

LORD HOWE ISLAND BOARD



2013-2014

ANNUAL REPORT

This is the sixty first report of the Lord Howe Island Board since the passing of the *Lord Howe Island Act 1953* and covers the period 1 July 2013 to 30 June 2014.

The Hon Rob Stokes MP
Minister for Environment
52 Martin Place
SYDNEY NSW 2000

Dear Minister

We have pleasure in submitting the 61st Annual Report of the Lord Howe Island Board for the year ended 30 June 2014 for presentation to Parliament in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983*, the *Lord Howe Island Act 1953* and the Regulations under those Acts.

Yours sincerely



Barney Nichols
Deputy Chair



Lisa Makiiti
Elected Island Member

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Cover Photograph courtesy Jack Shick – Golden Plover Breeding Plumage

Lord Howe Island Board

This is the sixty first report of the Lord Howe Island Board since the passing of the *Lord Howe Island Act, 1953* and covers the period 1st July 2013 to 30th June 2014. This report is prepared in accordance with Premiers Memorandum M2013-09.

CHARTER

The Lord Howe Island Board is a statutory body established under the provisions of the *Lord Howe Island Act, 1953*. The Board is charged with the responsibility of administering the affairs of the Island. "Island" as defined by the Act means the island known as Lord Howe Island and all adjacent islands and coral reefs situated within one marine league measured from low-water mark on the coast of Lord Howe Island together with the islands known as Ball's Pyramid, Wheatsheaf Island, Observatory Rock and South-East Rock and the unnamed islands in the vicinity thereof.

Under the Act, the Board has the following charter:

- a) to provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the Island community and to ensure that those services and facilities are managed efficiently and effectively,
- b) to exercise community leadership,
- c) to exercise its powers, authorities, duties and functions in a manner that is consistent with and actively promotes the principles of multiculturalism,
- d) to promote and to provide and plan for the needs of children,
- e) to manage, protect, restore, enhance and conserve the Island's environment in a manner that is consistent with and promotes the principles of ecologically sustainable development set out in section 6 (2) of the [*Protection of the Environment Administration Act 1991*](#),
- f) to manage, protect, restore, enhance and conserve:
 - (i) vacant Crown lands, and
 - (ii) lands reserved or dedicated under section 19 or 19A (including, in particular, the Lord Howe Island Permanent Park Preserve), in a manner that recognises the World Heritage values in respect of which the Island is inscribed on the World Heritage List referred to in the United Nations *Convention Concerning the Protection of the World Cultural and Natural Heritage*,
- g) subject to paragraphs (e) and (f), to promote the Island as a tourist destination,
- h) to have regard to the long term and cumulative effects of its decisions,
- i) to bear in mind that it is the custodian and trustee of public assets and to effectively account for and manage the assets for which it is responsible,
- j) to facilitate the involvement of members of the Board, members of the public, users of facilities and services and the Board's staff in the development, improvement and co-ordination of the Board's powers, authorities, duties and functions,
- k) to raise funds for Island community purposes by the fair imposition of charges and fees, by income earned from investments and, when appropriate, by borrowings and grants,
- l) to keep the Island community and the State government (and through it, the wider community) informed about its activities,
- m) to ensure that, in the exercise of its regulatory powers, authorities, duties and functions, it acts consistently and without bias, particularly where an activity of the Board is affected,
- n) to be a responsible employer.

CORPORATE OBJECTIVES

VISION To provide for the well-being of the Island community, and the protection and enhancement of the Island environment for the benefit of all.

MISSION The Lord Howe Island Board will provide quality services and responsible and efficient resource management to support the Island community and environment, and will deliver innovative, responsive and effective management of the Island.

CORPORATE VALUES The commitment of the Board members and officers of the Lord Howe Island Board to its residents and stakeholders is underpinned by the following corporate values and principles:

- Effective service delivery to the community.
- Advocacy on behalf of the community.
- Continuous improvement which encourages initiative, creativity and innovation and values new ideas.
- Transparency and accountability in all our dealings.
- Respect and fairness to all persons.
- Teamwork and loyalty and recognition of effort and achievement.
- Responsible civic leadership.

The above corporate values align with the principles contained in the *Lord Howe Island Act, 1953* and the Board's Code of Conduct.

ACCESS

The Board's principal place of business is located on Lord Howe Island. The Board can be contacted through the Chief Executive Officer at the Administration Office located in Bowker Avenue, Lord Howe Island.

MAIL: Lord Howe Island Board, PO Box 5, Lord Howe Island NSW 2898

EMAIL: administration@lhib.nsw.gov.au

PHONE: 02 65632066

WEBSITE: www.lhib.nsw.gov.au

The Board's Administration Office is open during normal business hours - 8:30am to 4:30pm Monday to Friday.

MANAGEMENT AND STRUCTURE

BOARD MEMBERSHIP

During the reporting period membership of the Board was as follows:

Name	Position	Term(s)
Mr Chris Eccles	Chairperson and Appointed Member - officer of the Department of Premier and Cabinet	12/08/13 – 25/06/14
Mr Robert Conroy	Chairperson and Appointed Member - officer of the Office of Environment and Heritage	19/11/12 – 11/08/13
Mr Barney Nichols	Deputy Chair and Elected Islander	13/02/09 - 12/02/12 13/02/12 - 12/02/15
Mr Gary Crombie	Elected Islander	13/02/09 - 12/02/12 13/02/12 - 12/02/15
Ms Lisa Makiiti	Elected Islander	13/02/12 - 12/02/15
Mrs Judith Riddle	Elected Islander	13/02/12 - 12/02/15
Mr John King	Appointed Member representing the interests of business and tourism	27/11/12 – 26/11/15
Mr Robert Pallin	Appointed Member representing the interests of conservation	27/11/12 - 26/11/15

Elected Islanders are elected to the Board by the resident Island community every three years. The most recent poll for elected Island members was held on 9 February 2012 with four members being declared elected by the Minister for the Environment for a period of three years from 13 February 2012.

During the reporting period, the Board met on the Island on the following occasions:

- August 2013 - apologies Mrs J Riddle, all other Board members in attendance
- November 2013 - all Board members in attendance
- March 2014 - all Board members in attendance
- May 2014 - all Board members in attendance

The chairmanship of Mr Chris Eccles ceased in June 2014 as a consequence of his resignation from the NSW Public Service. In the absence of a chairperson the Deputy Chair chaired the May and September meetings.

The Board also met by telephone in April 2014. On that occasion Mr Eccles and Mr Pallin were apologies, with all other Board Members in attendance.

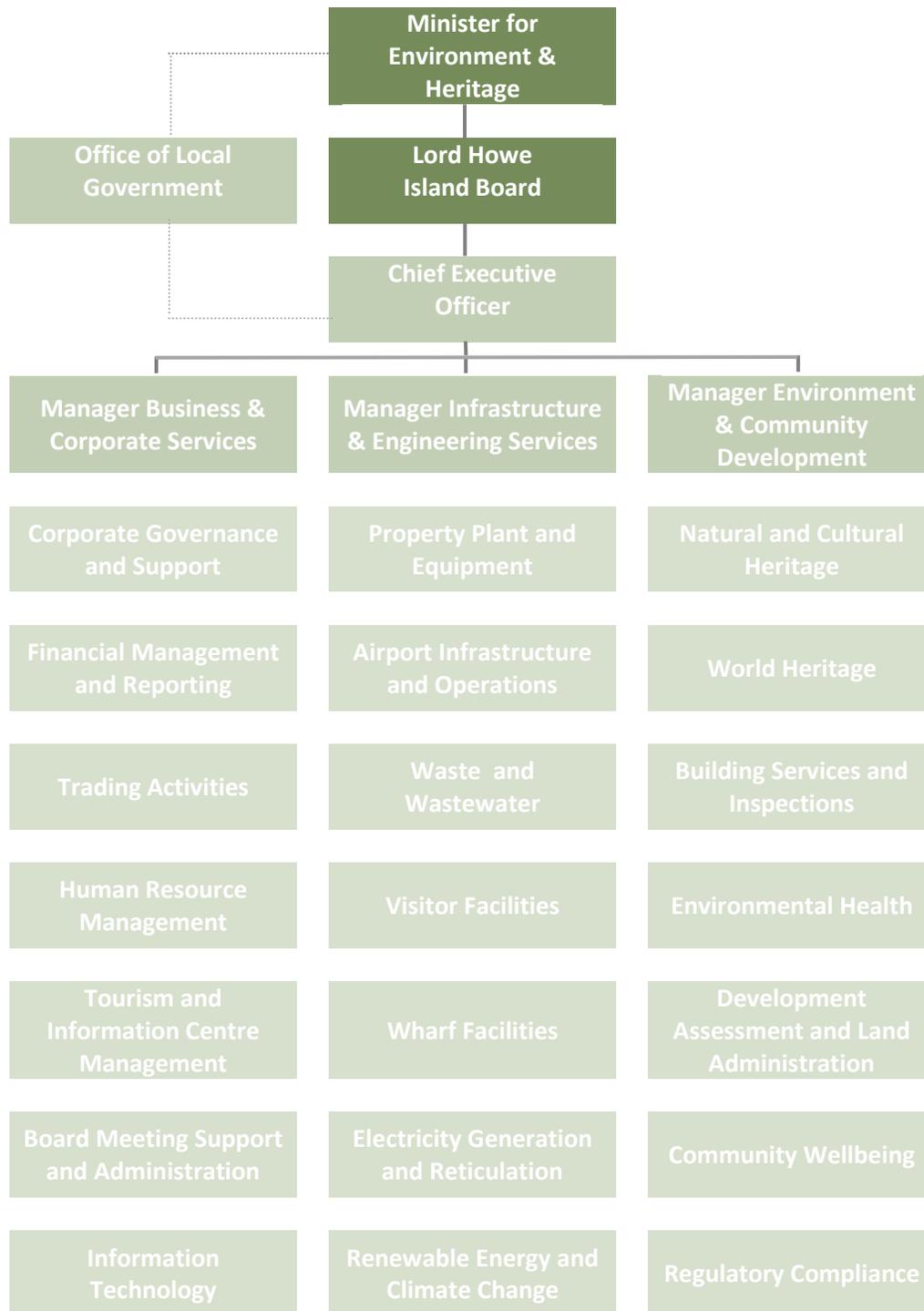
Board meetings are generally held in public, with the exception of items relating to commercial and business affairs, staff and personnel issues, legal matters and items affecting the private affairs of individuals. Members of the public are informed of the outcome of meetings through publication of minutes of the meetings. The Board has adopted a Code of Conduct which includes meeting procedures. The Code is available on the Board's website.

SENIOR OFFICERS

During the reporting period the following persons held executive and senior positions within the Board's administration:

Name	Position	Qualifications
Ms Penny Holloway	Chief Executive Officer	Bachelor of Arts (Honours); Graduate Diploma in Public Policy, Master of Urban Planning
Mr Bill Monks	Acting Chief Executive Officer and Manager Business & Corporate Services	Master of Business Administration (Finance)
Mr Andrew Logan	Manager Infrastructure & Engineering Services	Bachelor of Engineering (Environmental)
Mr David Kelly	Manager Environment & Community Development	Bachelor of Applied Science, Master of Natural Resources
Ms Jemima Spivey	Acting Manager Business & Corporate Services	

ORGANISATIONAL STRUCTURE



Year in Review

CHAIRPERSON'S REPORT

In addition to the Board carrying out its wide range of statutory functions under the *Lord Howe Island Act 1953* and provision of other public services, the 2013-14 year saw the initiation, continuation or completion of several major projects that will have an important and positive impact on the Island. These achievements were realised against a challenging year with key changes to the composition of the Board and to the Board's administrative staff.

Airport and Air Service. In August / September 2013 the Board removed some 10,000 cubic metres of sand to lower the height of the Blinky Beach dune to enable the lifting of weight restrictions on QantasLink's Dash-8 aircraft. At the same time the Board was successful in obtaining a grant of \$4million from the Commonwealth Government to match the grant previously obtained from the NSW Government to fund the \$8million resealing of the Island's airstrip. This is due to be carried out in the winter of 2015. The new surface is expected to last 20 years.

Consequent to the sale by QantasLink of two of its Dash 8 aircraft in May 2014, representatives of the Board and the airline met to discuss matters relating to the airport and the ongoing provision of an air service. QantasLink gave assurances that the service would be maintained with the three remaining aircraft, and that it was keen to continue providing an air service to the Island. The Board and QantasLink agreed to work cooperatively on all matters to do with the airport and future of the air service.

Rodent Eradication Project. Consequent to the scheduling of the airstrip resealing work in winter 2015, the Board-sponsored Rodent Eradication Project (REP), originally scheduled for the winter of 2015, was deferred until winter 2016. Also, tests on mice during the year showed an increased tolerance to brodifacoum, necessitating a review of the plan. These developments have presented the opportunity to re-engage with the community through a fresh, two-staged approach. In June 2014 an independent community engagement contractor, Elton Consulting, was contracted to carry out this work. The first stage, to be completed in autumn 2015, will dictate whether the REP is to proceed and, if it does, stage two will take it to implementation in the winter of 2017 or 2018.

Renewable Energy Project. With guidance and assistance from a community working group, Board staff have developed a plan with a target of 80 percent of the Island's power to come from renewable sources (solar and wind) by 2019. As well as demonstrating in a practical way the Island's commitment to protecting the environment, this will significantly reduce our reliance on diesel fuel for power. A bid for to cover half the cost of the project was lodged with the Commonwealth Government's Australian Renewable Energy Agency just before the end of the financial year, with funding of \$4.5 million being approved. Board staff have submitted an application for the remaining \$5.9 million from the NSW Government. While the island community's acceptance of solar power was well-known, community consultation resulted in an acceptance of wind turbines. Testing will be carried out during this year on the suitability of the chosen site.

Wastewater Management Project. The Board is driving this project to improve the quality of the Island's wastewater to protect the health of Islanders and visitors and guard against damage to the lagoon environment. Following the preference shown by the Island community to manage their own onsite systems, some suppliers of systems accredited by the NSW Government were identified and conducted an expo on the Island. Leaseholders are now in the process of choosing a system where their existing system has to be upgraded or replaced. With assistance from Lord Howe Island Sea Freight, the Board has introduced a range of incentives to ease the cost burden to Islanders.

Waste Management Facility. An assessment of the Waste Management Facility (WMF) operations in February 2014 showed the Island community is diverting 87 per cent of waste generated on the Island away from landfill; an excellent result that well exceeds the NSW Government's target of a 66 per cent diversion rate for households. An enhancement of the WMF's glass-crushing machine has resulted in the end product now being suitable for use as a base on the Island's roads.

Slipway and Boat Ramp.

Consequent to the Board's refusal of a Development Application from the Lord Howe Island Community Slipway Association (CSA) to build a slipway at Wilson's Landing in December 2012, a working group comprising representatives from the CSA, the Island community and the Board's administration was set up to look for an alternative solution for a slipway capable of handling the larger launches. The group met several times in 2013-14 and, following advice (just in time for the May Board meeting) that funding from Roads and Maritime Services would be available for a slipway near the WMF – a site favoured by a majority of Islanders - a contractor has been engaged to develop a plan.

Lord Howe Island Governance Review. The NSW Government appointed the Hon Murray Gleeson AC to conduct the review in 2012, and the Government's response to the recommendations was released in August 2013. The recommendations were to maintain the status quo, with the one change being to formally recognise that the elected Island Board member with the most votes in the most recent election should undertake a community leadership and ceremonial role.

Review of Staffing and Administration of the Board. In September 2013 the NSW Government appointed Mr Ken Baxter, former Director-General of the Department of Premier and Cabinet, to conduct this review. The outcome was supportive of what the Board is doing and the direction in which it is headed.

Report into Financial Sustainability of the Board. With concerns over the long-term financial sustainability of the Board, particularly with respect to funding of capital works and depreciation of the Board's assets, accounting firm PricewaterhouseCoopers (PwC) was commissioned to conduct this review. The findings of the PwC report supported the Board's view that ongoing capital funding from Government was both necessary and reasonable. The result is that the Board is now permitted to submit capital expenditure funding proposals to NSW Treasury. There is every reason to believe that the great majority of the Board's capital expenditure will be funded by Treasury into the future. This puts the Board on a solid financial footing, facilitating the achievement of future operational objectives.

Composition of the Board. In response to the Lord Howe Island Governance Review conducted by the Hon Murray Gleeson AC, the then Minister for the Environment, Robyn Parker, appointed Mr Chris Eccles, the then Director-General of the Department of Premier and Cabinet, as Chair in August 2013. Mr Eccles replaced Mr Bob Conroy, who ceased to be the Chair on his retirement from the Office of

Environment and Heritage. The appointment of the NSW Government's most senior public servant to the role of Chair reflected the importance of the island to New South Wales. Mr Eccles' chairmanship ceased in June 2014 as a consequence of his resignation from the NSW Public Service. At the time of writing a new Chair has not been appointed. In the absence of a chairperson I had the honour of chairing the May and September meetings.

Administrative Staffing. Following the resignation of Mr Stephen Wills as Chief Executive Officer (CEO) in May 2013 the Board's Manager Business & Corporate Services, Mr Bill Monks, took on the role of Acting CEO. He was in this role for seven months, until December 2013, when Penny Holloway took over as CEO.

Thank You. In concluding this report I'd like to thank the entire Board staff for their efforts during the year. Much was achieved during a year that saw changes in personnel at all levels and a reduction in staff numbers. I'd particularly like to thank Mr Bill Monks for his contribution as Acting CEO during a time in which, in addition to the CEO position, the two senior roles in the Infrastructure and Engineering Services unit were also vacant.

I'd also like to thank my fellow elected Board members, Gary Crombie, Lisa Makiiti and Judy Riddle, and appointed Board members John King and Rob Pallin, for their support during the year.



Barney Nichols

Deputy Chair

MANAGEMENT AND ACTIVITIES

Corporate and Operational Plan

The Corporate Plan sets out the framework for the Board to continue delivering quality outcomes for the Island community and its many visitors. The Corporate Plan is a strategic document that identifies priority issues for the Island, outcomes proposed to address the priority issues and the strategies to achieve those outcomes.

Each financial year the Board prepares an Operational Plan which outlines specific outputs, activities and measures that are in response to the Corporate Plan's direction. The Board's adopted budget is consistent with its annual Operational Plan.

Reports that assess progress towards implementing the Corporate and Operational Plans are presented to the Board at least every three months. At the end of each financial year the Board's overall performance against the Operational Plan and success to date in addressing the outcomes of the Corporate Plan are reported to the community through the following section of the Annual Report.

The Operational Strategies and Outcomes within the Corporate Plan are based on the following priority issues:

A VIBRANT AND HEALTHY COMMUNITY – A focus on a cohesive community with access to a diverse range of cultural, learning, sporting and recreational opportunities that contribute to the health, wellbeing and quality of life of our residents.

A STRONG AND GROWING ECONOMY – A focus on the creation of employment growth and opportunity through sustainable economic development that builds upon the Island's competitive advantages.

A SUSTAINABLE ENVIRONMENT – A focus on the orderly and balanced development of the built environment, and supporting infrastructure, while at the same time protecting and preserving the Island's natural environment for future generations.

A WELL MANAGED LORD HOWE ISLAND GROUP – A focus on the Board's leadership and management of the Lord Howe Island group to ensure open and transparent governance that advocates on behalf of the community and encourages community participation.

Key Result Area - Economic Affairs

GOALS

- To foster an environment that supports sustainable business and commercial opportunities and activities;
- To promote the Island as a tourist destination;
- To raise funds for Island community purposes by the fair imposition of charges and fees, by income earned from investments, and when appropriate, by borrowings and grants.

STRATEGY - EFFECTIVE AND EFFICIENT FINANCIAL PLANNING AND BUDGETARY CONTROL AND A HIGH STANDARD OF FINANCIAL MANAGEMENT AND REPORTING

The Financial Year 2013/14 annual budget was adopted by the Board at its May 2013 meeting. In 2013/14 income from continuing operations was \$11.6 million. Expenses from continuing operations were \$11.6 million. The net operating result for the year was \$90,000.

Management routinely assessed actual revenue and expenditure against the adjusted budgets, analysed the reasons for the differences, and took action as appropriate.

During the year the Board approved adjustments to budget items in order to reflect changing circumstances.

In 2013/14 the Board continued implementation of its new software system with a state-of-the-art business process management system (Civica Authority), together with the appropriate training of staff. The Authority system facilitates planning and budgetary control, and provides the sophisticated functionality required to improve financial management and reporting. The new system went live in February 2014.

STRATEGY - OPTIMISE RESOURCE SHARING AND PARTNERSHIP ARRANGEMENTS WITH ADJOINING COUNCILS AND OPTIMISE SHARED SERVICES OPPORTUNITIES

The Board has a Memorandum of Understanding (MOU) with Port Macquarie Hastings Council (PMHC). The purpose of the MOU is to create a strategic alliance to strengthen economic, operational and social cooperation between the two organisations. The MOU outlines the mutual benefits of such an alliance and key areas of exchange, which include:

- Building inspection and compliance,
- Health compliance, and
- Waste management.

The establishment of such an alliance has enabled the Board to access the extensive resources and expertise of PMHC and more efficiently manage variable workloads on the Island. It also further enhances the existing links between Lord Howe Island and the Port Macquarie region.

STRATEGY - RISK MANAGEMENT STRATEGY TO IDENTIFY, ASSESS, CONTROL, MONITOR AND REVIEW OPERATIONAL RISK

The Board has developed and implemented the Lord Howe Island Board Risk Management Policy and Procedure to guide the Board in managing risk systematically, efficiently and effectively. The procedure outlines the seven key steps in the Lord Howe Island Board risk management process, including risk identification, analysis, evaluation and treatment, and the various management and staff accountabilities.

A central Register to record identified risks and actions taken to mitigate the risk has been developed and is presented to the Board annually for review and comment. The Register classifies risk for all categories specified within the Risk Management Policy.

The Register identifies two categories of risk: organisation/island wide risks and site/activity specific risks. For each risk identified there are identified management initiatives and a status report on the initiatives. Input to the register is ongoing, with new risks identified by the Board and/or community being added.

STRATEGY - REGULATE BUSINESS ACTIVITIES THROUGH EQUITABLE AND EFFICIENT LICENSING SYSTEMS

The *Lord Howe Regulation 2004* requires that a person must not provide tourist accommodation or carry on any other commercial undertaking on the island except in accordance with a licence granted by the Board for that purpose.

All businesses (commercial undertakings) on Lord Howe Island are required to operate in accordance with all the requirements of the NSW Department of Fair Trading for each business type, and comply with all statutory and regulatory requirements. Additionally, businesses that have a high risk of serious injury to people and/or high risk of serious damage to the environment must satisfy additional conditions imposed by the Lord Howe Island Board.

STRATEGY - DIVERSIFY BOARD TRADING ACTIVITIES IN ORDER TO REDUCE RISKS

The Board owns and manages a liquor wholesaling and retailing business. Alcohol is sold directly to the public at the Liquor Store, and indirectly through retailers and other commercial operators, such as restaurants. In the financial year the Liquor Store generated a profit of \$316,000 on sales of \$1,547,000.

In the 2012/13 financial year the Board took the decision to wind up the Kentia Palm Nursery due to a lack of profitability. Consequently an Expression of Interest process was implemented for the lease of approximately half of the Nursery area to a private operator, or operators, for uses to be identified through the process.

The successful tenderer was Kentia Fresh Pty Ltd. The company is implementing a two stage approach, with the following activities in Stage One:

- Production and sale of Kentia palm seedlings and, depending on demand, sale of semi-mature Kentia palms,
- Vegetable and fruit production pursuant to an initial pilot program,
- Native plant production for local sale and Board revegetation initiatives,
- Limited tourism activities, including the Phasmid House and tours of the Kentia nursery, and
- Feasibility studies regarding future tourism initiatives.

In Stage Two the Consortium will develop and implement the feasible tourism initiatives identified in Stage One.

STRATEGY - ENSURE THAT A MARKET BASED, STRATEGIC APPROACH IS IMPLEMENTED FOR ALL OF THE BOARD'S REVENUE RAISING ACTIVITIES SO THAT THE BOARD REALISES MAXIMUM BENEFIT FOR THE COMMUNITY

Formal lease agreements are in place for commercial premises owned by the Board. Independent valuations of all leased premises, both commercial and residential, are carried out every five years.

The Board's Pricing Policy can be summarised as follows:

- Statutory charge: A statute dictates the amount to be charged.
- Zero cost recovery: Where there is significant community benefit and the services would not be provided if other principles were used to fund them.
- Partial cost recovery: Where the imposition of a fee or charge to recover full cost may result in widespread evasion, and where a service is subsidised to stimulate demand for activities with economic or social benefits.
- Full cost recovery: Where the fee or charge is calculated based on the full recovery of costs.
- Commercial business activity: Goods and services provided are of a commercial nature and pricing is based on commercial principles.
- Demand management: Fees and charges are greater than the direct cost of providing the service so as to become a disincentive for their use.

STRATEGY - ESTABLISH A MOU AND PROVIDE RESOURCES TO THE LORD HOWE ISLAND TOURISM ASSOCIATION TO CONTINUE DEVELOPMENT OF THE ISLAND AS A SUSTAINABLE TOURIST DESTINATION

Under the *Lord Howe Island Act, 1953* the Board's charter includes promoting the island as a tourist destination.

The Chief Executive Officer of the Board is a member of the Lord Howe Island Tourism Association Committee, and plays an active role in promoting the island as a sustainable tourism destination.

The Board's major contribution to the marketing mix is the maintenance and enhancement of the Permanent Park Preserve, with annual expenditure in excess of \$900,000.

The Board operates a Visitor Information Centre located at the Lord Howe Island Museum, and contributes \$40,000 per annum directly to the Tourism Association for promotional activities.

The Board also provides significant in-kind support to the Tourism Association, such as the provision of office space and internet access.

STRATEGY - APPLY PRINCIPLES OF A "TRIPLE BOTTOM LINE" (ENVIRONMENTAL, SOCIAL AND ECONOMIC SUSTAINABILITY) TO ALL DEVELOPMENT AND COMMUNITY ACTIVITY

The triple bottom line approach focuses the Board's attention not just on the creation of economic value, but also on the environmental and social value. It is used to capture the whole set of values, issues and processes that the Board must address in order to minimise any harm resulting from its activities and to create economic, social and environmental value. This involves articulating the Board's purpose and taking into consideration the needs of all the Board's stakeholders – the local community, customers, employees, business partners, the NSW Government and the Australian Government.

The Board strives to incorporate the principles of a "triple bottom line" in all development and community activity.

STRATEGY - ISSUE THE SUSTAINABLE OPERATIONS DISCUSSION PAPER FOR COMMUNITY COMMENT

The Lord Howe Island Board is responsible for providing essential community services and facilities, protecting the environment and World Heritage values of the island, and promoting the island as a tourist destination. In order to meet these responsibilities the Board raises revenue through fees and charges, and its own business operations. The Board also secures government grants and subsidies.

The Board has assets such as the airport, buildings and roads valued at \$41 million. Over the next 10 years the Board plans to spend about \$27 million on new capital assets. Up until the current financial year these costs would have been predominantly borne by the Board, with NSW Treasury providing some funding on an ad hoc basis.

Rather than release a discussion paper the Board took action to demonstrate to the NSW Government that the Board manages its assets effectively and that, despite finding all possible efficiencies, cannot fund its capital program from its current revenue base. This was largely the result of implementing a deliberate strategy of producing a solid Total Asset Management Plan and commissioning an expert review of the Board's financial sustainability (the PwC Review), which supported the Board's view that Government funding was both necessary and reasonable. The result is that the Board is now permitted to submit capital expenditure funding proposals to NSW Treasury.

For the financial year 2013/14 the Board submitted proposals valued at \$1.23 million, and received funding of \$1.15 million. There is every reason to believe that the great majority of the Board's capital expenditure, not only over the next ten years, but indefinitely, will be funded by Treasury. This is a huge "win" for the Board and the community.

The Board is also continuing discussions with the NSW Government to secure funding for critical activities such as corporate governance, community services, transport infrastructure, electricity generation and environmental protection.

STRATEGY - MAINTAIN AND PURSUE POSITIVE AND BENEFICIAL RELATIONSHIPS WITH GOVERNMENT, GOVERNMENT AGENCIES AND OTHER ORGANISATIONS

The Board operates in a complex environment and deals with a wide range of different audiences. The Board pursues positive and beneficial relationships with all stakeholders through:

- **Leadership:** The Board sets clear priorities and articulates them directly and indirectly to Government, Government agencies and other stakeholders.
- **Staff:** Good stakeholder relationships are built up over many day to day interactions. The Board has recruited good staff; people who share the Board's objectives.
- **Communication:** The Board communicates its objectives both internally and externally, and strives to be responsive to stakeholder feedback.

Through employing these three key elements of stakeholder relationship management the Board has been successful in building a range of positive relationships with Government, other agencies and organisations.

Key Result Area - Corporate Governance and Support

GOALS

- To facilitate the involvement of members of the Board, members of the public, users of facilities and services and the Board's staff in the development, improvement and co-ordination of the Board's powers, authorities, duties and functions;
- To keep the Island community and the State government (and through it, the wider community) informed about its activities;
- To ensure that, in the exercise of its regulatory powers, authorities, duties and functions, it acts consistently and without bias, particularly where an activity of the Board is affected;
- A consultative Board providing proactive leadership and good governance.

STRATEGY - REVIEW AND AMEND GOVERNANCE STRUCTURES, POLICIES AND DECISION PROCESSES TO PROVIDE FOR CHANGING COMMUNITY NEEDS

New policies and significant policy changes are advertised for a period of 28 days to provide the community with the opportunity to comment. Legislative changes that impact the Board's operations are explained through a regular newsletter and on the Board's website.

In March 2014 The Hon. Ken Handley (AO QC) was commissioned by the NSW Government to conduct a comprehensive review of the current land allocation and tenure arrangements on Lord Howe Island. The Terms of Reference identify four key areas for consideration:

1. Forms of tenure,
2. Land allocation methods,
3. Strategies to increase land and housing supply, and
4. Economic sustainability.

A Discussion Paper was released for public comment in August 2014, with public consultation taking place over the following eight weeks. It is expected that Mr Handley will finalise his recommendations by December 2014.

STRATEGY - CONTINUOUSLY EVALUATE BOARD SERVICES TO PROMOTE BEST PRACTICE

Last year the Board engaged PricewaterhouseCoopers (PWC) to comprehensively assess the financial position of the Board and identify and evaluate options to move to a more sustainable revenue base.

Phase 1 of the review assessed the current financial position of the Board, including a review of how that position will change over time if the current expenditure and revenue raising options are held in place. Phase 1 concluded that the Board generates just enough revenue (including annual recurrent funding from NSW Treasury) to meet ongoing cash operating expenses, but has very limited ability to fund its capital program. Indeed, it is projected that over \$22 million will be required over the next 10 years to maintain infrastructure, property, plant and equipment to an acceptable standard.

Phase 2 of the review identified options for raising revenue to support and sustain the Board's ongoing services and ensure its financial sustainability into the future.

Since completion of the Review the Board:

- has approved some increases in fees and charges but not to the extent recommended by PwC because of concerns about affordability,
- has been successful in securing NSW Treasury funding for its capital expenditure program in financial year 2014/15. It is hoped that Treasury will continue to fund the Board's capital program into the future; some \$22 million over the next ten years, and
- Is developing a case for an increase in recurrent funding from NSW Treasury so as to be sustainable in future without an over-reliance on grants.

An external audit of the Board's finances was carried out by the NSW Audit Office. The Audit opinion is included on page 53 of this Report.

STRATEGY - AN ORGANISATIONAL STRUCTURE THAT IS APPROPRIATE TO THE FUNCTIONAL AREAS OF RESPONSIBILITY

The Board's organisational structure is reviewed annually to ensure that it provides appropriate resources to allow the Board to undertake its charter and provide a range of services to the community.

STRATEGY - EFFECTIVE COMMUNICATION, CONSULTATION AND PARTICIPATION PROCESSES ARE MAINTAINED AND IMPROVED

During the reporting period the Board published and distributed Community Information Bulletins and Householder notices in order to provide information to the community on current issues and Board projects. The CEO also contributed regularly to the local newspaper, the Signal. The Board continued to provide a wide variety of information via its website, www.lhib.nsw.gov.au.

Members of the community have the opportunity to raise issues with the elected Board members, who meet fortnightly with the CEO to discuss local issues. Issues can also be raised with the CEO or relevant staff members.

Community input to the decision-making process was evidenced by the following:

- The Sustainable Energy Working Group,
- The Boat Launch and Retrieval Working Group,
- The Coastal Hazards Study Steering Committee,

- The Lord Howe Island Biodiversity Management Committee, and
- The Rodent Eradication Project Community Liaison Group.

Community information sessions were held during the reporting period in relation to the Rodent Eradication Project and the Weed Eradication Program.

Four Board meetings are held each year, with members of the public free to attend.

STRATEGY - PROVIDE RELEVANT AND TIMELY ADVICE TO GOVERNMENT ON MATTERS AFFECTING THE MANAGEMENT OF THE ISLAND

During the reporting period the Minister for the Environment and the Premier were provided with briefings on matters of interest, including major projects.

STRATEGY - COMPLIANCE WITH THE BOARD'S CODE OF CONDUCT IS REGULARLY MONITORED

The Board's Code of Conduct contains all of the mandatory provisions of the Model Code issued by the Office of Local Government.

The Code is comprised of three parts:

- Context – this part of the Code is explanatory and does not contain enforceable standards. It establishes the Code's purpose and the principles used to interpret it. It also provides some information that can be used as a guide to making ethical decision.
- Standards of Conduct – this part of the Code sets out the conduct obligations of Board officials. These are the enforceable standards of conduct.
- Procedures – this part of the Code contain the complaint handling process, complaints assessment criteria and the operating guidelines for the conduct of the review committee / reviewer and should be used to guide the management of complaints about breaches of the Code of Conduct.

Board members, members of staff of the Board, members of Board committees, and delegates of the Board must comply with the applicable provisions of the Board's Code of Conduct in carrying out their functions as Board officials.

STRATEGY - A LEVEL OF DELEGATED AUTHORITY IS IMPLEMENTED TO ENSURE EFFICIENT AND EQUITABLE ORGANISATIONAL OPERATIONS

Under the *Lord Howe Island Act 1953* the Board may, with the approval of the Minister, authorise any officer to exercise on behalf of the Board specific powers, authorities or duties.

Under the *Protection of the Environment Operations Act 1997* (POEO), the Board is the Appropriate Regulatory Authority (ARA) for most non-scheduled activities on Lord Howe Island. This gives the Board certain powers to deal with pollution incidents in regard to matters for which it is the ARA. To allow for the efficient administration of the POEO on Lord Howe Island, in February 2011 the Minister

authorised the Chief Executive Officer of the Board to exercise the powers of the Board as ARA under the POEO.

The delegation allows for efficient and timely decision making, and appropriate services delivery in relation to the day to day administration of the island.

STRATEGY - ENSURE THAT BUDGET PROCESSES ARE TRANSPARENT, STRATEGIC AND RESPONSIVE

The financial year 2013/14 budget was developed in concert with the Corporate Plan 2014-2016, the Operations Plan 2013/14 and the Schedule of Fees and Charges for 2013/14.

The Board reviews the Annual Budget on a quarterly basis, endorsing amendments to the Budget as appropriate. This becomes necessary, for example, where the Board is successful in receiving additional external grant funds or where savings are identified in the Expenditure Budget.

An External Audit of the 2013/14 end of year accounts was conducted by the Audit Office of New South Wales. The audit was designed to obtain reasonable assurance the financial statements are free from material misstatements. The audit did not detect any significant matters that require reporting in the Statutory Audit Report.

Key Result Area - Public Facilities, Services and Infrastructure

GOALS

- To provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the Island community and to ensure that those services and facilities are managed efficiently and effectively;
- To bear in mind that it is the custodian and trustee of public assets and to effectively account for and manage the assets for which it is responsible.

STRATEGY - WASTE MANAGEMENT OPERATIONS ARE OPTIMISED TOWARD ZERO WASTE STRATEGIES AND VIABLE RECYCLING PRACTICES

Work continues to improve the efficiency of the Waste Management Facility (WMF) and the percentage of materials diverted from landfill. The majority of crushed glass stays on the Island and is used for various projects. A diversion rate of waste from landfill of 87 per cent was achieved in 2013/14, well above the State government's target of 66 per cent.

The wastewater treatment system continues to operate in accordance with the licence issued by the Environment Protection Authority (EPA). The Annual Report to the EPA in June 2014 reported no complaints and no non-compliances with the licence conditions. The licence with the EPA was varied during the year, placing greater responsibilities on the Board to monitor wastewater treatment quality at the WMF site and in the surrounding groundwater.

Bunded areas have been provided at the WMF to contain waste chemicals, oils and paints which are stored on-site prior to transport off the Island for disposal.

STRATEGY - ACCESS TO COMMUNICATION SYSTEMS THAT MEET THE NEEDS OF THE COMMUNITY

The Board continues to work with emergency service providers to finalise the Island's alarm system for emergencies. A reliable radio system is in place and maintained by the Board which is able to integrate with other emergency service providers.

STRATEGY - SAFE AND RELIABLE ROADS AND FOOT PATHS IN PRIORITY AREAS OF BUSINESS AND PEDESTRIAN TRAFFIC.

Regular repairs continued to be carried out to maintain the roads in a satisfactory manner and provide a suitable surface for the many cyclists. Road-sweeping targets have been met.

The pavement rehabilitation and reseal of Anderson Road from Cemetery Road to Lorhiti was completed.

STRATEGY - PROVIDE SUSTAINABLE INFRASTRUCTURE THAT SUPPORTS ECONOMIC DEVELOPMENT

In 2013/14, fuel consumption for electricity generation reduced by 8.28 per cent on the previous year. Additionally there was a reduction in total kilowatt hours of electricity generated of 5.1 per cent in 2013/14 compared to 2012/13. The reduction in fuel consumption and generation is primarily the result of increased / ongoing generation from private solar installations and good weather during the summer period which typically reduces indoor activities.

The Board was successful in obtaining \$4.5 million in grant funding from the Australian Renewable Energy Agency, for the planning, design and installation of the Lord Howe Island Hybrid Renewable Energy System, combining solar and wind generation with a battery storage and stabilization system. The Board also obtained funding of \$65,000 from NSW Treasury to prepare a business case for State Government funding for the balance of the total project cost

Further progress on the implementation of the new Wastewater Strategy has occurred through the provision of a range of incentives for residents and businesses to encourage the early uptake of new or upgrade on-site waste water systems. A number of development consents have been provided and new systems installed.

The aerodrome operated by the Board continues to be maintained to an acceptable standard with more than 800 flights a year to and from the Island. A project to lower Blinky Dune to improve safety and allowed increased take-off weights for QantasLink and other aircraft using the aerodrome was completed. An audit was completed by the Civil Aviation Safety Agency (CASA) in April with no safety issues identified.

The Airport Runway Reseal project made good progress with the appointment of consultants GHD to undertake planning and design work.

STRATEGY - AN ASSET MANAGEMENT SYSTEM IS INSTALLED AND IMPLEMENTED

The Lord Howe Island Board Strategic Asset Management Plan (SAMP), which was prepared and adopted in 2013 has undergone its first annual review, taking into account works undertaken during the previous year and changes to the Lord Howe Island Board Corporate and Operational Plans.

The capital bid requests to NSW Treasury for the 2014/15 year were submitted in late 2013 and utilised the SAMP. Of the \$1.232 million requested, \$1.152 million was funded from Treasury, with the success rate considered to be linked to the existence of a clear asset strategy being the SAMP.

STRATEGY - INCREASE THE USAGE AND VIABILITY OF PUBLIC SPACES AND COMMUNITY ASSETS

There has been good progress on these elements throughout the year with a plan adopted by the Board to provide a choice to the community and visitors between timber and electric BBQs at key locations. A new electric BBQ was installed during the year at Neds Beach.

Drinking water refill stations are in place at two locations, providing a valuable service and reducing the consumption of plastics.

Spraying of grassed areas to reduce bee stings and bindis has continued as part of a regular program. A two year contract for sports oval maintenance has been let, allowing board staff to focus on higher value public space maintenance.

With financial assistance from Roads and Maritime Services (RMS), an investigation into options for the upgrading of the boat ramp and installation of a boat retrieval system was completed. After community consultation, the Board decided to pursue the planning, design and funding of a boat retrieval system adjacent to the WMF. The project would be majority funded by RMS.

Key Result Area - Natural Environment and Cultural Heritage

GOALS

- To manage, protect, enhance and conserve Vacant Crown Lands and Lands reserved or dedicated under Section 19 or 19A (including in particular the Lord Howe Island Permanent Park Preserve) in a manner that recognises the Island's World Heritage values, in respect of which the Island's is inscribed on the World Heritage List referred to the United Nations Convention Concerning the Protection of World Cultural and Natural Heritage.
- Recognition, preservation and promotion of the history and heritage of the Island.

STRATEGY - PREVENT THE INTRODUCTION AND CONTROL THE IMPACTS OF EXOTIC FAUNA, FLORA AND PATHOGENS TO LORD HOWE ISLAND

Revision of the Lord Howe Island Quarantine Strategy is identified as a priority project to be implemented prior to or coincident with the proposed Lord Howe Island Rodent Eradication Program. Funding has been allocated through State and Commonwealth government grants to revise the Quarantine Strategy and implement identified priority actions to reduce the risk of invasion by rodents and other pests and diseases into Lord Howe Island. The review of the Quarantine Strategy has been re-scheduled for the 2014-15 financial year. A brochure on Quarantine has been developed and disseminated at the airport terminal, Board administration building, visitor centre and through tour operators. An Ipad display and signage and information brochure has been developed to inform residents and visitors of the impact of plant pathogens such as Myrtle Rust and Phytophthora and other quarantine risks advising what steps they can undertake to reduce the potential for their introduction to the island. A brochure on plant pathogens is being developed for dissemination to lodges, the Board administration building, visitor centre and airport terminal.

In May 2013 the Board adopted the revised Lord Howe Island Plant Importation Policy and Strategy on the condition that a risk assessment on the introduction of Myrtle Rust *Puccinia psidii* associated to plant imports be undertaken and that weed risk assessments are undertaken for any new plant species requested for import to the island. A myrtle rust risk assessment was completed and endorsed by the Board in September 2013, and the policy was finalised in March 2014.

The policy and strategy aim to protect Lord Howe Island against the risks that may arise from introduced plants and pathogens entering, establishing and spreading on the Island.

The Board has installed walk through boot scrub facilities at the start of major walking tracks into the Permanent Park Preserve (PPP). These include at the start of the Muttonbird Point track, Smoking Tree Ridge track, Mt Gower track, the Max Nichols walking track at Old Settlement, at the start of Malabar walking track at Neds Beach and at the start of Middle Beach/Clearplace walking track near the new

Powerhouse. Sit down bays have been installed at the Golf Club, Pinetrees, Oceanview & Somerset guest lodges, the Board depot, research facility and outside the Museum.

In March 2014 Dr Matthew Laurence of the Plant Disease Diagnostic Unit, Plant Pathology Section, Royal Botanical Gardens and Domain Trust, undertook soil testing for a series of plant pathogens suspected of being on the island, including follow up tests for Phytophthora. The survey included sites that had previously tested positive to Phytophthora as well as other priority sites including walking tracks into the southern mountains and sites where tree decline was evident. The survey also assessed the causal agent for decline of Kentia Palm *Howea forsteriana* at Blinky Beach, whether Coconut scale was present on island, determining the casual agent of leaf dieback in some Sallywood *Lagunaria patersonia* trees and investigate the psyllid induced dieback of Banyan *Ficus macrophylla* ssp. *columnaris* across the island.

The survey detected two positive records of Phytophthora at the same location where the pathogen had been previously detected. This area has been cordoned off with quarantine tape and the leaseholder notified of procedures to reduce potential for its spread. A boot scrub bay has been installed, Board field staff trained in treatment and quarantine procedures and treatment of the site commenced with live grasses controlled, infected trees removed and area treated with fungicide. Additional soil samples will be collected and the site monitored every six months until the pathogen is no longer detected. All other samples across the island returned negative for Phytophthora.

Tests to determine the pathogen implicated in Kentia Palm decline at Blinky Beach detected a number of fungal diseases including *Phellinus*, which is a known plant pathogen and in association with other fungal diseases and environmental stresses is considered the main causal agent in Kentia Palm decline at the site.

The surveys did not detect Coconut scale and did not assess the psyllid outbreak on Banyans as research conducted by the University of Western Sydney had already undertaken analysis of this infestation. Analysis of leaf dieback of Sallywood was inconclusive and samples have been sent to researchers at the University Of Western Sydney for analysis.

STRATEGY - ERADICATE (WHERE FEASIBLE) AND CONTROL EXISTING WEEDS TO REDUCE THEIR IMPACT ON BIODIVERSITY

The review of the Weed Management Strategy (2006) has been re- scheduled for completion by June 2015 in consultation with stakeholders and will include a review of ten years weed eradication effort to determine future costs and eradication timeframes; and measures to address emerging weed threats.

The Lord Howe Island Weed Management Strategy (2006) methodology requires that systematic, grid based searches of the entire island are undertaken every two years to achieve the eradication of key weeds. Targeted control of highly invasive weeds in limited distribution or in seabird breeding areas is undertaken seasonally (e.g. Climbing Asparagus and Glory Lily).

The Board has been successful in obtaining several major externally funded grants.

During the reporting period, the Board completed year two of the three year NSW Environmental Trust (ET) project – Progressing the Eradication of Weeds from Lord Howe Island. The project aims to deliver eradication targets for at least 15 priority invasive weed species including four Weeds of National Significance (Bitou Bush, Bridal Creeper, Ground Asparagus and Lantana) from the Lord Howe Island

Permanent Park Preserve (PPP). This grant has enabled the recruitment of local staff, skilled volunteers and contractors to undertake systematic sweeps of priority blocks in the PPP.

The Board has largely completed the implementation of the two year project – Eradication Is the Key funded by the Commonwealth's Caring for our Country (CFOC) program. This grant has focussed on treating weeds in the Settlement area and delivery of technical aspects of the weed eradication program including treatment of weeds from steep and inaccessible terrain with use of abseil contractors and helicopter assistance. The allocation for helicopter treatment has been carried over into the next reporting period. This project enabled targeted treatment of new and emerging weeds as well as large infestations of target weeds from leasehold land within the settlement.

Approximately 500 hectares has been treated with both grants during the reporting period.

Revisiting the weed density mapping ten years following the initial mapping in 2002/3 has commenced. This mapping is showing promising signs that the project is achieving its targets with significant reductions in mature weed density recorded. This mapping and analysis of control effort entered on the Lord Howe Island weeds database is essential to guide the revision of the strategy by informing the current status of weeds on the ground and what resources are required to treat them.

To improve the accuracy of on-ground treatments the project has adopted GPS technology to map each sweep by individual weeders and improve monitoring and reporting of the area treated in each block. This has improved mapping of areas treated and identifies any gaps that may need revisiting and demark areas that require specialist treatment due to not being able to be accessed due to steep and inaccessible terrain. This will help to forecast resource requirements to treat inaccessible areas into the future.

The project has engaged volunteers and contractors to assist in treating target areas within specified timeframes and locations to enable weeds to be controlled when they are most vulnerable to treatment methods, prior to weeds setting fruit or when areas are devoid of nesting seabirds.

The Board continues to support the Friends of Lord Howe Island who have continued to undertake sweeps through 'Eddies Glen' on the western flank of Transit Hill and control of Beach Spurge along the lagoon foreshore.

About 60 scheduled noxious weed inspections were undertaken in June 2014 with assistance from the Mid North Coast Weeds Co-ordinating Committees Regional Weeds Management Officer and the Great Lakes Council Noxious Weeds Officer. The inspections provided an opportunity to inform residents of new Noxious Weed listings and to provide advice on best practice control techniques and ascertain whether any leaseholders require assistance with control. The listing of new and emerging weeds will enable their removal prior to becoming widespread, difficult and costly to remove.

The review of the volunteer policy has been re-scheduled to the 2014-15 financial year. Four volunteers were engaged to work for a minimum of three weeks during the reporting period with an additional five local residents volunteering on the programme to gain experience.

The Board continues to support the Friends of Lord Howe Island who have continued to undertake sweeps through 'Eddies Glen' on the western flank of Transit Hill and control of Beach Spurge along the lagoon foreshore.

STRATEGY - UNDERTAKE REVEGETATION AND REHABILITATION WORKS IN HIGH CONSERVATION PRIORITY AREAS

The Board has commenced a review of the Lord Howe Island Vegetation Rehabilitation Plan with mapping and summary profiles of priority sites prepared to help guide on-ground works. The plan is scheduled to be finalised in the 2014-15 financial year.

Regular and ongoing maintenance of rehabilitation areas is undertaken to control weeds, maintain fences and undertake infill planting. Local provenance seed and cutting grown plant stock are propagated for use at revegetation sites. Work has continued at high priority revegetation sites including Lovers Bay, the lagoon foreshore in the vicinity of the boat sheds, Middle Beach and infill plantings in Sallywood Swamp forest habitat at Old Settlement and Soldiers Creek.

STRATEGY - ERADICATE (WHERE FEASIBLE) OR CONTROL INTRODUCED FAUNA AND REDUCE THEIR IMPACT ON BIODIVERSITY

In July 2012 the NSW and Australian Governments announced a joint funding arrangement for the Lord Howe Island Rodent Eradication Program (LHIREP), through the NSW Environmental Trust and the Australian Government's Caring for Our Country program, with an operational start date of August 2015.

It has since been recognised that the current level of support for the Project from within the community is insufficient for the Project to proceed without incurring an unacceptable risk of failure. This means that it is necessary to more fully engage with the community and to proactively manage information and public relations opportunities in order to increase the level of support. The Board and the steering committee approved that the project will be divided into two stages, Community Consultation then Project Implementation, with the implementation only taking place if the consultation leads to the required level of support.

The revised project plan will alter the project timeline significantly. If the decision to go ahead with the project is made in 2015 as proposed then the operational component will start at that point and the bait drop should take place in winter 2017.

The Board currently services and maintains approximately 1,253 rat bait stations in 26 designated rat baiting areas across the Island.

The Board also coordinates a rodent baiting program within the community. In order to maximise the effectiveness of this program people are asked to place bait out at the same time as the Board are servicing the stations. Bait is provided from the Board one week prior to and during the scheduled baiting period. A copy of the 2014 baiting schedule has been provided to all members of the community.

Measures to control Mallard Black Duck Hybrids, feral pigeons and owls are continuing. It has been determined that it is not possible to eradicate feral ducks as they readily self reintroduce from New Zealand. Ongoing control measures are undertaken on an as needs basis to keep numbers suppressed. The Board has opportunistically monitored sea caves in the northern hills for pigeon roosts in order to plan a cull. Control of masked owls has been postponed based on a report by Landmark Ecological recommending they be eradicated coincident with the proposed rodent eradication program.

With funding assistance from the Australian Government's Caring for Our Country program, all leases and Crown Lands that had potential for ABhA were monitored and mapped and all known infestations were treated by the 23 April 2014 concluding the ABhA season for 2013/2014.

During the reporting period the Board monitored 307 hectares of which 26 were identified with ABhA requiring a treatment area of 48 hectares. This resulted in a total of 1585 person hours and 120kg of Amdro ant bait. One infestation remains untreated, due to leaseholders having concerns with the treatment methodology. This infestation is scheduled for treatment in the 2015 treatment season. Ongoing monitoring and treatments of any identified infestations will continue until all identified infestations have not been detected for a two year period.

A Control Order has been gazetted pursuant to s27 of the *Animal Diseases and Animal Pests (Emergency Outbreaks) Act 1991* (ADAPEO Act) for the purpose of controlling, eradicating or preventing the spread of the African big-headed ants on Lord Howe Island.

Employees of the Lord Howe Island Board have been appointed as authorised officers / inspectors under the above legislation.

STRATEGY - ENCOURAGE THE CONSERVATION AND PROTECTION OF SPECIES, POPULATIONS AND ECOLOGICAL COMMUNITIES

The Board assesses research applications and implements priority actions identified in the Lord Howe Island Biodiversity Management Plan 2007 (LHI BMP) to help protect species, populations and ecological communities and their habitats. The LHI BMP is a multi species recovery plan that encompasses threats and management actions relevant to the Island group's overall terrestrial biodiversity and in particular, rare and significant species and communities. The LHI BMP has been endorsed by the Board and state and commonwealth government agencies. It provides a holistic approach to management of biodiversity by identifying and prioritizing actions to be taken to ensure the long-term viability of species covered in the plan and which parties are responsible for their implementation.

The Board has undertaken a number of priority recovery actions for fauna including research assistance provided for Microbat surveys pre-rodent eradication and weed management in Phasmid habitat. Annual woodhen surveys were undertaken in November each year. Two formal Biodiversity Management Plan (BMP) meetings were convened during the reporting period to progress the implementation of the plan. The Board continues to manage the Morning Glory infestation at Balls Pyramid Phasmid habitat. During the reporting period, the Board completed detailed vegetation mapping of Lord Howe Island. The mapping will provide a fundamental tool to inform future environmental programs and land use planning on Lord Howe Island.

The Board has processed all flora & fauna research applications in accordance with approved assessment criteria. Grant applications have been submitted to continue research into biological control of Crofton weed. The Board has supported in kind contributions to Microbat research and research associated with the proposed rodent eradication.

The Lord Howe Island Biodiversity Management Plan is overseen by a stakeholder group including two community representatives, a Board representative and three biodiversity specialists from the Office of

Environment and Heritage (OEH). Priority areas include quarantine, control/eradication of plant and animal pests and diseases, revegetation, research priorities, improving knowledge and awareness and land use planning.

Two formal Biodiversity Management Committee meetings were held during the reporting period.

Procedures have been developed for accessing leasehold land, collection and use of GPS data and adopted policies for Alcohol and other drugs in the Workplace and use and storage of Firearms

STRATEGY – IMPLEMENT HIGH PRIORITY ACTIONS IN THE LORD HOWE ISLAND PERMANENT PARK PRESERVE PLAN OF MANAGEMENT

The Board has undertaken the annual audit of the Mt Gower track and ropes and has commenced drafting of new license conditions for mountain guides. The new licensing system is to be implemented in the 2014-15 financial year.

STRATEGY - UNDERTAKE CONSTRUCTION AND MAINTENANCE OF VISITOR FACILITIES

The Board has commenced a review of the Walking Track Strategy. The draft strategy will be finalised in the 2014-15 financial year. Annual audits of all walking tracks have been completed and the implementation of actions identified in the audit is currently underway. Track upgrades are prioritised according to the draft walking track strategy. A Review of Environmental Factors (REF) has been prepared for the upgrade of Muttonbird Point track, which will enable it to be reopened to the public following a major landslide in June 2011. An REF has been prepared for the construction of an elevated viewing platform on Intermediate Hill.

Monthly mooring inspections are ongoing.

STRATEGY – RAISE AWARENESS, UNDERSTANDING AND SUPPORT FOR CONSERVATION

A calendar of events was developed to guide the integration of the Lord Howe Island Education Kit into the school curriculum. Board staff delivered education to students from the Central School on the relationship between weeds and threatened species habitat. Board staff assisted the school to plant trees on the lagoon foreshore for National Tree Day and established an enclosure to house the Lord Howe Island Phasmid.

An interactive display highlighting the broad roles and responsibilities of the Board has been designed for the Lord Howe Island Museum. The display will be installed during the 2014-15 financial year.

STRATEGY - IMPLEMENT WILDLIFE LICENSING AND MANAGEMENT REQUIREMENTS

The Board in consultation with Qantaslink has developed a Bird and Animal Hazard Management Plan for the Lord Howe Island Aerodrome. The plan outlines a range of management strategies to provide a safe operating environment for all aircraft utilising the Aerodrome.

In accordance with the Plan the Board erected 10-15 kilometres of bunting on Blinky dune at five metre grids to discourage the birds from nesting within the flight path of the Aerodrome. Alternative nest sites were also established and maintained for Sooty Tern nesting habitat.

STRATEGY – INCREASE UNDERSTANDING OF COASTAL PROCESSES AND IDENTIFY HAZARDS

In March 2012, the Board received funding under the NSW Government's Coastal Management Program to prepare a Coastal Hazard Definition and Coastal Management Study for Lord Howe Island. Haskoning Australia was engaged by the Board to complete the study.

The Draft Coastal Hazard Study was completed in May 2014 and will be placed on public exhibition in July/August 2014.

STRATEGY - PROVIDE OPPORTUNITIES TO DEVELOP SKILLS, COMPETENCY AND CAREERS

Several staff from the environment unit undertook training in working safely at heights, remote first aid and GPS use. Several residents volunteered with the weed team to gain skills in weed and native plant identification, sweep methodology and weed control techniques enabling them to improve their chances of employment when opportunities arise. Several staff have enrolled into Tafe Certificate 4 in Conservation Land Management to further their skills. CSIRO ant eradication expert Dr Ben Hoffmann delivered training to staff in treatment and identification of African Big headed Ant. The Manager Environment and Community Development and Manager Environment/World Heritage delivered presentations at the Island Arks Symposium III in Hobart, which provided opportunities for networking with other island managers. The Ranger undertook firearm training to maintain qualifications for pest animal control.

STRATEGY - RECOGNISE, PRESERVE AND PROMOTE THE HISTORY AND HERITAGE OF THE ISLAND

The Lord Howe Island Community based Heritage Study has been completed by MUSEcape Pty Ltd and includes a thematic history of the island and a list of items, which are recommended for listing on the Lord Howe Island Local Environmental Plan.

The Board has worked closely with the Heritage Division of the NSW Office of Environment and Heritage and have uploaded the Community-based Heritage Study and NSW State Heritage Inventory forms on their website for public access.

Key Result Area - Land Administration and Planning

GOALS

- **To manage, protect, restore, enhance and conserve the island's environment in a manner that is consistent with and promotes the principles of ecologically sustainable development set out in section 6 (2) of the Protection of the Environment Administration Act 1991.**

STRATEGY - EFFECTIVE AND EFFICIENT PLANNING AND BUILDING CONTROLS

In 2013/14 the Board continued to engage an external consultant to provide planning and assessment services in its capacity as a local government authority, and a consent authority under the *Environmental Planning & Assessment Act 1979*.

As part of the planning contract, an audit of planning and assessment systems and processes is reported to the Board in May and November each year. The audit aims to ensure that systems are up to date and compliant with legislative and procedural requirements, and reflect best practice.

A total of 51 applications (being 29 owner consent applications, 20 development applications, and 2 s96 applications) were assessed during the reporting period. The average processing times were 25 days for owner consent applications, 22 days for development applications and 38 days for s96 applications. The average time for all OC and DA applications complies with the statutory 40 day deemed refusal period for standard applications and is well under the state average published by the NSW Department of Planning and Environment.

During the reporting period the Board finalised a number of detailed studies including a Coastal Hazard Study, Community-based Heritage Study, and placed a review of the mapping of Significant Native Vegetation, on public exhibition. These studies will inform the review of the Lord Howe Island Local Environmental Plan, 2010 scheduled for 2015.

Two amendments were made to the Lord Howe Island Local Environmental Plan during the 2013/14 financial year involving the rezoning of land.

STRATEGY - ENSURE THE FAIR, TRANSPARENT AND EQUITABLE SUSTAINABLE ALLOCATION OF VACANT CROWN LAND FOR RESIDENTIAL DEVELOPMENT FOR ISLANDER'S WHO DO NOT HAVE ACCESS TO LAND WITHIN AN EXISTING PERPETUAL LEASE

The Board has assisted the NSW Government to undertake a comprehensive review of the current land tenure and land allocation arrangements on Lord Howe Island. Representatives from the Board attended panel meetings, provided background information and comments on the draft discussion paper.

STRATEGY - THE PERMANENT PARK PRESERVE IS MANAGED IN ACCORDANCE WITH A CURRENT AND APPROVED PLAN OF MANAGEMENT

The Lord Howe Island Permanent Park Preserve Plan of Management was adopted by the Minister on 17 November 2010. Internal audits on the progress of the plan are made annually.

STRATEGY - INVEST IN RESOURCES AND SYSTEMS TO ENHANCE THE BOARD'S CAPACITY AS A LAND ADMINISTRATOR AND CONSENT AUTHORITY

In 2013/14 the Board continued to engage an external consultant to provide planning and assessment services in its capacity as a local government authority, and a consent authority under the *Environmental Planning & Assessment Act 1979*. RPS Australia Pty Ltd and the Board have worked together with NSW Department of Planning & Environment to enhance the Board's capacity as a land Administrator and consent authority.

During the reporting period, the Board placed concept plans for the old Powerhouse Precinct on public exhibition and agreed on a preferred option.

The Board also commenced a review of Permissive Occupancies. A report will be prepared and will make recommendations as to compliance with various conditions of consent, encroachments and how these should be managed and whether each Permissive Occupancy is being utilised to its fullest potential.

Key Result Area - Community Well-being and Health

GOALS

- To exercise community leadership;
- To promote and to provide and plan for the needs of children;
- To exercise its powers, authorities, duties and functions in a manner that is consistent with and actively promotes the principles of multiculturalism;
- To have regard to the long term and cumulative effect of its decisions;
- To develop programs and projects which protect and enhance public health.

STRATEGY - TO CREATE A COHESIVE THRIVING COMMUNITY WITH A STRONG SENSE OF IDENTITY

During the reporting period, the Board made \$20,000 available under the Community Grants Program for activities or projects that benefit the Lord Howe Island community.

STRATEGY – BUILD COMMUNITY CAPACITY (I.E. THE COMMUNITY’S ABILITY TO LEAD, RESOURCE, MANAGE AND ACHIEVE LOCAL COMMUNITY AND ECONOMIC DEVELOPMENT)

The Board has continued to support Emergency Service Providers in concrete ways through providing a staff member to be the Local Emergency Management Officer, coordinating meetings of the Local Emergency Management Committee, providing physical and human resources to respond to incidents and reviewing the local Disaster Plan.

STRATEGY - PROMOTE PROGRAMS THAT ASSIST IN YOUTH DEVELOPMENT

In 2013/14 financial year, the Board provided scholarships valued at \$10,000. The program aims to create opportunities for Islanders to obtain tertiary qualifications and to return to the island and contribute to its social, environmental and economic life.

STRATEGY - ENSURE COMPLIANCE WITH PUBLIC HEALTH STANDARDS

The Board undertakes scheduled inspections and maintenance of drinking water supplies in accordance with the *Public Health Act* and the Australian Drinking Water Guidelines.

The Board has a statutory obligation to implement food safety standards on the Island. To assist in this area, the Board engages a Senior Environmental Health Officer under the Memorandum of Understanding with Port Macquarie Hastings Council to provide expert advice and to carry-out periodic inspections and assessments of food business premises. In November 2013 inspections were carried out of all food premises on the Island.

The Board continued to work closely with primary producers to ensure that all food products sold on the Island were produced within the requirements of NSW Food legislation.

The Board also undertakes regular Mosquito vector monitoring in accordance with guidance from DAFF – Biosecurity. Although Lord Howe Island is considered Low to Very Low risk, it is very important that ongoing vector monitoring activity continue to determine threats to public health.

During the reporting period, the Board developed a groundwater monitoring strategy to better understand the movement, availability and quality of the groundwater resource on Lord Howe Island. The first round of groundwater samples have been analysed by a laboratory, with this work to continue annually.

STATUTORY REPORTING

TRANSFER AND SUBLETTING OF PERPETUAL LEASES

Under the terms of Section 36A of the *Lord Howe Island Act 1953*, the Board is required to include in its Annual Report, particulars of any transfers and subletting of leases to persons other than Islanders within the meaning of the Act.

On the second of April 2014 the Minister consented to the transfer of Perpetual Lease number 1993/02 from Mr Craig Thompson and Ms Elizabeth Pittar to non-Islanders Mr James McFadyen and Mrs Rachael McFadyen.

GRANTING OF PERPETUAL LEASES

Leases in perpetuity for the purpose of residence may be granted by the Minister to Islanders as defined under the Act.

During the reporting period no new Perpetual Leases were granted to Islanders by the Minister for residential development.

LEGAL CHANGE

During the reporting period no changes were made to the *Lord Howe Island Act 1953* or the *Lord Howe Island Regulation 2004*.

However, *Administrative Arrangements (Administrative Changes – Miscellaneous Agencies) Order 2014 (NSW)* published on 30 June 2014 provides in Part 6, Clause 14 that:

The reference in section 4(3)(d) of the *Lord Howe Island Act 1953* to the Department of Environment and Conservation is to be construed as a reference to the Department of Premier and Cabinet.

ECONOMIC OR OTHER FACTORS

On average, the Board requires around \$7.2 million per annum to meet its annual operating budget commitments and about \$2.2 million per annum to meet its annual capital budget commitments. The board raises revenues through a variety of fees and charges and its own business operations, and also receives government subsidies and grants for specific purposes. In financial year 2013/14 the Board received recurrent funding of \$1.5 million, and grants and subsidies for operational purposes of \$2.6 million.

Over the past two years a huge amount of work has been done to demonstrate to the NSW Government that the Board manages its assets effectively and that, despite finding all possible efficiencies, cannot fund its capital program from its current revenue base. This is largely the result of implementing a deliberate strategy of producing a solid Total Asset Management Plan and

commissioning an expert review of the Board's financial sustainability. In March 2013 the Board agreed that a consultant be engaged to comprehensively assess the current financial position of the Board and identify and evaluate options to move to a more sustainable revenue base. PricewaterhouseCoopers (PwC) was engaged to undertake this assessment.

The findings of the PwC supported the Board's view that ongoing capital funding from Government funding was both necessary and reasonable. The result is that the Board is now permitted to submit capital expenditure funding proposals to NSW Treasury.

For the financial year 2013/14 the Board submitted capital proposals valued at \$1.23 million, and received funding of \$1.15 million.

There is every reason to believe that the great majority of the Board's capital expenditure will be funded by Treasury into the future. This puts the Board on a solid financial footing, facilitating the achievement of future operational objectives.

The Board secured the following external grants during the reporting period:

Source of Funds	Grant Program	Description	Estimated Total Grant
NSW Treasury	Capital Funding	Airport Reseal	\$4,013,000
NSW Treasury	Recurrent Funding	Recurrent Funding for non-capital purposes	\$1,475,000
Caring for our Country – Natural Heritage Trust Department of the Environment	World Heritage Grants 2013-2018	Managing the World Heritage Values of Lord Howe Island (NSW)	\$530,100
Department of Local Government	NSW Local Government Grants Commission	Financial Assistance Grant	\$91,584
NSW Treasury	Business Case Funding	LHI Renewable Energy Capital Proposal Business Case Funding	\$60,455
NSW Roads and Maritime Services	Better Boating Program	LHI Boat Launching Options Study	\$32,360
NSW Environmental Trust	Waste Less Recycle More Initiative	How to Turn Food Waste Around on LHI	\$20,509
NSW Rural Fire Service	Rural Fire Fighting Fund	Annual Maintenance and Repairs	\$10,895
Friends of Lord Howe Island		Spot Spraying of Broad-leaved paspalum	\$4,800
NSW Treasury	Premiers Rural and Regional Grants Fund	Funding to repair James Brown Memorial Seat	\$1,000

CONSULTANTS

The Board paid the sum of \$1,118,580 during the financial year to various consultants. These payments were made for the following purposes.

Consultants engaged at a cost of \$50,000 or greater:

Consultant	Project	2013/14 Actual	Engagement
Office of Environment and Heritage	Rodent Eradication Outcome Monitoring	\$279,450	\$279,450
Taronga Conservation Society Australia	Captive Management Trials	\$135,538	\$396,000
RPS Australia Asia Pacific	Planning and Assessment Services	\$129,115	\$186,040
PricewaterhouseCoopers	Review of the Financial Sustainability of the Lord Howe Island Board	\$110,635	\$110,000
Make Stuff Happen	Establish a Community Liaison Group to develop a Communication Plan and Community Consultation Strategy	\$95,669	\$131,626
GHD P/L	Airport Runway and Drainage Design	\$73,840	\$132,000
Elton Consulting	Community Consultation Rodent Eradication Project	\$32,104	\$155,884

Engagements costing less than \$50,000 categorised by the nature of the consultancy:

Nature of Consultancy	Number of Engagements	Total Cost
Engineering	14	\$167,077
Environmental	10	\$50,050
Health	2	\$10,938
Legal	6	\$30,404
Town Planning	2	\$3,760

HUMAN RESOURCES

The Lord Howe Island Act forbids the Board from employing staff.

On 23 February 2014 the *Public Sector Employment and Management Act 2002* was repealed by the *Government Sector Employment Act 2013*, which commenced on 24 February 2014.

In accordance with the legislative changes and associated administrative restructure the Lord Howe Island Board's personnel services were provided during the reporting period by the following agencies:

01/07/2013-23/02/2014 Department of Premier and Cabinet, administered by the Office of Environment and Heritage

24/02/2014-30/06/2014 Office of Local Government

The Board budgeted for 34.1 full time equivalent staff in the financial year with the Chief Executive Officer responsible for the overall day-to-day management and administration of the staff. The 2014 establishment was reduced by five positions following the closure of the Boards Kentia Palm Nursery in 2013. Additional temporary staff were engaged during the reporting period to undertake externally funded projects.

The following employee numbers for staff employed under the Crown Employees (Lord Howe Island Board Salaries and Conditions 2009) Award are based on the annual reference period average Full Time Equivalent (FTE) figures generated from Workforce Profile (WP) data collected on behalf of the Department of Premier and Cabinet. The following figures do not include the position of Chief Executive Officer.

Area	Category	2013/14	2012/13	2011/12	2010/11
Senior Management	Snr Management	2.9	2.9	2.7	3.0
Business & Corporate Services	Administration	3.7	4.0	4.1	4.1
	Visitor Centre	0.8	0.8	0.8	0.7
	Nursery	0.2	3.8	4.1	5.6
	Liquor Store	1.4	1.4	1.5	1.4
Environmental & Community Development	Environment	8.6	13.8	10.7	11.3
	Grant Funded	7.6	*	*	*
	Public Health	-	1.0	1.0	1.0
	Community Dev.	-	0.4	0.4	-
Infrastructure & Engineering Services	Works and Services	12.0	10.9	12.6	12.3
	Powerhouse	1.7	1.4	1.0	1.0
Total		38.9	40.4	38.9	40.4

* Prior to 2013/14 externally funded positions were not reported separately.

OCCUPATIONAL HEALTH AND SAFETY

WORKERS COMPENSATION CLAIMS 2013-14

Date of Injury	Type of Injury	Cause of Injury	Hours lost
02/07/2013	Bruise R lower post-lat chest wall/minor rib fracture?	Slip on wet step while carrying bag of plaster.	Medical expenses only
05/07/2013	Scratched conjunctiva R eye	Sand blew into eye.	Medical expenses only
11/07/2013	Laceration and bruising of L lower shin	Struck by piece of timber while chopping firewood.	Medical expenses only
29/08/2013	Grazed/bruised scalp	Struck own head while using pole/picket driver.	Medical expenses
24/09/2013	Foreign body – left eye	Small metal fragment lodged in eye while using a grinder.	43.00
04/11/2013	Anxiety/Stress	Workplace issues.	Medical expenses only
10/12/2013	Synovitis R knee, patellofemoral JT inflammation	Walking in steep terrain.	5.1
16/12/2013	Needle stick injury	Stabbed by needle while processing waste at WMF	Medical expenses only
17/12/2013	Strained R wrist	Slipped and fell while weeding.	Medical expenses only
28/02/2014	Left sacroiliac joint strain	Pushing a boat into the water	4.6
21/05/2014	Corneal laceration R eye	Moving building materials, speck of timber flew into eye	Medical expenses only
06/06/2014	Soft tissue injuries shoulder, chest and lower back	Struck by tree during felling operations	242.6
19/06/2014	Puncture wound R leg	Slipped while weeding	Medical expenses only

CLAIM HISTORY

Reporting Period	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Number of claims	12	9	8	9	9	13
Net cost of claims	\$86,987	\$93,528	\$25,408	\$56,262	\$4,188	\$28,801

The Board aims to achieve the targets set out in the NSW Public Sector Workplace Health and Safety Injury Management Strategy.

During the reporting period the Board was not prosecuted under the *Work health and Safety Act 2011* for any incident during the reporting period.

WORKFORCE DIVERSITY

Information in the following tables is provided by the Workforce Information group in the Public Service Commission. Statistics disclosed are for staff employed under the Crown Employees (Lord Howe Island Board Salaries and Conditions 2009) Award.

A) STATISTICAL INFORMATION ON EEO TARGET GROUPS

TABLE 1.

		Trends in the Representation of EEO Groups		
EEO Group	Benchmark / Target	Percentage of Total Staff		
		2012	2013	2014
Women	50.0%	27.5%	19.0%	23.3%
Aboriginal people and Torres Strait Islanders	2.6%	0.0%	0.0%	0.0%
People whose first language was not English	19.0%	5.0%	7.1%	7.0%
People with a disability	N/A	7.5%	9.5%	10.2%
People with a disability requiring work-related adjustment	1.5%	2.5%	7.1%	10.2%

TABLE 2.

		Trends in the Distribution of EEO Groups		
EEO Group	Benchmark	2012	2013	2014
Women	100	N/A	N/A	N/A
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A
People with a disability	100	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

Note 1. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is

equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

Note 2. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

B) COMMENTARY AND INITIATIVES TO ELIMINATE DISCRIMINATION IN EMPLOYMENT AND PROMOTE EQUAL EMPLOYMENT OPPORTUNITY (EEO)

The Lord Howe Island Board is committed to achieving the NSW Public Sector EEO outcomes of:

- a diverse and skilled workforce
- improved employment access and participation by EEO groups, and
- a workplace culture displaying fair workplace practices and behaviours.

During the 2013/2014 reporting period the Board will continue to:

- Apply the principles of merit selection to recruitment processes;
- Develop and review workplace policies in support of EEO principles such as the No Bullying Policy and Respectful Workplace Policy;
- Identify and provide appropriate training and development opportunities for all staff.

FUNDS GRANTED TO NON-GOVERNMENT COMMUNITY ORGANISATIONS

The Lord Howe Island Board administers an annual Community Grants Program. Grant allocations are determined by the Chief Executive Officer in consultation with Elected Board members.

The following grants were awarded for the 2013-2014 financial year:

Recipient Organisation	Amount of Grant	Nature and Purpose of Project
Lord Howe Island Historical Society	\$11,000	Upgrade of the Environment Gallery and Internet Access Point
Lord Howe Island Historical Society	\$4,400	An interpretive display of cultural heritage
Lord Howe Island Bowling Club	\$2,750	Event support and promotion
Lord Howe Island Radio Station	\$2,500	Ongoing station operations and purchase of equipment
Lord Howe Island Community Music Group	\$2,000	Purchase of recording equipment
LHI Play Group Association	\$600	Purchase and installation of baby change tables

The Lord Howe Island Board provided funding of \$39,600 to the Lord Howe Island Tourism Association to support its work to promote and develop the island as a tourism destination. The provision of ongoing

funding to the Association is consistent with the Board's Charter *to promote the Island as a tourist destination.*

RESEARCH AND DEVELOPMENT

Completed and continuing research and developmental activities	Resources allocated
Landbird surveys on LHI (Canberra Bird Observers)	\$30,000
Impacts of rodents to flora	\$15,000
Impacts of rodents to seabirds	\$15,000
Micro-bat Population Surveys	\$5,000
Annual Woodhen Census	\$25,000
Lord Howe Island Threatened Plant Surveys	\$4,372
Vegetation Mapping	\$10,000
Plant Palatability Trials – project partner with Melbourne Zoo	-

DISABILITY PLANS

The Board is not required to implement a disability plan.

DISCLOSURE OF CONTROLLED ENTITIES

Nil.

DISCLOSURE OF SUBSIDIARIES

Nil.

AGREEMENTS WITH THE COMMUNITY RELATIONS COMMISSION

No agreements were in place during the reporting period.

MULTICULTURAL POLICIES AND SERVICES PROGRAM

The Board is committed to the Principles of Multiculturalism as confirmed in the Lord Howe Island Board Multicultural Policies and Services Statement.

The Lord Howe Island Board observes the Principals of Multiculturalism in conducting its affairs in accordance with its charter.

During the 2014/15 reporting period the Board will continue to progress and develop good practice, guided by the Multicultural Planning Framework.

PRIVACY AND PERSONAL INFORMATION ACT 1998

During the reporting period the Board received no applications under the Privacy and Personal Information Protection Act 1998.

The Board's Privacy Management Plan is available on its website www.lhib.nsw.gov.au.

PROMOTION

Nil.

INVESTMENT PERFORMANCE

During the reporting period some of the Board's surplus funds were invested in the TCorp Cash Hour-Glass Facility. In order to obtain enhanced returns without taking an unacceptable level of risk, the majority of the Board's surplus funds were invested in 'rolling' short term deposits with a major Australian bank.

The annual compound percentage rate of return achieved by the Board during the year from its TCorp Cash Hour-Glass Facility was 2.92 percent, while the average return from its term deposits was approximately 3.83 percent.

LAND DISPOSAL

No properties with a value greater than \$5,000,000 were disposed of by the Board during the reporting year.

LIABILITY MANAGEMENT PERFORMANCE

Nil.

PERFORMANCE AND NUMBERS OF EXECUTIVE OFFICERS

Nil.

RISK MANAGEMENT AND INSURANCE ACTIVITIES

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies.

The Board maintains organisational arrangements that provide additional assurance, independent from operational management, on internal audit and risk management.

The Board has adopted and implemented the Lord Howe Island Board Risk Management Policy and Procedure to guide the Board to manage risk systematically, efficiently and effectively.

INTERNAL AUDIT AND RISK MANAGEMENT POLICY ATTESTATION

STATEMENT FOR THE 2013-14 REPORTING PERIOD

I, Barney Nichols, am of the opinion that the Lord Howe Island Board has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Barney Nichols, am of the opinion that the Audit and Risk Committee for the Lord Howe Island Board is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09-08. The Chair and Members of the Audit and Risk Committee during the reporting period were:

- Arthur Butler, independent Chair,
- Bruce Turner, independent Member,
- Gerardine Brus, independent Member

These processes provide a level of assurance that enables the senior management of the Lord Howe Island Board to understand, manage and satisfactorily control risk exposures.



Barney Nichols

DEPUTY CHAIR

LORD HOWE ISLAND BOARD

29 October 2014

GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009

Under Section 125 (1) of the Act, each agency must, within four months after the end of each reporting year, prepare an annual report on the agency's obligations under this Act for submission to the Minister responsible for the agency. A copy of the report is to be provided to the Information Commissioner. Under paragraph 7 of the Government Information (Public Access) Regulation 2009 the annual report must include the following:

(a) details of the review carried out by the agency under section 7 (3) of the Act during the reporting year and details of any information made publicly available by the agency as a result of the review,

Section 7 of the Act - Authorised proactive release of government information – at subsection (3), provides that... An agency must, at intervals of not more than 12 months, review its program for the release of government information under this section to identify the kinds of government information held by the agency that should in the public interest be made publicly available and that can be made publicly available without imposing unreasonable additional costs on the agency.

A review in accordance with Section 7(3) of the Act was undertaken in February 2014. Preparation of a Communication Strategy has commenced, with a view to improving public information dissemination.

The Board continued to proactively release government information during the reporting period in the following ways:

- Regular update of the website www.lhib.nsw.gov.au, in particular the News, Public Notices and Featured programs sections;
- Publishing of community newsletters and bulletins to inform the public.

(b) the total number of access applications received by the agency during the reporting year (including withdrawn applications but not including invalid applications),

Zero (0) access applications were received during the 2013/2014 reporting year.

(c) the total number of access applications received by the agency during the reporting year that the agency refused, either wholly or partly, because the application was for the disclosure of information referred to in Schedule 1 to the Act (Information for which there is conclusive presumption of overriding public interest against disclosure),

Note. Table D in schedule 2 also requires information relating to access applications in respect of which there is a conclusive presumption of overriding public interest against disclosure.

Zero (0) access applications were refused during the 2013/2014 reporting period either wholly or partly.

(d) information, as set out in the form required by the tables in Schedule 2, relating to the access applications (if any) made to the agency during the reporting year.

SCHEDULE 2 STATISTICAL INFORMATION ABOUT ACCESS APPLICATIONS TO BE INCLUDED IN ANNUAL REPORT

(Clause 7)

Table A: Number of applications by type of applicant and outcome*								
	Access granted in full	Access granted in part	Access refused In full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	0	0	0	0	0	0	0

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome*								
	Access granted in full	Access granted in part	Access refused In full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

* A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications	
Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act	
	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act	
	No of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial process and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness	
	No of applications
Decided within the statutory timeframe (20 days plus any extensions)	0
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	0

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 39 of the Act	0	0	0
Review by ADT	0	0	0
Total	0	0	0

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	No of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access applications relates (see section 54 of the Act)	0

PUBLIC INTEREST DISCLOSURES

The Board has adopted a Protected Disclosures Policy which establishes an internal reporting system for the reporting of disclosures of corrupt conduct, maladministration or serious and substantial waste of public money by the Lord Howe Island Board or its staff.

No public interest disclosures have been received by the Board.

IMPLEMENTATION OF PRICE DETERMINATION

The Board was not subject to any determination or recommendation under *the Independent Pricing and Regulatory Tribunal Act 1992* during the reporting period.

CREDIT CARD CERTIFICATION

I certify that Credit Card use within the Lord Howe Island Board during the reporting period has been in accordance with Premier's Memoranda and Treasurer's Directions.

Two cards were in force during the period, on issue to the Stores Officer and Manager Business & Corporate Services. Card usage was in accordance with Lord Howe Island Board Policy.



Penny Holloway

Chief Executive Officer

27 October 2014

REQUIREMENTS ARISING FROM EMPLOYMENT ARRANGEMENTS

The *Lord Howe Island Act 1953, Part 3, Section 3, states:*

“(3) The Board cannot employ any staff. Staff may be employed under Chapter 1A of the *Public Sector Employment and Management Act 2002* in the Government Service to enable the Board to exercise its functions”.

Personnel services are provided to the Lord Howe Island Board during the reporting period by the Office of Environment and Heritage, Department of Premier and Cabinet and the Office of Local Government.

AFTER BALANCE DATE EVENTS

Nil.

EXTERNAL COSTS INCURRED IN REPORT PRODUCTION

No External costs were incurred in the production of this report.

REPORT AVAILABILITY

This report is available in the following formats:

1. Online at the Board's website www.lhib.nsw.gov.au
2. In electronic format or hard copy on request to the Lord Howe Island Board Administration Office.

Note that hard copies will not be held in stock but printed as required. Prior notice is requested for persons wishing to collect a hard copy.

BUDGETS

The original budget for 2013/14 was approved by the Board at the start of the financial year. Throughout the year the Board approved adjustments to several budget line items in order to reflect changing circumstances.

BUDGET FOR THE REPORTING YEAR*

BUSINESS UNIT	OPERATIONAL AREA	EXPENSE	REVENUE
CEO Office	CEO Office	1,606,600	-1,716,272
Business & Corporate Services	Administration	510,549	-10,000
	Corporate	639,920	-1,348,653
	Governance	225,000	0
	Liquor Store	1,241,423	-1,590,000
	Tourism	102,614	0
Infrastructure & Engineering Services	Airport	160,570	-1,348,000
	Electricity	1,260,222	-1,542,074
	General Services	1,353,802	-850,000
Environment & Community Services	Community Health & Wellbeing	94,611	-8,000
	Environment	1,826,334	-737,250
	Land Administration & Planning	212,950	-187,750
Capital Works	Roads Capital Works	75,000	0
	Marine Facilities Capital Works	87,811	0
	Other Infrastructure Capital Works	65,750	0
	Buildings Capital Works	102,000	0
	Airport Capital Works	2,013,000	-2,013,000
	Plant & Equipment Capital Works	57,700	0
	Electricity Capital Works	430,881	0
	Office Equipment Capital Works	26,600	0
Depreciation		1,847,000	0
Total		13,940,337	-11,350,999

OUTLINE BUDGET FOR 2014-15*

The following budget for the financial year ending 30 June 2015 was approved by the Lord Howe Island Board in September 2014. Adjustments will be tabled throughout the year for Board approval to reflect changing circumstances.

BUSINESS UNIT	OPERATIONAL AREA	EXPENSE	REVENUE
CEO Office	CEO Office	867,759	-1,896,581
Business & Corporate Services	Administration	568,348	-14,000
	Corporate	655,408	-2,728,983
	Governance	283,000	0
	Liquor Store	1,306,222	-1,625,000
	Tourism	110,153	0
Infrastructure & Engineering Services	Airport	1,347,856	-1,663,000
	Electricity	1,250,277	-1,513,017
	General Services	3,535,420	-773,010
Environment & Community Services	Community Health & Wellbeing	66,447	-12,000
	Environment	2,021,331	-200,700
	Land Administration & Planning	146,900	-250,500
Capital Works	Roads Capital Works	130,000	0
	Marine Facilities Capital Works	184,523	-32,360
	Other Infrastructure Capital Works	53,750	0
	Buildings Capital Works	142,550	0
	Airport Capital Works	3,903,950	-2,000,000
	Plant & Equipment Capital Works	372,000	0
	Electricity Capital Works	1,544,209	-800,000
	Office Equipment Capital Works	20,000	0
TOTAL		18,510,103	-13,509,151

FINANCIAL STATEMENTS

Audit Opinion



INDEPENDENT AUDITOR'S REPORT

Lord Howe Island Board

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Lord Howe Island Board (the Board), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

My opinion should be read in conjunction with the rest of this report.

The Board's Responsibility for the Financial Statements

The members of the Board are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

- about the future viability of the Board
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Caroline Karakatsanis
Director, Financial Audit Services

17 October 2014
SYDNEY