

26 July 2024

Committee Office Legislative Council
Parliament House, Macquarie Street
SYDNEY NSW 2000

Dear Ms Taahi,

Inquiry into the ability of local governments to fund infrastructure and services

Please find attached the following,

1. Transcript corrections.
2. Answers to questions on notice directed to Bathurst Regional Council.

On behalf of Council, I would like to thank the Inquiry for the opportunity to make a presentation. Council looks forward to receiving a copy of the Standby Committee report.

Yours faithfully

GENERAL MANAGER

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regional cities, there is a huge flow back to the State Government about problems with the water, sewer and waste charging regimes. We don't see why, if we're trusted for three, we can't be trusted for the fourth.

Dr AMANDA COHN: Some people who might object to lifting the rate peg have suggested that it would result in bill shock for families and ratepayers. Obviously, we have a cost-of-living crisis in New South Wales. How do you respond to that objection? In a way forward, if we were to abolish the rate peg, how would councils manage rate increases to be acceptable to the community?

DAVID SHERLEY: I think we've already got those processes in place now. Firstly, at the start of each council term, we have to develop a community strategic plan that provides direction for what that council is going to do for the next four years. If that plan is developed correctly, it has the input of the community, which says, "This is the way we want to go." Hopefully, State Government departments have embraced that, because they're all directed to be involved in the CSP process. Then each year individually, we have to go out and put our budget and proposals on exhibition for community consultation. That happens, we receive submissions and the councillors consider that. The councillors are there, face to face with their community. I think the processes are in place there to accept that and to operate.

AARON JONES: Can I just add, if that's okay? Sorry, boss.

DAVID SHERLEY: Feel free.

AARON JONES: Bathurst council is one of the few councils in New South Wales that has never applied for an SRV. One of the learnings, to pick up on Sam Faraway's question earlier, that we have had is that we've had a challenge over the last 13 years that our staff have been recommending to councillors that we need to apply for an SRV process, but the councillors of the day have chosen not to. When we eventually did go down a path of embracing with our community that the number, which, as Mr Sherley just mentioned, is around 68 per cent, obviously the opposition was exactly that bill shock that we talk around. That's essentially a culmination of our council not proceeding with an SRV since day dot. I think it was the '70s that the SRV process came into play.

If rate pegging was to be abolished and the autonomy was left up to councils to determine what they need to consider, absolutely, there is that bill shock element. There's a catch-up element that councils would now need to consider because it would be inappropriate, in my opinion, to go to our community and say, "We need a 68.78 per cent increase next year." The cost-of-living crisis that our whole State is facing at the moment has to be factored into that equation. What I would suggest—and what I would encourage our council to do—would be to engage in a conversation with your community. At the end of the day, they are our stakeholders. They're players in our space, so take them along for the journey, which we tried to do with our SRV process. Unfortunately, it was—I won't use the word "railroaded". I just did, so we'll stick with that for the time being.

There's definitely a robust conversation opportunity for councils to have, and that they will need to have. Even if you look at the process that we have with IPART—and Mr Clayton may be able to correct me here—from memory, a couple of years ago IPART was looking at the local government cost index based on historic transactions. More recently, it's now looking at what they're predicting to be the future. In that transition from looking backwards to looking forward was a two-year gap, which IPART missed, and so that's not being captured in any of the equations that we've had. As an immediate impact in New South Wales councils, we're behind the eight ball. Potentially, the numbers that I've heard—I don't have them exactly quantified—are circa around 10 per cent in rate increases. So all of us are behind the eight ball in that space. To answer your question around managing bill shock, it will be real, but it's a case of managing that through a conversation with our community.

The CHAIR: I'm interested to explore further some of the issues around the SRV process. I think you mentioned that council staff had been recommending that process for some 13 years before it was taken on by a council or a load of councillors. In that time there was obviously a knock-on effect. We've heard about the compounding issues around rate increases or not going for rate increases and the like. What do you think could be avoided in this process? What suggestions do you have for us, as a committee, to make recommendations to Government around improving that process of an SRV so that councillors are more likely to say yes to staff, who obviously quite knowledgeably go and recommend something? How can we make that process better?

DAVID SHERLEY: One of things I'd suggest—certainly in our case—is that bill shock issue with the percentage we are looking at. Some of that was catching up on projects or programs that had been imposed on the council, for want of a better term. You'll have all heard about the emergency services levy, obviously, and it is a significant dollar figure. I'm talking for myself but I think generally the council. The council was not against the emergency services levy because it reflected community demands, which was that they wanted improvement in the emergency services space. What our problem was, the emergency services levy was imposed at a very high level on us, but it was not allowed for in the rate peg. If it had been allowed for in the rate peg, it's one of the items that would've been reduced off the gap, because it would've been recognised.

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DAVID SHERLEY: Look, we probably could provide some general stuff. I might pass that to you, Aaron, in terms of the cost with the staff going and whatever else.

AARON JONES: Sure. Without putting a financial number to that, what I can convey and we concluded in our submission is that at Bathurst council at the moment, we're experiencing our highest level of vacancies across our organisation. Some of that would definitely be attributed to staff just not wanting to be part of our organisation as a consequence of the SRV process.

The CHAIR: Did you see staff leave as a result of that?

AARON JONES: Yes.

The CHAIR: Have you done figures on what that number is?

AARON JONES: Happy to take that on notice. We do undertake an exit survey with each of our staff and if they're willing to disclose their motivations for leaving, we do capture that level of data, so happy to take that on notice.

The CHAIR: Thank you, that would be useful. The other piece of information would be around whether or not you've done any surveys of your staff in terms of wellbeing or otherwise to get feedback from them about the impacts of that process and any other things?

AARON JONES: If I can just add briefly, we've also—and we monitor this as well—seen an increase in the usage of our EAP service. It's a fixed cost for the year, so it's not an additional financial cost. Unfortunately, I can only assume—let's use those words—the increase in EAP is a direct impact of the SRV. Obviously, with the other comments that we've made earlier around cost of living—and there are families that are struggling at the moment, so there will be other reasons why people would be using the EAP service, but an observation is that we have seen an increased use in that service from our staff.

The CHAIR: Have you seen an increase in lost time due to injury as well?

AARON JONES: I'm going to have to say not a noticeable increase in that space. That being said, we had a very active safety program within our team. What I will say though is that, whilst the staff morale probably declined significantly during that period of time, the staff actually rally well together. If I can take a positive out of our SRV experience, it's that we have a very strong and sound team that have remained and they're very much focused on being part of the solution, whatever that may be.

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The CHAIR: I note earlier that you're obviously more inclined to be rid of the entire SRV process in terms of it being the position of council to abolish the rate cap. But, if we were to look at a more streamlined process, what would that look like—using, as you said, the IP&R frameworks and all of those sorts of things?

AARON JONES: Included in our submission was a suggestion that, if the SRV process was to be retained, it should essentially focus on new or out-of-the-ordinary initiatives. Using our SRV experience, we were actually basically seeking an increase in rates just to keep the doors open. We weren't going to build a nice shiny widget. We weren't going to be introducing a new service to our community. If an SRV process is to remain, then either one of two avenues I can think of is that, if it's just to maintain services to the level the community expects, then either remove the SRV process just for that portfolio or streamline it such that it's a very simple process where you just demonstrate that you've engaged with the community and have obtained a layer of community support. If it's for a new business venture or a new piece of infrastructure which is over and above—or even if it's outside the CSP, the strategic objectives of the organisation—then, absolutely, quite a robust SRV process should be in place for that, if the SRV process is to be retained.

DAVID SHERLEY: It was mentioned earlier, and I know IPART and the Government are looking at it, but it's the figures used by IPART to actually set the rate peg. For the 2023-24 financial year, the IPART rate peg guidelines were instructed by the Government to be 2.5 per cent for a wage increase because that linked into the State figures. For that year, 2023-24, the award increase for us was 4.8 per cent. Then we had on top of that the 1 per cent for the superannuation guarantee charge, so the 4.8 is up to 5.8. Then, like all councils, there are skills and performance steps built in. So we were potentially operating on a 6.5 per cent—potentially 7 per cent—wage increase given the structure of the award and everything, but IPART were instructed that the wage figure they were to use was 2.5 per cent. Remembering that our wages are bigger than our general fund rates, the increase in general fund rates didn't even meet the wage increase, let alone the cost escalations that are occurring across the industry.

The CHAIR: You say in your submission, if councils could recoup a historic lag in the rate cap, they'd prefer to take it over a course of a number of years. How many years are we talking about?

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AARON JONES: In all seriousness, my suggestion would be that you'd actually have that conversation with the community around what the community have the capacity to cover or capacity to pay. Rather than just come before you today and say, "It should be done over three years" or put a finite number around that, I think that it would vary depending on the community and the community's capacity to pay.

The CHAIR: Earlier you mentioned community expectations. I'm keen to hear from Mid-Western about whether this has been occurring in your area as well. Why do you think that these community expectations are changing when it comes to Bathurst's and Mid-Western's service delivery obligations?

DAVID SHERLEY: The general community out there are expecting more from their levels of government than what was expected 30 or 40 years ago. But, also, I've been general manager for 20 years at Bathurst and I'm seeing that engagement with government is increasing. Traditionally, if I go back 30-odd years, people engaged several times during an electoral term. Once was when the vote was there; maybe if they had a DA up; and maybe, at maximum, once a quarter when they got their rates bill. Nowadays, people actually want to engage, so we're seeing that. But part of that engagement is then wanting more interaction with the government than what's being provided. But we're also seeing more people come out of Sydney and the Blue Mountains, and those people are used to different service levels than what we would have traditionally provided out in the rural areas.

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At the same time, we as providers—I go back to the museum example that was raised earlier and also that Mayor Dickerson raised—are trying to create lifestyle for our communities so it's healthy and makes it good for them, but also to try to attract people. That attraction is not only in the workforce space. In a place like Bathurst, we have things like the geospatial centre. We've got a very large schooling group. We've got the university. We're trying to attract people in those fields—not only the blue collar—and all of them want services, but there's the demand for greater services. I've been there for 26 years at the council. In that time, we've done the tiered theatre, like Dubbo has done, and you'll find that in all of the regional cities. We've moved down the path of creating—we run the regional art gallery. We now run four museums, which I know some people query. We also now run what is called the Central Tablelands Collections Facility, which is a state-of-the-art facility for storage of collections.

creative industry

The CHAIR: You run the Bathurst 1000. Is that correct?

DAVID SHERLEY: Well, it's quite interesting. We run four races—there will be five this year—on the mount. Of the five, council is a joint owner in four, and the V8 run is a profit-share lease operation. Having those facilities and lifestyle attracts people to live here. The growth in cultural—we see that as a really good opportunity as a growth industry for us. You've got to get to the critical mass to make it so it keeps operating. Also, it's the tourism and economic benefit for your community, and that really is a major thing for rural councils because if we don't do it, no one does it. If you're in Sydney, the State Government is running the Australian Museum. The State Government runs the Art Gallery of New South Wales. The State Government is locked in with the Maritime Museum. Out our way, there aren't any of those. If those facilities aren't provided by us, then no one will.

The CHAIR: Did you have anything further, Ian?

IAN CLAYTON: Yes. I agree with the rise in expectations around service delivery. I think our region puts a lot of effort into attracting visitors to the area as a food and wine destination. A lot of our rural properties are being gradually broken up into smaller and smaller parts; we've got roads where there used to be two farmers and now there are 15 lifestyle blocks. Those people are using the facilities a lot more and expecting more. There's certainly no growth in rates that are a track to that type of development that will cover the costs.

The CHAIR: These facilities that you're talking about—museums, Bathurst 1,000 and all of those sorts of things—are they running at a loss currently?

DAVID SHERLEY: The car racing runs at a profit. Obviously there's confidential contracts there, but they certainly run at a profit. The museums run at a loss. With the four museums and the Central Tablelands Collections Facility, the overarching is probably a \$1.4 million loss per annum.

AARON JONES: Yes.

DAVID SHERLEY: Can I just say that one of the things that is of great benefit there is that Bathurst is seen across the industry as a leader in that space. Because we are so highly regarded, we've got students coming from Sydney university and Melbourne university to come and do parts of their courses in Bathurst. So there's the operation. With art galleries, I'm yet to find one that breaks even. Our entertainment centre doesn't break even as well. They are certainly net outflows, but they are essential to your community health. We want doctors. You're not going to get doctors if you don't have those facilities, and that's part of the issue. The other thing too—and we