



COMMONWEALTH
OF AUSTRALIA



THE GOVERNMENT OF
NORFOLK ISLAND

MEMORANDUM OF UNDERSTANDING

Financial Assistance for Essential Services on Norfolk Island

Between

THE COMMONWEALTH OF AUSTRALIA (Commonwealth)

and

THE GOVERNMENT OF NORFOLK ISLAND (Norfolk Island)

Whereas,

- A. The Chief Minister of Norfolk Island wrote to the Commonwealth Minister for Regional Australia, Regional Development and Local Government in October 2010 outlining the current financial circumstances of Norfolk Island and seeking financial assistance from the Commonwealth;
- B. The Commonwealth Minister and the Chief Minister of Norfolk Island have subsequently corresponded and have had discussions regarding Norfolk Island's financial circumstances as well as a range of proposed governance and financial reforms;
- C. On 3 November 2010 the Chief Minister of Norfolk Island publicly stated the Norfolk Island Government's support for the passage of the *Territories Law Reform Bill 2010* through the Australian Parliament and also indicated that the Norfolk Island Government had agreed in broad terms to participate in the Australian taxation and social security systems on the basis that there will be a net benefit for Norfolk Island and its community and there is appropriate consideration of local circumstances;
- D. The Commonwealth acknowledges the difficult financial circumstances faced by Norfolk Island and the need to address the Island's short term problems and its long term financial viability;
- E. The Commonwealth wishes to assist Norfolk Island develop long term sustainability of its economy and will work with Norfolk Island to achieve this through structural reform to the Island's governance arrangements, financial management framework and other measures that may be agreed between the Commonwealth and Norfolk Island;

F. The Commonwealth has agreed to consider providing short term financial assistance to Norfolk Island to assist with the maintenance of essential services; and

G. The Parties acknowledge that agreement by relevant Commonwealth Ministers would be required before any decision to provide financial assistance can be made. Norfolk Island acknowledges that securing such agreement would require full, accurate, timely and ongoing disclosure of the financial position of the Norfolk Island Government together with such independent verification of that position as may be available or required.

The Parties agree to the following:

Purpose

1. The purpose of this Memorandum of Understanding is to outline the understanding between the Parties as to the process the Parties propose to follow to further consider revised Commonwealth/Norfolk Island relations, including financial assistance, to support Norfolk Island.

Request for assistance

2. The Commonwealth would consider a written request from Norfolk Island to provide financial assistance for the remainder of the 2010/2011 financial year if received following the entering into of this Memorandum of Understanding.
3. A written request from Norfolk Island would contain details of the amount of funding sought and a budget and statement of cash flows for the remainder of the 2010/2011 financial year prepared in accordance with Australian Accounting Standards.

Note: The budget and statement of cash flows will be prepared on the assumptions that that Commonwealth will not provide any financial assistance to Norfolk Island and that Norfolk Island will:

- 1) maintain cash reserves at least equal to the balance of pre-paid ticket sales; and
- 2) not retire any existing debt; and
- 3) not incur or renegotiate any new material liabilities or obligations.

If funding is provided - agreement as to conditions will be required

4. If the Commonwealth was to provide financial assistance, the Parties would enter into a detailed agreement which would set out the terms and conditions under which the funding would be provided.

5. If the Commonwealth was to provide financial assistance, Norfolk Island would need to act in a reasonable and financially prudent manner, ensuring that it preserved its overall financial position.
6. As any funding would be for the purpose of meeting the short term needs of the Norfolk Island community for specified essential services, Norfolk Island would need to agree not to incur or renegotiate any new material liabilities or obligations or reduce its ability to meet its liabilities without first disclosing the proposed arrangements to the Commonwealth and giving the Commonwealth a reasonable opportunity to provide its comments.
7. If the Commonwealth was to provide financial assistance, Norfolk Island would need to work with the Commonwealth in a genuine manner to implement improvements to Norfolk Island's financial framework, public sector governance and accountability arrangements and agree to remain committed (including publicly) to those reforms.
8. Norfolk Island acknowledges that it would need to:
 - 1) continue to publicly support the *Territories Law Reform Bill 2010*;
 - 2) publicly support a Commonwealth-funded survey of the Norfolk Island population and economy and a study into Norfolk Island's economic prospects; and
 - 3) work with the Commonwealth in reviewing government services to be delivered on Norfolk Island after 30 June 2011.


If funding is provided - payment, acquittals and monitoring

9. An agreement to provide funding would provide for the Commonwealth to make monthly tranches subject to Norfolk Island meeting its obligations under the funding agreement including providing monthly acquittals of the expenditure of the funding.
10. Norfolk Island would need to agree to include with monthly acquittals a revised budget and statement of cash flows for the remainder of the 2010/2011 financial year prepared as at the acquittal date.
11. Norfolk Island would be obliged to advise the Commonwealth immediately it becomes aware of any material departures from the budget and cash flows.
12. Norfolk Island would provide the Commonwealth full access to its financial records and records of any contracts and financial arrangements if requested to allow monitoring and ensuring compliance with the terms on which funding is provided.

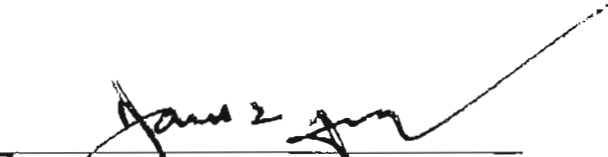
The parties confirm their commitment to this Memorandum of Understanding:

Signed for and on behalf of the
Commonwealth of Australia

Signed for and on behalf of the
Government of Norfolk Island



The Hon. Simon Crean
Minister for Regional Australia,
Regional Development and Local
Government



The Hon. David E. Buffett AM MLA
Chief Minister

Dated: 25th November 2010