of benefit receipt and expenditure in Australia to the number of Norfolk Island residents.

⁵ Number of eligible recipients increased for this payment increased by 3.5% to more accurately reflect the number of those aged 65+ on Norfolk Island.

⁶ Estimates of the cost of provision of services and programs (such as the Stronger Families and Communities Strategy and Green Corps program) based on the FaCS Annual Report (2002-03).