
From: Erin Lord
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To: State Development
Cc: Dr Clare Allen; Keith Hentschke
Subject: CM: RE: Inquiry into the ability of local governments to fund infrastructure and services - Post-hearing responses - 5 July 2024
Attachments: Transcript - UNCORRECTED - State Development - Local governments inquiry - 5 July 2024 (MARKED UP CLARIFICATIONS).PDF

Good Afternoon,

Please find attached marked up transcript with clarifications added for accuracy.

Please let me know if there are any questions relating to these mark-ups.

Thank you



Erin Lord
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Port Macquarie Hastings Council
[Birpai Country]



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Dr CLARE ALLEN, Chief Executive Officer, Port Macquarie Hastings Council, before the Committee via videoconference, sworn and examined

Mr KEITH HENTSCHE, Director Business and Performance, Port Macquarie Hastings Council, before the Committee via videoconference, affirmed and examined

The CHAIR: Welcome and thank you for giving time today to give evidence to this inquiry. Would either of you like to start by making a short opening statement?

CLARE ALLEN: I would like to start with an opening statement. I have sent it through prior, so you will have a copy of it in front of you to go through. If you could please allow me to go through it. It's about five minutes, in terms of an opening statement, and then we're happy to take questions. I will be as succinct, given your time frame, as I possibly can. Thank you, Madam Chair and Committee members. I would like to thank you for inviting us here to give evidence on this very important matter. In my view, financial sustainability in local government is providing and maintaining services and infrastructure commensurate with current and future needs in line with our annual and projected income and strategic priorities.

Firstly, regarding the rate peg, it should be set as a minimum and should be in line with State and Commonwealth annual growth rates, or we will all be applying for SRVs as costs escalate beyond our capability. We have finite resources and growing demands and, considering local government's significant reliance on grants—in our case, 34 per cent—we are at the mercy of other tiers of government. We are not an enterprise to be cost-shifted onto; we are an enterprise to be invested into.

Port Macquarie Hastings Council is a council that manages almost \$3 billion of assets and infrastructure, and many local governments manage large-scale assets. As such, we play a vital role in the delivery of infrastructure and services to our community. Therefore, we should operate under a robust data-driven decisions that benefit the community now and for future generations. We are the closest tier of government on the ground. Port Macquarie Hastings Council, like all local governments, has gone through bushfires, floods—in our case, \$90 million worth of flood damage—of course, a pandemic. We have stood side by side with our community to deliver our operations and working towards remediation from these events.

Whilst we often benefit from Federal and State government funding for the provision of infrastructure and services, which we are very grateful for, sometimes, as quickly as we receive it, it's taken away. We experienced this recently with the funding for the planning of Oxley Highway. That is a vital road and strategic junction which was stripped away following a change of government and review of priority infrastructure spending. Another example is bearing the cost of both an airport and the ferry service to deliver vital connections to our community. While we operate the airport as a commercial venture, we have been advocating for our ferry services to be taken over by Transport for NSW in alignment with other jurisdictions across the State. We were baffled earlier this year when we were informed that they would not fund the Settlement Point and Hibbard ferry services but then announced they were overtaking the management of the Lower Portland ferry from the Hills and the Hawkesbury shire councils.

We have a population of 91,000 and this is projected to grow by 20.9 per cent by 2041. We are undertaking two significant projects—that of a new sewer and new water treatment plant, planned for 2028-29, costing up to \$300 million, enabling 9,000 new dwellings. We have an ageing infrastructure and significant dilapidation, which we are committed to improving. The backlog of infrastructure and dilapidation is mainly due to long-term poor financial decisions from this council and short-term thinking, predominantly since 2007. Local government needs three things: reform, modernisation and stabilisation. Reform could involve elected officials having a required level of skills, including financial, business and commerce; and improved remuneration to attract the right candidates. Modernisation could involve an investment from government in systems and processes for councils to become more efficient. Stabilisation could involve greater accountability for councils to meet financial performance ratios across a corporate business plan.

A business model ensures that every dollar should be accounted for and put to work, so that council can accommodate for the needs of current and future generations against clear strategic priorities. Councils across New South Wales should be adopting an overarching corporate business plan to raise their acumen of long-term financial sustainability. This would allow the community's strategic plan of the long-term financial plan to become embedded into a business framework and help prevent ad hoc, political decision-making. No major decision should be made by a council that negatively impacts on its key performance ratios. This should be monitored and reported upon.

whereby the NSW Government lost funding for this priority project as a result of the Federal Government review of the funding program.

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funds from a pot of money, do you think that is something government should be looking at across the board in their funding models?

CLARE ALLEN: Absolutely. I'll come back to Oxley Highway, because obviously it's a contentious issue to us. We had several—I don't know, maybe 20—conversations with Transport for NSW, where everybody knew congestion is our biggest, highest priority. That is the roundabout there which gets the most congestion. Yet it was taken off and considered not to have merit in terms of the planning, which was going to hold up other significant projects. We need that voice at the table. We really need all levels of government to have that voice to understand those priorities. I was very surprised to find out that the State Government had not passed that on as a significant priority when it would have to be one of our highest transport priorities within Port Macquarie Hastings. I think that's an opportunity for us for sure, Sam.

The Hon. SAM FARRAWAY: Obviously, Port Macquarie Hastings Council is a larger council; it's far denser than other councils in the bush that we've heard from. It goes to this point about BCRs on everything. Whether it is a road project or trying to get a community grant for a toilet block, do you think that a BCR should be hard and fast on every single grant application? That's the first question. Secondly, do you feel as if State governments, in terms of funding some of this community-based infrastructure for the future that doesn't need a BCR—should there be other determining factors for those grants to be successful?

CLARE ALLEN: Yes and yes. I don't think there's a fast answer here but, certainly, we need a process where we're really looking at those strategic priorities and there's agreement. So it can be that hard and fast but sometimes, for example, we have to make certain decisions and we have to pivot. That's the idea of flexibility. As you know, the orbital road was one that needed a pivot. We, basically, had made the decision we were going to look at that and left it too long.

If look you at Ocean Drive, the cost there, when we first started having the conversation, was \$10 million to \$20 million. Now we're managing that project at \$111 million, with \$60 million that's come in, in terms of funding and grants. So I think that we need to move fast. We need to determine these things, because cost escalations are just creeping up on all of us. I think every single local government has experienced the cost of remedial works after floods and fires. We've got to think differently about sustainability, as well. I know it's not a quick answer for you, Sam, and I know you'd like a quick answer, but there's a lot of things to consider within all of that.

The Hon. SAM FARRAWAY: No, it's a fine answer. Moving on to post-weather events and natural disasters, which Port Macquarie Hastings Council have had their fair share of. In terms of betterment funding, and how we change the perception that betterment is the way we should be funding infrastructure in the future, particularly road infrastructure, do you think we should be doing more—or State and Federal governments in general, no matter who is sitting on the government benches—around betterment funding so that when we are rebuilding this infrastructure, especially on the coast, it is there to withstand more weather events, more often? It could be very practical, like we've discussed through the inquiry, around drainage, culverts and road raising—stuff that I'm sure would be welcomed around the Port Macquarie area to build some resilience into that infrastructure.

CLARE ALLEN: I arrived to take on the job in the February and we had the floods in March '21—\$90 million worth of flood damage. Some of the things I looked at were, why do we keep rebuilding and the floods just take it away? It seems to defy logic. We also only had one access point into some areas. We've allowed development into areas where there's one flood access point. Again, we have to look at our planning, our master planning and our precinct planning, but we also have to think about the investment that we need to make so that infrastructure lasts. Let's not just say, "Oh, it's gone. Let's build a new one." We have to learn some lessons. Maybe that's not the place for it. Maybe there's a different option. Maybe we can look at this from a different perspective. We certainly have been doing that.

We completely support betterment. We know that we have to approach things differently. If we're going to put in a road or we're going to put in a path, we have to think about whether it'll stand the test of time; otherwise, we're just throwing money away. We're literally putting money into it and then it's going to be taken away by the floods. We've got to get better at that. We've got to get more sophisticated at that and we've got to raise that conversation across the board. I think that conversation is going to get even bigger when we look at using more renewable materials et cetera, as well. I think that's going to be a much bigger, broader conversation. But I completely support betterment.

The Hon. SAM FARRAWAY: Just to rewind back to the Oxley Highway as a key piece of enabling infrastructure for Port Macquarie and the region that your ratepayers and people in the community use every day, what has been Transport for NSW's justification as to why it is not prioritised as part of an integrated transport plan or the enabling infrastructure for the growth of Port Macquarie?

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CLARE ALLEN: Yes, we haven't really had a solid answer back on that. We did jump up and down when it was removed as a priority and we have been working very closely with them since then. We are applying for additional funding to make sure we can go ahead with that planning. It costs \$5 million to do the planning, but we don't want to wait—we want to do it—because it's holding up significant other projects like Lake Road stages two and three et cetera. Wrights Road obviously is a bottleneck at this point in time.

The Hon. SAM FARRAWAY: Thank you. I appreciate it. That's it from me, Madam Chair.

The CHAIR: There being no final questions from members within the room, I thank you both so much for making time to give evidence to the inquiry today and for your contributions. Our Committee secretariat will be in touch with the details of any questions on notice or supplementary questions. That concludes the hearing for today.

(The witnesses withdrew.)

The Committee adjourned at 10:45.

Clarification:

The project was not an identified NSW Government priority so resulting in the loss of \$5 million of planning funding from the Australian Government late 2023. We have subsequently, as a Council, continued to advocate strongly on the location to have it progress. Our Integrated Transport Plan, which has been drafted in collaboration with TfNSW, identifies the location as a priority. It now needs to be identified in higher level TfNSW strategies and funding allocated to progress planning and construction via the NSW and Australian governments. The location is a bottleneck, is a safety issue and is inhibiting planning and infrastructure provision within our key Health & Education precinct.