REPORT ON PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

CORRECTED

At Lismore City Council Chambers, Goonellabah, on Wednesday 26 June 2024

The Committee met at 9:30.

PRESENT

The Hon. Emily Suvaal (Chair)

Dr Amanda Cohn
The Hon. Scott Farlow

PRESENT VIA VIDEOCONFERENCE

The Hon. Stephen Lawrence

The CHAIR: Welcome to the fourth hearing of the Committee's inquiry into the ability of local governments to fund infrastructure and services. I acknowledge the Widjabul people of the Bundjalung nation, the traditional custodians of the lands on which we're meeting today. I pay my respects to Elders past and present and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal or Torres Strait Islander people joining us here today.

I ask everyone in the room to turn their mobile phones to silent. Parliamentary privilege applies to witnesses in relation to the evidence they give today. However, it does not apply to what witnesses say outside of the hearing. I urge witnesses to be careful about making comments to the media or to others after completing their evidence. In addition, the Legislative Council has adopted rules to provide procedural fairness for inquiry participants. I encourage Committee members and witnesses to be mindful of these procedures.

Mr JOHN HARTLEY, Acting Chief Financial Officer, Lismore City Council, sworn and examined

Councillor STEVE KRIEG, Mayor, Lismore City Council, sworn and examined

The CHAIR: I welcome our first witnesses. I thank you so much at the outset for making time to give evidence, but also for having us here in Lismore today. Would either of you like to start by making an opening statement?

STEVE KRIEG: I'll make a brief statement on behalf of the council, if that's okay. First of all, welcome to Lismore. It's really good to see you. I've met a lot of you in Sydney at different things, so it's really good that you've made the journey to Lismore. It's a really critical part of the State economically for a number of different reasons. Thanks to the Committee. I remember talking to Emily down at Country Mayors about how Lismore would be a great place to hold this inquiry. It couldn't have come at a better time. On behalf of the Northern Rivers region, many of whom will be represented today, I would like to thank you for coming to Lismore, the heart of the Northern Rivers.

It's a really fascinating time that this inquiry has come to the Northern Rivers. As we all know, the State Government has passed down their budget and local government is now very much in the process of doing the same thing. Lismore City Council last night adopted their biggest budget on record, some $300-plus million, which is made up in a number of ways in regard to our recovery post-the 2022 disaster. So it is a very big budget—unusually large. But it's also a very stressful time for our community as well. We have business as usual to deal with as well as the flood recovery, which conservative estimates take us through to 2029 before a lot of our infrastructure work is complete.

On top of dealing with flood recovery and big numbers in regard to the flood recovery process, we're also dealing with a community that has suffered and been through a lot of trauma over the last two years as well. As a council we're very mindful of that, but as a council we're also responsible for maintaining balanced books. That is a challenge when many people lost homes, lost businesses and lost jobs through the disaster, yet as a council we still have to provide services. The costs continue to rise—we have no control over that—so we have to be prudent and explore ways of increasing our revenue as a council to meet those costs. I really am thankful to be given the opportunity to speak at this inquiry at a very timely point in our financial year. I'm sure there will be many pertinent and pressing questions that we'll look forward to answering for you. Thanks for the opportunity.

JOHN HARTLEY: I don't need to make a statement.

The CHAIR: We'll now move to questions, which we'll do in a free-flowing fashion.

The Hon. SCOTT FARLOW: I might kick off. Steve, thank you very much for having us here in Lismore. We all very much appreciate the hospitality of the council, but also getting an understanding in terms of the wake of the recovery and, of course, what you're up against. You said you've got a $300 million budget. How does that compare to what would be the typical council budget here in Lismore?

JOHN HARTLEY: Typically, council's budget is about $180 million. That's in a substantial year. It's probably around $150 million to $180 million.

The Hon. SCOTT FARLOW: Of course, with an increase of that magnitude, that comes with it extra staff and extra expertise that you need in terms of being able to manage a budget of that scale. What sort of access do you have to, let's say, other specialists through either the State Government or through Local Government NSW? Is there any facilitation that's been provided to you there?

STEVE KRIEG: Yes. We've had to lobby pretty hard, but I will give credit to the State Government in the level of support that has been offered in and around our flood recovery. We all know what happened in Queensland in 2011 with Grantham, and that was their line-in-the-sand moment for that State in their way of setting up their Queensland Reconstruction Authority. Lismore in 2022—or the Northern Rivers in 2022—was New South Wales' line-in-the-sand moment, where the State Government realised that we actually need to have some agency for preparedness and recovery. Lismore and the Northern Rivers is very much, as I see it, a pilot program. We've been very fortunate to have a lot of support in and around specialist help. What I will say, though, is that a lot of the support offered, especially financially, is a one-off thing. It is finite.

Like I said before, we're looking at a conservative estimate of 2029, and that's dependent on a lot of things, such as weather, availability of workers and all those sorts of things—being able to house workers. There are a lot of factors to make that time frame fit, but there's no guarantee that, year-on-year, we're going to be catered for. The $301-odd million budget this year—it would be nice to have some certainty that that would continue through the course of our recovery. We don't have that level of certainty necessarily, and even that sort of money is something that has been fought very hard for by our officers at council and also our councillors. So it really is a challenge. We're very lucky that experts have wanted to come and help. If you're an engineer, this is a once-in-a-lifetime opportunity to actually rebuild a regional centre. People have come to us in many ways, which we're very fortunate about, but we want to have the certainty that we can keep them for as long as we need. I don't think we have that certainty at the moment. So that does cause an underlying stress for us.

The Hon. SCOTT FARLOW: With that expertise as well—and you mention this in your submission—there's an expectation from the community that if something is not being provided, council is the first port of call that people go to. One of those I think you've outlined is affordable housing. So you've got all these people who are coming to the region to be able to help with the reconstruction. You've got, of course, a loss of your housing stock due to the floods, and you've got to accommodate people somewhere. How are you dealing with that as a council at the moment?

STEVE KRIEG: It's a really interesting question because as council—as councillors, as council staff—we have some really innovative and good ideas that could actually save the taxpayer quite a lot of money. As I said before, 2022 was a bit of a line-in-the-sand moment for New South Wales and we really didn't know what we were doing, either at local government, State Government or Federal Government level, to be honest with you. We're writing policy and legislation as we go. The reason I mention this is the pod villages that took some $350 million to implement. We are expecting upwards of 500 transient workers to come in to help with our reconstruction efforts in and around our road networks and our infrastructure build. We have a school that won't be going back as a school down in Lismore itself, Trinity Catholic College, which I took the CEO of the Reconstruction Authority, Mr Lanyon, through only a couple of weeks ago. That is a building that is estimated in and around $20 million to $30 million to be able to fit that out for worker housing. The talk around bringing in donga villages and the like is a very expensive process.

Now here is an opportunity that we can use a structurally sound, very flood-resilient building that is sitting vacant, which could save our taxpayers a lot of money. As a council, we have identified that, but getting through the bureaucratic processes to make that a reality is something that we find a challenge. But we find, as a council, that we are very much being dictated to by the State Government. That's also an ongoing drama for us in a lot of ways because we have the local knowledge, we have the local expertise, but we are very often left out of the conversation. That's a really hard aspect to deal with, and it's not through a lack of trying. It's just the process at the moment. As I said before, we are learning as we go. We are writing this legislation as we go. But I think if local government was involved a lot more, we would be able to achieve a lot better value for the taxpayer money.

The Hon. SCOTT FARLOW: You note in your submission the Federal assistance grants and the fact that they were at 1 per cent of Federal taxation revenue and they are now at 0.5 per cent of Federal taxation revenue. You extrapolate that into I think about a doubling of what you would receive if it was still at 1 per cent here in Lismore. Have you had any conversations with the Federal Government about Federal assistance grants in the wake of the floods here as well? What sort of Federal Government assistance are you receiving as well?

STEVE KRIEG: All of the Federal Government assistance—the short answer to your question is no. Lismore City Council are active members of the Australian Local Government Association, Local Government NSW, the Country Mayors Association and Regional Cities. We are part of a lot of forums that actually take the fight up to the Federal Government. I have heard Linda Scott, the chair of the Australian Local Government Association, lobbying very hard on behalf of all of the councils across the country to lift that rate back to 1 per cent. We don't speak to the Federal Government too often about funding, as far as flood recovery goes. A lot of the money that we receive flows from the Federal Government to the State Government and then on to local government.

In a lot of ways that's an issue. There are a lot of middle management costs that are lost there. Again, I speak not only as the mayor; I also own a small business. If I was able to waste as much money as bureaucrats do on setting up a nice office and getting five secretaries, I would be doing pretty well myself. But for the people on the ground that can see more efficient ways and better ways to spend taxpayer money, it is a frustration. But we primarily deal with the Reconstruction Authority and other State government agencies to get our funding. Where they get their funding from, to be brutally frank, is no concern of mine. I just want the money to flow to Lismore.

The CHAIR: I might jump in with a question now on a different topic. I want to ask about your waste facility. My understanding is that you have a waste facility that was intended to be a regional centre for waste management, which on the surface level seems quite similar to one that Newcastle council created, which is quite a profitable business. I was wondering what your thoughts are around why Newcastle's has succeeded and the one up here has not?

STEVE KRIEG: It's a really good question. The original intention—and I will clarify that I have only been the mayor for three years; I have been a resident for 25 years, so I look at it from a couple of different perspectives. One of the great frustrations when I got elected was that some of the businesses of council were very unprofitable. They were running at a loss. You can point that to a number of factors. We set up a waste facility—when I say "we", the council, before my time, set up what was to be a regional facility—when China shut the doors to recycling all those years ago.

A lot of our neighbouring councils—we have a very active Northern Rivers Joint Organisation, as it's called. You will hear from a lot of the members. It consists of seven councils. Lismore had the vision that we would become the regional waste centre. The other councils looked at the economics and found it more affordable to look after their own waste. We have a private landfill site in Ipswich, just across the border, and it was cheaper for the other councils to outsource their waste pick-up and ship their waste to that private facility than to invest in the regional hub, which was going to be Lismore. Those other councils can probably answer as to the economics behind that. I can't speak for them obviously.

But we had a facility that was overcapitalised, underutilised and it was costing, I believe—and Mr Hartley will be able to clarify—Lismore City Council ratepayers about $6 million a year to operate. So we were losing about $6 million a year. I agree with what you're saying. I know Albury has a fantastic waste facility that generates about $3 million to $4 million a year. We wish we were in that position. For whatever reason, whatever circumstance, that hasn't happened. But, again, it gets back to the responsibility of the elected members to make decisions to try to keep ratepayer costs as affordable as possible. The waste is an interesting case study for Lismore. We've done a very deep dive into our waste facility and we are exploring ways now to be able to make that at least get to a break-even point in the next two to three years so that it's not costing our ratepayers money.

JOHN HARTLEY: Can I just add to that? One of the imposts to the waste facility is we are charged a New South Wales EPA levy. Currently, because we are going to Queensland, we actually don't pay that. However, that's an additional cost to council. We get very few of those dollars back to this area into improving our waste facility. That's a cost that the ratepayer is bearing, which is going to consolidated revenue of the New South Wales Government. As the mayor has said, we have done a review of the waste facility. We are in the initial stages. We have fixed one side of it. There are further ways to go, and we are developing plans around that. Hopefully—well, not hopefully. We will achieve a better result, but it will take time.

The CHAIR: As a follow-up question, Councillor Krieg, you mentioned what you would call "legacy decisions" or "legacy issues". How well prepared or equipped do you think councillors are when taking office to be able to make some of those decisions in an informed way? What could we better do to ensure that our councillors are as able as possible to make such important decisions in a really informed way?

STEVE KRIEG: It's a really interesting question. I can only speak for myself on this, but I was really underdone coming into this. I came in from a small-business background, but understanding a lot of the issues—and I'm not critical of anyone. Local government, as with any level of government, is a tough job. It's not easy. You've got to make unpopular decisions and you've got to upset people. There is no decision that is ever made by any level of government that is going to be popular for 100 per cent of the population. It's not easy. I honestly believe that the decisions made 10, 15, 20 years ago, the councillors believed that they were the right decisions at the time. Things change—we all know the global economic processes change all the time, which can have an effect. All we can focus on and all we can worry about is our own backyard.

Local government is very much about looking after your own LGA. As the mayor, my primary concern is the 42-odd thousand residents that live in my local government area and how I can improve their little lot in life to give them the best possible outcomes. Some decisions that we make will achieve that. Some decisions people might not like, but I believe that I make those in the best interests of the whole community. No-one's prepared and, as every elected member would know, you can never get used to the constant negativity. You've just got to—it takes a special person to put their hand up to be elected into any sort of public life.

I think people who are elected may second-guess themselves if they're actually told what they're in for once they are elected. I don't know. I don't know how you can improve the knowledge of people wanting to stand for government. All I know is that, for myself—be it right, wrong or otherwise—in all honesty, I don't care about the election result because I believe that I've made a difference for the betterment of the Lismore LGA. If the electorate like that, they'll vote me back in. If they don't, I'll know that maybe I haven't done as good a job as what I thought. That's all I can point towards. I hope that's sort of answered your question.

The CHAIR: Do you have any further thoughts on that, Mr Hartley?

JOHN HARTLEY: If I put my financial hat on, from a financial perspective it's about the financial planning. It's about getting the map together on how we can achieve sustainability, and then sticking to the plan.

Unfortunately, it's the way politics works. People come in, they have a different viewpoint and want to go in a different direction. But I believe, from a financial sustainability perspective, you put the basics in place, you stick to the plan and you keep following just the basic business principles. Then councillors need to be informed with all the information available to them, and hopefully they make the decision based on what's sound for the council overall in the long term, not the short term.

The CHAIR: With all that in mind—and I know you've mentioned in your submission the hardship that your residents in particular are experiencing—when we look at the rate peg, which we've heard a lot about in this inquiry, if we were to look at an alternative safeguard, if you like, what alternative safeguards would be appropriate to ensure that any rate increases are affordable?

STEVE KRIEG: I think it comes back to the business model of not just local government but State government and Federal government as well. I think, be it perception or reality, the average ratepayer and taxpayer sees excess through all levels of government. There should probably be some sort of standard—and, again, I put my business hat on. I can't spend more than I earn; otherwise I'll go broke. Government doesn't seem to have that level of accountability as such. But I think there needs to be that base model that you have to pay your core business bills before you worry about the ideological projects.

It might sound naive or ideological in a sense as well, but every level of government should have some form of base business model that they need to follow so that, if my community wants a $20 million brand-new sports stadium built, we're going to have to pay for it somehow. That's when you can go to IPART and say we need to put our rates up to cover that. As Mr Hartley said, we need to look at how we operate as a business model so that we don't have to necessarily burden our ratepayers through ideological or unrealistic decisions that are made by an elected body that are only here for a short term.

JOHN HARTLEY: Can I just add to that? Again, it comes back to you need to engage the community and have the level of service that they're happy to accept. Once you have that, then you fund it, and it may be that you're required to increase rates a certain level. How do you put a safeguard in? That's the difficult part because every council is different. We have a large area that is flood affected—the roads are flood affected—and we have a lot of renewals and infrastructure that we need to maintain. We have also a large area that's probably not high in the socio-economic area and the financial side of it, so to levy those rates with those people to actually maintain the infrastructure—it's very difficult for Lismore. Again, it's determining the level of service the community wants.

The CHAIR: Could we better customise the rate peg for each individual council, just taking in mind, Mr Hartley, what you've said about unique needs?

JOHN HARTLEY: I think the individual circumstances of each council need to be taken into consideration. What's good for a council in Sydney, which has great roads, great levels of base and everything—it's different to Lismore City Council. How do you actually accommodate that? That's probably something I can't answer off the top of my head but I believe, yes, each council's circumstances need to be taken into consideration.

Dr AMANDA COHN: Thanks again to you both for your time today and for hosting us in your council chamber. We really appreciate it. So far in this inquiry, we've heard statewide about community expectations of local government and how that's changed over the decades, particularly rural and regional councils providing a broad range of social services—whether that's early childhood education, sports and rec, arts and culture, community facilities. I was particularly interested in your role in terms of disaster resilience and recovery. Your written submission spoke a lot about infrastructure, which I'll come to in a minute, but I'm interested in that sort of social infrastructure question. I imagine that, with the housing crisis and the cost of living crisis as well, there would be an increased reliance on things like community centres or council-provided childcare services. How has that impacted your budget?

JOHN HARTLEY: One of the decisions council has made in the past is to remove ourselves from services that are provided by the community. So we don't do child care and things like that because it is provided adequately by other areas of the community. We have had a big impost on us providing services in other areas—helping the community through the whole flood recovery. We've been fortunate to get some grants from the Government to assist us with getting recovery officers. However, it's about balancing the needs of the community and not impacting them with increased fees—but, again, we have basic services that we need to deliver. Unfortunately, the cost of delivering those services are increasing continually—wage increases, CPI increases. It's a difficult way to balance that up, but all I can say is there has been more demand on council services. We are looking at the housing but, again, it's not a short-term solution. I don't know how to answer it another way.

STEVE KRIEG: I think the overall community's lines are blurred between what local government provides, or should provide, and what the State government should provide. Things like affordable housing seems to fall back onto council, like, "Why isn't council providing affordable housing?" Is that council's role is my question. The answer to that: traditionally not. But there is a gap that State government is not picking up. Because council is the closest level of government to the community, those people come to us and say, "We need help." There is a bit of a moral obligation as well to try to provide that level of housing. That is just one example. I think there needs to be a really clear definition of what the roles of the State government and its agencies are, and what the role of council is. If it is going to fall onto council to provide some of these services, then council needs to be funded to do it.

That is the problem that we are having at the moment. People are coming to us—and, as you say, we are in the midst of a recovery from a massive disaster, and people turn to the local government because we are here. We have got councillors in the room that speak to community members daily. We all receive emails, phone calls—every time we go to Woolworths we get asked questions. We are there, and there is a level of moral obligation that we try to help those people. But I turn to the fact that, is it really our job? The answer, financially, is no, we don't have the funds to do it. But morally, yes, because they are our community and we want to help where we can, and that is why we get into local government.

JOHN HARTLEY: Can I just add something else? With regard to this particular event, how it has impacted council—council wrote off a quarter of a million dollars in excess water fees for the residents who were affected and had to wash out their houses. We also deferred rate collection—we didn't chase up ratepayers that were affected in the area. We have done as much as we can. We actually wrote off interest for people who were actually in hardship. It has impacted our budget. However, it is just something that we had to do to support the community.

Dr AMANDA COHN: Mr Hartley, I will follow up on your first answer. You mentioned that you had some grant funding for recovery officers and you indicated that there had been an increase in demand for other types of council services. Could you give examples of those, or take that on notice?

JOHN HARTLEY: I'd have to take it on notice.

Dr AMANDA COHN: I will also ask about the infrastructure maintenance backlog. You provided some detail about that in your written submission, and I thank you for that. You have obviously got a fair bit of short-term money out of flood reconstruction grants. Once those short-term grants are spent, what is your current plan to address the infrastructure maintenance backlog?

JOHN HARTLEY: Council has last year adopted a strategic asset management plan. We have individual asset management plans and we have a long-term financial plan. That, combined with our delivery plan, sets our future. The trouble is, to actually achieve the benchmarks set by the Office of Local Government, we actually need to achieve an efficiency or increase our costs only by half a per cent. That is an assumption we have put in there, which virtually is an efficiency that council has to find over the next five to six years. When inflation is running at three to five per cent, that's a significant challenge for council. As with the backlog, you're right. In the short term, we will get flood funding to renew our assets back to where they were before the flood, but after that we then resort to the fact that we have to actually then fund a $34 million depreciation bill, which means we are using our assets to that extent each year. That's the challenge. We need to actually maintain our assets in a sustainable way so we are not going to impact the future generations. That's the challenge we have.

Dr AMANDA COHN: If I could just push a little bit further, you talked about the efficiencies that council will need to find moving forward. What does that actually mean for the community?

JOHN HARTLEY: That's the difficult question. We need to actually look at a part of our strategy. I think it's no secret that we need to look at our service reviews—we need to go through and find out the service reviews. We need to look at our business units that aren't performing, such as the waste facility. When I say business units, it is service delivery units that aren't as efficient as they should be. We need to identify how we can be better at delivering what we do deliver. That's the efficiency we need. But also then we need to cap our increases and our costs. We need to say, "Well, we can only increase our costs by this level." We then need to determine how we can deliver what we want to deliver to the community. We go to the community and say, "Well, this is what we can deliver. If you want more, unfortunately, you need to pay more." But we set that service level with the community.

STEVE KRIEG: We are also, again, dealing with a lot of legacy issues. Lismore is an old city—we were founded in 1856—and some of our infrastructure, such as our water main lines, are 100 years old. Because of some of the legacy issues of not having asset management plans to either upgrade or replace, we are finding now that we are having a lot of big, up-front capital expenditure because those 100-year-old pipes are failing, and failing badly. Water charges for our ratepayers are higher than they probably should be because we are losing a lot of water through old, run-down infrastructure. Our road network is exactly the same. Some of those tarmacs haven't been upgraded or touched for 30 or 40 years. Residents of Lismore often spruik about how Lismore is the pothole capital of Australia, but I know that there are other councils that put their hand up for that; we are not alone in that area.

Again, it gets back to the basic business of council and having that basic business model. Every council needs to have that strategic asset management plan to be able to upgrade and repair as needed. A 70-year-old water main, for example, might be able to be relined for a tenth of the cost, but you might get another 50 years out of it. Having those strategic plans in place is really critical. We are dealing with a legacy problem that we haven't had that necessarily upgraded or maintained over the last few decades, but we are getting on top of it. We understand that there is a lot of work to do in that regard, but we are committed to it. Through the great work of our council staff—we have got a lot of people who are very passionate about getting Lismore back to being the best regional centre in Australia. That's our goal, and that's what we'll strive to do.

JOHN HARTLEY: What has also helped is that we have been fortunate enough to get an Office of Local Government grant of $20 million for capacity and capability. It's essential that that grant runs its course because we have plans in place to address the issues and the backlog. We need that money actually to keep on going. We have a strategy in place on how we can address some of the issues we have got. One is the asset management plan; one is the long-term financial plan. But, again, it needs to run its course so we can actually achieve the outcomes of that money.

Dr AMANDA COHN: My last question is about cost shifting. Local Government NSW has done an excellent job of quantifying the impact of cost shifting at a State level, but I am interested in whether there are specific examples that come to mind of recent cost shifting at a local level that we might need to look at addressing.

JOHN HARTLEY: Yes. I actually have something in front of me.

The Hon. SCOTT FARLOW: "Here is something I prepared earlier."

JOHN HARTLEY: Yes, that's right. Our estimate is $10.2 million in cost shifting. That's excluding the EPA levy because naturally, at the moment, our waste facilities are closed because of the flood and we are going to Queensland. Even without that, which is normally about $1.5 million a year, we are at up to $10.2 million. If you want particular examples, the emergency services levy—that's been shifted onto council with the Rural Fire Service, the SES, the New South Wales fire service. That's a significant cost to us. I've got a line item which I can provide to you if you like, which is a summary.

Dr AMANDA COHN: We would love to be provided with that list.

JOHN HARTLEY: I'll make sure you get a copy.

STEVE KRIEG: We just did a quick estimate. We estimate it adds about $550 per rates notice to each household in Lismore.

The Hon. SCOTT FARLOW: Let us come back to that infrastructure question. As you quite rightly say, Mayor Krieg, in terms of Lismore being an old, developed city, you've got those infrastructure constraints. Do you think in terms of the models that you put forward, in terms of the financial viability to the council, in terms of rate determinations or even special rate variations, that that is captured enough by the State Government in terms of its consideration of your funding challenges? Or are they comparing apples with oranges, so to speak?

STEVE KRIEG: The short answer is no. Coming from a regional centre, you feel very much like the forgotten child. I say that because you feel like State governments are very metro-centric. We hear all the time that NSW stands for Newcastle, Sydney, Wollongong. For us, the great frustration is that $1.5 billion to build a new football stadium in the heart of Sydney is accepted and celebrated, but we're looking at a $1.5 billion flood mitigation program here to protect a major regional centre, for which people are saying, "Good luck getting the money." To me, that weighs up what our are values in this State: Is it providing a nice stadium to play a game of football or is it to protect upwards of 10,000 residents, 3,000 businesses and a very substantial local economy?

We feel like, in the regions, we are fighting tooth and nail. I have said to many State and Federal members of Parliament that I feel like I am a glorified beggar every time I go to Sydney or to Canberra asking for things that metropolitan councils don't have to ask for. They are provided. You can see all of these beautiful new tunnels that are getting built through Sydney to cut five minutes off someone's commute time, yet our major highway linking 300,000-odd residents drops down to a single lane, and one small traffic accident can cause delays of four hours.

We have been calling for a dual carriageway between Lismore and Ballina. The State Government owns the land; it's there. The planning is done and it's ready to go, yet the money has been taken out of the budget. We look at that and go, "You can build a multibillion-dollar tunnel to cut five minutes off people's commute time from Western Sydney to inner Sydney, yet we've got 30,000 car movements a day going between Ballina, Lismore and Casino and we can't even get a dual carriageway at much less cost." It's frustrating. It makes you angry. We're not paying any less tax. We're not contributing any less than everyone else across the State. Why should we, as a region, have to fight so hard for what metropolitan Sydney seems to be granted at a whim? That's just my perspective, again, from someone that has lived in the region. It doesn't seem like it's a level playing field. It probably doesn't answer your question, but it gave me a chance to have a rant.

The Hon. SCOTT FARLOW: It's a roundabout. Mr Hartley, did you have anything to add from a financial perspective?

JOHN HARTLEY: Could you repeat the question?

The Hon. SCOTT FARLOW: It was particularly in terms of your infrastructure base and, when the State Government is considering your financial feasibility, your management plans or a special rate variation, they're taken adequately into consideration and that profile you've got—that ageing infrastructure—is actually captured in terms of the considerations.

JOHN HARTLEY: From a financial perspective, I understand that when we require a special rate variation, you need to take into consideration the capacity of the community to pay. That's important. However, from a Lismore City Council perspective, as I said, we're a regional council. We have lots of roads that go up into the hills. We have lots of roads on the flood plain. We have lots of roads up in Goonellabah that actually aren't impacted by the floods. That needs to be considered when we have the rate peg set. We're different to, say, Ballina—and I'm not trying to compare Ballina to us—which is a very constricted area. All of the ratepayers are together. You get a much smaller rate base. We have a lot of farm areas, where you have one ratepayer on a large rural road. We don't get that sort of money to generate to renew that road as the metropolitan areas or the more consolidated areas. Again, our needs are different to those areas. The short answer is, yes, I believe they need to be taken into consideration. Are they? No, I don't believe they are.

The CHAIR: I will finish with one last, very quick follow-up question in the minute we have left. You mentioned the rate peg in your answer. Could we provide a rate peg within a range to give councils that flexibility? When you talk about "not the one-size-fits-all", would a range be better?

JOHN HARTLEY: Off the top of my head, any variation would be good. However, based on experience, all councils will go to the maximum, simply because of the costs involved in delivering services. Even if you provided a range, I think it would be unlikely that a council would go to the lower end. That's just my opinion. Again, it depends on the level of service the community wants.

The CHAIR: Thanks so much for your time and for giving evidence today. The secretariat will be in touch with you for answers to any questions that were taken on notice. You have 21 days to provide answers to the Committee.

(The witnesses withdrew.)

(Short adjournment)

Mr PAUL HICKEY, General Manager, Ballina Shire Council, affirmed and examined

Councillor SHARON CADWALLADER, Mayor, Ballina Shire Council, sworn and examined

Mr VAUGHAN MACDONALD, General Manager, Richmond Valley Council, sworn and examined

Councillor ROBERT MUSTOW, Mayor, Richmond Valley Council, affirmed and examined

The CHAIR: I thank and welcome our next witnesses. Would any of you like to start by making a short opening statement?

PAUL HICKEY: Certainly. Thank you for the invitation today. Ballina Shire Council is a high-growth council on the Far North Coast, so we're dealing with a wide range of population growth and infrastructure pressures. We're also a low-rating council, so that whole financial sustainability and the financial model is very important to us. The council has actually done a lot of entrepreneurial activities over the last 40 years—a lot of land development and so forth. That has helped us subsidise our rate income. The worry is that we're coming to the end of those asset sales and so on. I have been in and out of local government for 45 years myself. My background is in finance, so I've got a lot of experience in this and I've been through a lot of reviews. I'm very keen to provide some feedback. We have got some ideas, Vaughan and I, from a general manager perspective. They're along the same page, even though our councils are fairly different. I'm very keen to provide some input. Hopefully, we can make some serious change to the overall sustainability of local government.

SHARON CADWALLADER: I'll just add to that. Mr Hickey is absolutely right. We're experiencing population growth. Since COVID, the floods, the droughts, the bushfires and the whole lot, we are facing increasing pressure of businesses wanting to move to Ballina shire. We have the airport there. That's very resource intensive. Trying to fund that and keep that operating is a major challenge but really pivotal to the whole region. We are facing a lot of financial pressures. At the same time, we have a lot of elderly community that live in their homes, which may be worth $1 million or $2 million, and they cannot afford to pay more than $80 a week for their land rates, plus all of the other rates and charges with it. It's a real challenge for them. In my personal opinion, I don't think they should be made to move out of that family home if they don't want to. That definitely doesn't give them the quality of life that they have come to enjoy and worked hard for.

ROBERT MUSTOW: Thanks for the opportunity to make a submission. The subject of this inquiry is a longstanding issue within the local government sector. There have been numerous attempts to address councils' sustainability and funding challenges over the past 10 years, from the independent review of local government in 2013 to the 2016 IPART review of reporting and compliance burdens, and the current review of the rating system. Also, previously, there was the Percy Allan inquiry and the TCorp review of financial sustainability of local government. Councils have repeatedly raised the same concerns, and the government response has largely failed to achieve meaningful and positive change for local communities. Hopefully, from this inquiry there will be some beneficial outcomes for our ratepayers.

VAUGHAN MACDONALD: I think the mayor has covered it. As Paul mentioned, I've been involved myself for 20 years in State government and now for almost 10 in local government. I've been on both sides. I was actually the project manager for that local government review back in 2012-13. I've been through the Percy Allan inquiry and the TCorp processes. There are a lot of discussions and a lot of challenges with the financial sustainability of local government. We're a council that's a bit inland, compared to Ballina, a bit smaller and with a lower socio-economic community.

What our community is able to pay in rates and charges is something that our council is certainly well aware of. We also face some significant infrastructure challenges, especially with critical infrastructure like sewage services, water treatment plants and roads. Some of those are intergenerational facilities. For sewage treatment plants, you'd like to build them so they last 100 years and yet we can only borrow funds for 20. That certainly limits our ability to fund that ourselves. That's why we end up relying on support from either the Federal Government or State Government. That's just one example that I could put on the table to start with. Obviously, a number of examples are in our submission. I'm open to questions and discussion.

Dr AMANDA COHN: Thank you all so much for making time to give evidence today. My first question—which is similar to a question I asked in a previous session, and it's also come up in Ballina's written submission—is about the increased demand from community for social and community services provided by council. That is something we've heard from rural and regional councils across the State. I understand that there would be even more demand in the Northern Rivers region post-floods for those social and community services the council provides. What is the impact of that demand on your budget? Are your income-raising measures sufficient to cover that increased demand for services?

SHARON CADWALLADER: Social and community infrastructure is a direct cost shift across to local government from State Government. Local councils simply cannot afford to provide social housing and this sort of community infrastructure. We know that sporting facilities are really important to our community. We've got things like pickleball—the fastest growing sport in the world—and our community just can't get a game. They've got 400 members in Ballina and hundreds in Alstonville. Whilst they've just got eight lovely new courts in Alstonville, it's not enough. We are constantly under pressure to provide these sorts of facilities. The homeless people—I was at the emergency department only a week ago doing some hospital visits, and there was a gentleman there with his ankles just so swollen. He lives in his car and he can't put his feet up because he's homeless.

We're in a crisis situation with homelessness, and yet we have a lot of lazy Crown land assets that need to be used for the community, whether that be housing or whether that be community facilities. There is so much more that the Crown could be doing to assist council in providing that infrastructure. We know that we get charged lease fees. Our library and our visitor information centre are both sitting on Crown land, and we get charged enormous rents for those. It's gone from peppercorn rents to commercial rents. It's simply putting more and more pressure on our budgets, and we are at breaking point. Our general fund is in deficit, and we know our community can't afford to pay more rates. We are in a real dilemma as to how to provide what our community needs, and exactly what more can be done.

PAUL HICKEY: I'll just add to that from a Ballina shire perspective. As the community grows—I mean, we've grown from 25,000 to 50,000 over the last 25 years—the community evolves. Council for a long time—because we had a low average-rate income rate base—focused entirely on roads and key infrastructure. As the community evolved and more people moved from cities and so forth, that demand for those social services grows. People see a gap, sometimes, in State government services too. In the end councillors get pressured to actually expand the council services.

All the time we have had increased pressure. Whether it's CCTV, social housing or all those different pressures that council now gets because the State Government, from my perspective, isn't delivering enough of those services to local communities. It's a fine balance between our fixed revenue base versus the extra demand for services. So you're under constant pressure to try and get that balance or try and support the community where we can, because we are seen as that level of government closest to the community. It's hard because you're under pressure. You want to deliver those services, but you don't have the rate base or income to actually provide those services. Trying to get that balance right is the big issue.

SHARON CADWALLADER: Could I indulge just for a moment? The general manager did mention the CCTV cameras. We know we've had a spike in crime; that's no secret whatsoever. The community are doing what they can by Neighbourhood Watch-type actions with an app. We just recently put $30,000 on the table to do a scoping study for CCTV cameras for our community only to find that the funding stream from this Government was axed in January this year for CCTV cameras and graffiti. Now there is no funding stream that we can apply for to try and help New South Wales police do their job.

The Hon. SCOTT FARLOW: If I can just pick up on that? You outline in your submission that that was a request of the New South Wales police for you to install that. How was that request received in terms of the New South Wales police requesting council to install CCTV?

SHARON CADWALLADER: No, we worked with the police. We have a suicide spot in our shire. The conversation started there on what more we could do to try and help the situation that we had in our shire which then led to Main Street CCTV cameras. They didn't request it. I worked with them, and we tried to unpack what more we could do to assist them with their work. A lot of the communities do have cameras, but we have none throughout our shire.

The Hon. SCOTT FARLOW: I noted in your submission—because it seemed a bit bizarre to me that police were requesting that of council, so thank you for clarifying that.

Dr AMANDA COHN: This Committee previously had a number of hearings in Sydney, but this is our first hearing in a regional area. That gives us an opportunity to talk about water and sewer, because obviously metropolitan councils don't have that responsibility. I understand that's been a significant challenge for Richmond Valley. Could you talk us through some of the challenges with your budget and in particular with your sewage treatment plants?

ROBERT MUSTOW: I'll make a quick comment and then ask the general manager to speak on this. Just following up about the impacts on communities and costs, a lot of the services we run are very expensive, but you can't charge for them. Could you imagine charging a child to go to the library to get a book? You can't do that. If we make our swimming pools cost effective, the children wouldn't be able to afford to go to them. We have to supply these services that come to a cost across the whole board. The cost of those services are increasing dramatically, and it's out of council's range to be able to support those things. But I will get onto sewer and water as we have a lot to say on that. I will ask the general manager to take over.

VAUGHAN MACDONALD: With, in particular, sewage treatment—we have a sewage treatment plant in Casino that's almost 100 years old. It's done its job. A bit of damage in the flood in 2022 brought that need forward. We'd started the planning for that and, as an example, at that time the estimate was that it was a $30 million project. As we got into the planning, and as we've all come out of COVID and floods, the cost has literally doubled. We're now looking at a $65 million investment to build a new sewage treatment plant for Casino. That's needed for the existing population but it's also needed for the potential growth that we have with the regional job precincts, so that's an expansion of our industrial areas, and also the potential that we have for a new 1,500 lot residential subdivision to the north-east of Casino to support that. Obviously that's flood-free land. We all know we do have a housing crisis in the Northern Rivers, so that would be a significant contribution. We're working with the Reconstruction Authority through their Resilient Lands Program to progress investigations for that. That's one example.

Sixty-five million is obviously beyond a council of our size. Our annual operating budget is $75 million, our capital programs is around $50 million to $60 million. It will probably be a bit more than that as disaster recovery projects get added to that through the year. But $65 million—we've put $20 million in our long-term financial plan ,but we are really reliant on, as is indicated in our submission—other councils are in the same situation—funding from programs like the Safe and Secure program but there's no certainty that we will get funding from that. We are also making applications. There's a Federal Government program called the Regional Precincts and Partnerships Program, so we've applied for funding to support our detailed design work to get that as shovel-ready as we can. That's on the sewer side.

We've also got a project at Evans Head that is funded fifty-fifty through the Safe and Secure program, but council will still be needing to find $3 million or $4 million for that. We've also got work that needs to be done at our water treatment plant in Casino. That will be supported by the Safe and Secure program. The reason those two are supported is because they were deemed higher risk projects; they were at the highest level of risk. The Casino one at the time that assessment was done, which was pre the 2022 flood, was the next level down so it hadn't secured that funding. Obviously sewage treatment and water supply are critical for any community and that's a challenge that we face. We're working hard. We put a project team in place. We're funding it through our reserves to be as ready as we can be. Hopefully we secure some funding and we can get on and build it, because we're looking to need to commence building within the next two years, which is ambitious for that sort of infrastructure. That's an example of the challenge we've got around water and sewer.

ROBERT MUSTOW: I'll just add a quick comment on the sewer and water. A lot of the inquiry areas where you will go to will have one sewage treatment plant; we have four, because we have villages and towns and everything. When you're doubling up four times to treat waste, it comes at enormous cost. It's not just centralised and you're focusing in one area. That's just the rural facts of life that we live under.

PAUL HICKEY: Just on the water and sewerage, one thing I'd like you to have a look at is that currently we have to keep separate funds for water and wastewater. In Ballina we've got a recycled water system whereby sewage is recycled for use on lawns and those sorts of things. It's this whole integrated water cycle management where our water and wastewater is really integrated, and stormwater as well. I think you should change the Local Government Act to allow water, wastewater and stormwater to be treated as one business unit, because if you look at it holistically, it's about making sure you get that whole integrated water cycle management strategy in place.

Currently the stormwater charge that the State Government put in place nearly 20 years ago of $25, that's never been indexed. It was a good idea at the time, but it's never been indexed. We can't get any more money out of that. By putting stormwater with water and wastewater as one fund would actually give some more economies of scale too to allow some of those bigger projects to proceed. When we look at our business in Ballina, sometimes it's hard to work out if that is really a water activity or a wastewater, because you're recycling wastewater for water. It becomes that sort of argument. I think it's a little bit crazy, really. In the end they're one business activity and we're trying to make it holistic. I think it's something that you should have a look at from an overall financial management perspective.

VAUGHAN MACDONALD: Just as an example, Paul mentioned the stormwater levy of $25. It hasn't changed. In the Richmond Valley context that brings in annually, at the moment, $200,000. As one example, at the moment we're doing a project in Evans Head to take the pressure off the CBD in heavy rain events. That's putting a large stormwater pipe next to the CBD to basically catch the water before it goes into the shops, which does happen at times in flash flood events, and that's a $2 million project. It just highlights we need stormwater infrastructure but we don't have the adequate funding. That levy is a good idea, it just needs to be more. It really should have been indexed from the time that it was introduced. I think it's a good example of a good idea that hasn't changed for the best part of 20 years in the amount that it's levied, so its effectiveness is obviously declined over that period of time.

Dr AMANDA COHN: My last question is about climate change. I'm interested in the level of support that councils have to build or maintain infrastructure to take into account the adaptation that we need for climate change.

SHARON CADWALLADER: I am the chair of the Australian Coastal Councils Association and I can tell you now that there are councils around the country that just cannot adequately do what's necessary to protect their communities from rising sea levels as far as mitigation goes—erosion and everything that goes with it. We have a coastal hazard study line drawn in a part of our shire at Lennox Head and we need to be doing works there to mitigate and to extend our revetment wall, but we don't have the funds to do it. It's a bit of a wing and a prayer. Back in the day there was an old tea tree wall that was established by the community and we did some investigations to see if it was still there. We found it was. Is it still doing a job? I'm not sure if we worked out whether it was or it wasn't, but we know that we need to extend that revetment wall in order to protect two of our main streets that run through Lennox Head. Is there adequate funds in regard to protecting communities from the effects of climate change? We know our climate is changing, so the answer is certainly not. We just can't do those works that are desperately needed.

VAUGHAN MACDONALD: Probably the short answer is we can always do with more funds.

Dr AMANDA COHN: Some detail would help us here.

VAUGHAN MACDONALD: I was just thinking of example. I was talking about the sewage treatment plant. We've just done our flood modelling right across the Richmond Valley—first time it's been done as a holistic approach. We had that model. It was actually due to go to council in March when the 2022 floods hit, so it didn't get there. As a result obviously of the floods, we had to go back and recalibrate and test those models so that delayed that for a good year. What it's also done is raise the levels, because obviously with those floods—building those into the averages in the models—it goes up. What that is meaning is that at the moment we're looking at the site that we've got for the sewage treatment plant and it's now looking like we're going to have to raise the level of how we build that. That requires more fill on the site. Some figures that I've seen recently show that can be anywhere from $3 million to $5 million just to get that site up to the level at which we need for that to be built. That's one example.

The other example that we've got is—I touched on the stormwater with Casino. Casino is a town that in the last few years is getting more intense rainfall events. That is leading to flash flooding within the Casino township and our community certainly are agitating strongly for some solutions to that. We've had work done on our—Casino has a town drain that obviously catches the water and then it goes into the river, but it needs more capacity. One of the options is a new outlet, in effect, from the town drain—a new outlet and a different pathway to the river. But, again, that's going to cost us at least $5 million to do just one of those options. Climate change—there are clearly changes with more intense rainfall events. That's probably the main issue we have with Casino and even with the Evans Head example. It's definitely increasing the costs of the projects that we'd like to do, but for some of those projects we will be reliant on securing grant funding to be able to deliver them.

ROBERT MUSTOW: Can I just add to that? I'm the chair of Rous County Council and Councillor Cadwallader is the deputy chair. You might find this a bit hard to believe, but in 1984 the council received $84,600 for flood mitigation works in the drains. We do water, weed control and a bit of flood in the lower Richmond. They received $84,600 in 1984 and, 40 years later, that is still $84,600. It has never been indexed over those years. On many occasions, Rous has requested that that be looked at. It has always been denied. The figures that have been equated is that it has cost Rous, over those years, over $4 million if it had been indexed.

You can imagine that 40 years ago $84,000 was a lot of money. You could do a lot of drainage work. Now, $84,000 would be one man for a year going out. It can't be managed, and that refers back to your question about climate change. We all know that it's changing and that we're going to get more flood events, and we need those drains to be cleaned out to get the water off that farmland. That's more for the rural people—it's farmland—so they can get on with their lives and get back to crop production. We all need to eat. That's just one example of the cost outstripping the supply of money.

SHARON CADWALLADER: If I may, I might just add to that as well. That $84,600—it would cost $103 million to replace those assets. Those assets are 125 kilometres of drains, plus 65 kilometres of ex-drainage union drains; 73 kilometres of levees—41 levees, not including Lismore levee; 40 culverts; 759 floodgates, including 100 tidal flushing gates and 10 fish gates; 68 outlets—3.8 kilometres; 4.7 kilometres of pipes; 18 bridges; 181 metres of guardrail; two weirs; and 1.8 kilometres of bank protection. Does that say it all, or what?

Dr AMANDA COHN: Sounds like one person can't do that.

ROBERT MUSTOW: All for $84,000 a year.

SHARON CADWALLADER: That's right.

The Hon. SCOTT FARLOW: To pick up on that point, Ballina, in your submission, you talk—I've got to say, going through all of the submissions of different councils, everyone brings up something different. It's amazing. In terms of the charges that are outside of the IPART process and largely within DPE—I think you mentioned one of those in terms of stormwater previously—things which are set at a point in time but then aren't updated, somebody has to pick up the slack somewhere, and it's typically council. What do you see that we could be doing there? Particularly to Mayor Cadwallader, in terms of what you said at the beginning, we do need to be concerned about the ability of our residents to pay for it. Where do you see there being the ability for some of those charges to be revised or potentially to be indexed, and how do you see that as being potentially met in terms of those costs?

PAUL HICKEY: There's a range there. Stormwater is the first one. We've talked about it a few times. Ideally, I'd see that as part of the water and wastewater. In the end, the councils set their own water and wastewater charges based on—you must spend that money on the activity. As long as you have that balance there, council makes the decision. That's for stormwater. The planning fees—it has always been the issue that they've been set by State Government right across the State. They weren't indexed for a long time. They went up 17 per cent last year, after many years. But, again, a planning assessment in Ballina—with your environmental constraints, flood mitigation and everything else—is often different to somebody out further west. Sometimes there's more complexity. I feel like you need a range of fees—maybe a minimum fee and a maximum fee—so that at least the council can then make a decision. Are you a pro-development council that wants to subsidise the planning process, or do you want to try to charge a fuller cost? I think you'd have a range of fees there.

That was the planning fees and the stormwater charge. I get back to rate pegging after that. I think that range is maybe a better option. When councils have more control over their own communities, they can make a decision as to what the community is prepared to pay. Do they want a low fee or do they want a higher fee? So, at least some indexation and some range to give the council a decision-making part of the process.

The Hon. SCOTT FARLOW: I think you put in your submission that it's an accumulated loss to Ballina council of $30 million over the last 15 years. Is that something that Richmond Valley would have a similar perspective on in terms of the freezing or capping of those charges or non-indexation—that that would be costing you about 10 per cent? I think you put it as 10 per cent of your rate revenue. Would you think it would be a similar sort of field?

PAUL HICKEY: The only thing I would add there, too, is development contributions. Sorry. I left off development contributions.

SHARON CADWALLADER: I was just about to say that one.

PAUL HICKEY: Sorry about that. They were capped in 2010 or 2011 at $20,000 to keep housing affordable. And as I might have written in there—I said it a few times—a block of land in Ballina shire might have been $70,000 back then, when we had $20,000. Now a block of land is unaffordable—it is $800,000. So it hasn't helped that affordability. But, in the end, councils haven't been able to deliver infrastructure in high-growth areas because they haven't had that developer contribution coming in. When you add the developer contribution with the planning fees and the stormwater charges and everything else, that makes a big difference for a high-growth council like Ballina.

SHARON CADWALLADER: And, of course, that cost has to be passed on to the ratepayers. As Mr Hickey pointed out earlier, Ballina council has been a highly entrepreneurial council through successive councils, but it's all coming to an end. We don't have any more land to develop or any more land parcels, so now we're getting to the pointy end of affordability. As I said, our general fund is in deficit. We've got some hard decisions to make. But, at the same time, the affordability of our community is not there, particularly after the events of the last few years. It has put enormous stress and pressure on our communities. We're in a very difficult financial situation.

VAUGHAN MACDONALD: I haven't done the same figures that my colleague Paul has, but we face the same thing. For example, companion animal fees were introduced way back in '98, I think, and they haven't changed for a long time. The work that we have to do around the regulation of companion animals—the funds that we get back in from registration just don't cover it. That's another example where we have to do things but we don't get the funds back in to cover it. It's across the board. But, again, for us as a lower socio-economic community, we have to be mindful of that.

But what we have done at Richmond Valley—we were quite a low rating council. This is the end of the first financial year where we haven't had a special rate variation in place. We had one for nine years. Initially, we had one for five years. Over that five-year period, it increased our rate revenue by about 34 per cent. For the further four years, it was 5½ per cent each year. That has enabled Richmond Valley to catch up in the level of rates that we levy. Our budget for the next financial year, operationally, is $75 million. Our rating revenue is $17 million. People often think that rates are our biggest source of revenue; they are not. Rates are around 20 per cent for us. We then rely on waste charges. In our submission, we touched on the waste levy and the impact that has. Now people are paying north of $300 per tonne to take waste to a landfill. A big proportion of that is the waste levy and how that continues to increase. We—as in, local government—get less than 20 per cent of that back.

There is a range of examples that we have. For me, it's about more autonomy. In some ways, the special rate variation process, which is regulated by IPART now and there's a process we have to go through, should be business as usual for a council. Similarly, do we touch on the South Australian approach? It's up to the council. You're autonomous, your councillors are elected by the community, so they need to make decisions in line with their community expectations. And if they fall out of step with their community, at the next election some or all might face that consequence, the same as what happens at State and Federal level.

Rate pegging has been an issue in my whole career. New South Wales and Victoria are the only States that still have it. I really do think it's something that needs to be looked at. It gets talked about but it's a big decision. It's going to be a big change—it's been in place for a long time—but a well-developed, solid basis for that change would be a big step in putting that responsibility onto local government. Part of the reason that some of these things are there is because sometimes local government doesn't get everything right, but often laws are made and charges and restrictions are put in place because of a couple of bad circumstances, when we all know at the moment there are 128 councils in New South Wales. I'll leave it at that.

The Hon. SCOTT FARLOW: On the back of that, what's rate revenue as a percentage of the revenue for Ballina Shire Council?

SHARON CADWALLADER: It's 3 per cent. Our costs are 40 per cent—

PAUL HICKEY: No. You're talking about of our operating budget?

The Hon. SCOTT FARLOW: Yes.

PAUL HICKEY: Our rate base is about $27 million, off the top of my head, out of that $95 million. So 24 or 25 per cent, or something around there.

The Hon. SCOTT FARLOW: So not dramatically different from Richmond Valley.

PAUL HICKEY: No. I think percentage-wise—

The Hon. SCOTT FARLOW: It's pretty similar.

PAUL HICKEY: Basically, Vaughan always used to have a little competition about who had the lowest average rates in the region. He's now overtaken us with his special rate variation. We're both low-rating councils that way.

ROBERT MUSTOW: Can I make a quick comment about local government, the State Government's policies and how it has effects on our community and councils? You have our submission. It's about the new Interment Industry Scheme. That scheme was brought in, and it directly taxes the bereaved $156 per burial for the privilege of being regulated and required local governments to collect the process—the payments—at our cost. The tax was imposed with no prior consultation and only three months' lead time for introduction. As a result, local councils, who were finalising their 2024-2025 budgets, have had to absorb the cost of the increase to these fees to meet the new requirements. Richmond Valley Council will have to increase its cemetery charges by 15 per cent, and this is on grieving families. I'll be honest with you: As mayor, I'm embarrassed by that. I really am. I just think it's unfair. People are going through grief and here we are having to whack it up 15 per cent by legislation from the State Government. And we're at the front, so you know who cops all the flak—it's council.

SHARON CADWALLADER: I would like to agree with Councillor Mustow about that. As a civil celebrant that buries people, I'm at the coalface of what these extra charges are doing, which we have to pass on to, again, our ratepayers. There's one figure here, though, that council has 40 per cent of the costs and only 3 per cent of income through our rates. Of course, we have no certainty that we're going to get the grant funding needed for our projects, like a community centre that we have on the plateau. It is desperately needed, but it would be throwing good money after bad putting a new roof on it because it's well and truly had its use-by date. It was used as an evacuation centre during the floods. Our airport, where we lost the funding and had to loan fund it to reinforce the runway and lighting—that was a grant that was promised but then we lost the lion's share of it, so we had to fund that because it's so important to the region.

If I may touch on water security, with our population growth, particularly in Ballina, Rous County Council is the water supplier here for the four constituent councils, which are Lismore, Ballina, Byron and Richmond Valley councils. We are running out of water. Only because it has kept raining, we're not on severe water restrictions. So we are in desperate need of funding to continue our investigative studies for our future water strategy 2060. It's of critical importance that we have enough water for our growing communities.

The CHAIR: I wanted to pick up on something that Mr Macdonald was saying earlier in terms of rates and rate pegs and the like. We talked earlier about whether a range would be appropriate, noting the comments from Mr Hickey. How do we ensure that council will set a rate that the community can afford to pay?

VAUGHAN MACDONALD: Really the fundamentals with the integrating planning and reporting process is that a newly elected council goes out in their first nine months, consults the community, sets a new community strategic plan, sets a delivery program and goes through a thorough consultation process. In doing that, it needs to put out options around what the financial models are and, therefore, what rate income is required. The integrated planning and reporting process we all are required to implement and have now been doing since 2008—most of us are pretty good at it. It's the model that the IPART process does focus on as well.

In some ways, it's about giving local government the trust to take ownership of those decisions and take responsibility for good engagement with the community. You're never going to get 100 per cent satisfaction from your community when you're looking to increase a charge or a rate. But if you go through a good process and you do good surveys—these days we're doing phone surveys that are well founded and they inform those decisions. In our case, with the special variations, we had the support from our community. For our budget that went through last night, we had four submissions, and they were specifically to one facility. That's not uncommon in the Richmond Valley. Those plans are clear, the measures are in place and then, importantly, we have to deliver on that. That's the other thing. If you're asking people to pay for things, you then have to make sure you're delivering what you say you're going to do. To me, it comes down to trust and putting that responsibility on each elected body to make those decisions and then they will be—and should be—held accountable by their communities.

Whether there's an option for a range or an indicative rate peg as a transition step—but, again, I was going to comment on the interment side. It's an example where sometimes policies get made because something has happened in the metropolitan area, which is where I understand the issues around interment have come from, but they get imposed statewide and then we, as a regional-rural council, have to comply, when if you asked our community about our burial services, I'm pretty confident 98 per cent would say we run a good show. They're well presented, well maintained and we really care about how that service is delivered, yet now we've got this additional cost burden for really no change in outcome for the community. So sometimes that side of things, policies for some sections of local government, have a valid reason for being, but they get put across the whole 128 and sometimes you suffer the consequences.

The CHAIR: Mr Hickey, did you have something to add?

PAUL HICKEY: Yes. I've been thinking about rate pegging for a long time. I've looked at all the reviews and that sort of stuff. I accept that maybe it won't disappear. If they are not going to disappear, what can we do? I will say that IPART, from my perspective, have done a very good job since they've taken over the process. I was around when the Minister determined it, and that became political sometimes. I'm happy with what IPART does. They have reviewed it; they have tried to do the best they can. I think that has been good. My worry is that it's the power of compounding. Again, I do a lot of benchmarking with our neighbours. Tweed has an average residential rate of nearly $1,700; ours is $1,200. Tweed gets 4 per cent or 5 per cent, so they get an extra $40; we get an extra $20. If you multiply that by 18,000 assessments, we are falling behind even further each year. That's my worry. If you're a small business and you're cheaper, you might last for a while, but can you keep on going? That's the whole thing.

I feel like there should be some sort of benchmark where, maybe, if you are a low-rating council, you have that option to actually shift up towards some sort of affordability benchmark, so maybe you don't have to go through the entire special rate variation process, because that does get politicised and creates a lot of angst. Yet we increase our water and wastewater charges by a higher percentage and there is no feedback. I just feel like there should be some sort of—I think IPART could do it. You'd get your comparable councils and those sorts of things, look at the average rate for the councils—farmland, industrial and so on—and then try to have some benchmarks that the council could work towards, so at least you've got a little bit of room to move. I am talking from a Ballina Shire and probably Richmond Valley perspective here, where we are low rating. At least we've got the option then of maybe moving to a more affordable benchmark. Otherwise it's that compounding issue. When you're compounding, that figure just gets further and further ahead and you fall further behind. That's my worry. Some sort of two-tiered structure like that might be an option to consider.

The CHAIR: I note the hybrid SRV model that you have mentioned in your submission. I just want to turn now to Richmond Valley, with a couple of specific questions about your unique circumstances. You were obviously impacted by flooding again last year. In the last budget, the 2023-24 budget, you did $40 million of capital works. What were the challenges of making ends meet during that time?

VAUGHAN MACDONALD: In the last financial year I think we ended up over $50 million. The reason that happens is because of the Disaster Recovery Funding Arrangements that we have to go through to secure funding to recover our roads. We estimated damage from the floods for us at around $150 million—around $100 million on our road network and $50 million on water, sewer and other assets. I must say that that funding is critical for us. Without the funding, we probably wouldn't exist. We are all affected in the Northern Rivers, but obviously to different degrees. That funding is important. The challenge for us with that is to secure the suppliers and the contractors, but also to work through the administrative processes that are required to get approvals so that we can get on with that work.

We also tapped into a couple of other programs that were released, that were Northern Rivers specific, of which we have secured funding for the twin bridges, the Tatham Bridges. We have secured about $18 million to replace or build new ones there. We have some major culvert issues. All of those projects are being done to improve the resilience. They are being raised. Roads are being raised so that we are better prepared for future floods. We are in a position where we can deliver these projects. We are a council that, over the last eight or nine years, has gone from a capital program of around $18 million to $20 million up to $50 million. This financial year we could potentially end up towards $70 million or $80 million. Once we bring in a project like a $65 million sewage treatment plant, we could be beyond $100 million in a financial year.

As a council, we have grown in our capacity and our capability. Some of that is on the back of the special rate variation and the additional revenue that we have gained from that. What it has done is enable us to do more, to deliver more projects. There is a big reliance on grant funding, I'd have to say, because our rate income has just stepped up gradually but our grant funding has been significantly increased through successful grant applications but also that disaster recovery funding. So there is absolutely a reliance on that, and it is backing off, I have to say. The money isn't there—we all know that—across all levels of government. That's where we have to either find a program that it fits or we have to find a way to self-fund it.

Back to the sewage treatment plant example, we can afford, we have estimated, $20 million, but if in six to 12 months time we don't have any other contributions, we might have to make some really hard decisions about how else we can fund that, because it's critical infrastructure. The current one is limping along. It is meeting standards, but it's a matter of time before we have to do something. That's our challenge: We don't have that own-source revenue capability that ideally we would have so that we could build it ourselves, because our community doesn't have that scale to be able to fund that amount of money in a short space of time.

ROBERT MUSTOW: Can I comment quickly? I went up to Tweed and met with Minister Jackson about our water and sewer. I said we had $20 million to throw in towards the $65 million. Her comment was, "That's a bit unusual in local government sometimes", because on lots of occasions the facilities are dilapidated that much that they have to be done because they are affecting the environment. We don't want to get to that level. We want to be a responsible council and throw our money into the project, but we do need help because once you let a facility get to that level where it's affecting the environment, that's just negligent for your community. We are responsible, but we need help to be able to do those things. If we don't get that funding, it will come to that in another 10 years where it's critical for our environment, but we don't want to go down that path.

The CHAIR: In terms of the disaster recovery money that you mentioned, Mr Macdonald, did you put on extra staff with that disaster recovery money? How has that impacted your overall headcount?

VAUGHAN MACDONALD: We do put on additional staff. Yes, certainly we have increased in full-time equivalents. One thing we have experienced over the last 12 months, though, is that for that sort of work there's definitely a benefit to utilising your existing corporate knowledge, so having your existing asset people involved in that. We initially went to the model of "bring in a fresh team" but it wasn't working, and it wasn't their fault. It was just that they don't know the network, they don't know the systems and they didn't know government as well. That becomes a challenge where you almost have to pull some of your business offline, which is what we've done. So, yes, it has stretched us. The contribution towards that disaster recovery is funded. The staff and the project management, in most cases, does get funded through that scheme, but it does leave you short in your core business.

That's where we have had to recruit and build the business elsewhere. Yes, it certainly stretches us. It has been challenging, although I think we are an organisation now that has been facing natural disasters since the Black Summer bushfires in 2019, which kicked off up here and then headed south. We have had a number of floods since. I think that's another point that we make in our submission: We need to get to a funding model that takes into account the ongoing need for resilience funding. That's where some of the conversations around betterment—the disaster recovery is about fixing the asset back to the state that it was in, but there is more of an appetite now to be able to do a better job, to improve the resilience, so that the next time there is a similar event the aim is that the asset holds up. We are certainly making progress in a number of areas. We just need to keep that in mind around betterment and resilience.

ROBERT MUSTOW: Just a quick comment on the staffing side of things. With a lot of these projects, we are the same as every other council: You haven't got the internal staff to be able to deal with them. We've got a landslip that's $15 million, and they're boring piers down 10 metres, so you have to get the people with that expertise. The general manager mentioned earlier the bridges at Tatham—$18 million. We haven't got a bridge building department, like most councils. You get those people—that's their expertise in that job, so you have to have them in. We did create positions but, on a lot of the outside work, you just can't do it. It's impossible.

SHARON CADWALLADER: Could I just add to that? The severe staff shortages that councils are facing, and the major impediment, is that State government are taking the staff, paying them more money—particularly since the disasters that we've had—and we can't compete with that. That's our biggest dilemma. It's not just skill shortages; it's labour shortages all round. That's really impacting us severely.

ROBERT MUSTOW: Just to support that, that's happened in Richmond Valley; we've lost a lot of staff over to the government departments.

The CHAIR: Is there an increasing role for apprentices and apprenticeships in local council, taking into consideration what you've just said?

SHARON CADWALLADER: We are always doing that. We have a lot of trainees. We have supported workers, too, that work in our nursery in the shire. So we're really on top of that, but I don't think we can take on any more, really. We're probably at capacity in that area.

VAUGHAN MACDONALD: Yes, we've been doing apprenticeships and traineeships for 10 years. Actually, when we implemented—it was called the youth employment scheme. We actually won, I think it was, a statewide trainee program award. I think we were up against—at the time, the finalists were Westpac and McDonald's. We got that gong back when it started, and we've built on it from there. I think we've employed—we'd be at about 120 employees through that period. A lot of those employees stay with us. It's absolutely what we've decided is the best way: Let's grow our own.

It's providing employment opportunities for young people in our area, but it also enables you to develop staff that are in tune with your culture and your expectations. It is definitely the best way to do it, so we're big supporters. The other thing that we do—the Richmond Valley has a strong Indigenous population, so our employees are at a level equivalent to the percentage within our community, which is around the 7 per cent mark. We use programs like the Elsa Dixon program to provide those opportunities. It's definitely something we do as much as we can. A lot of that has been supported with funding through the years to get people through traineeships and scholarships and others.

The CHAIR: In the minute we have remaining, we heard from Parramatta council in earlier evidence in this inquiry that the cost of a playing field could be upwards of $1 million more if constructed by council rather than a private contractor. Do you agree and is that your experience up here in the Northern Rivers?

PAUL HICKEY: No, I don't agree with that. From Ballina shire—and I'm sure Richmond Valley is the same. I think, in regional councils, you've got that local community; you've got people who want to make a difference in their local community. We often benchmark ourselves against the private sector. We do a lot of tendering for contracts. Sometimes we'll build our own roundabout; sometimes we'll get someone else to build it. I would not agree with that statement at all.

VAUGHAN MACDONALD: Yes, absolutely not agree. We've actually improved, I'd say, half a dozen sporting fields. Previously, in the Richmond Valley, we didn't have any irrigated sporting fields. We now have irrigated rugby league fields, soccer fields—and we've actually done one in Woodburn recently which was supported by funding linked to flood recovery. The way we've done that is, actually, most of those have been delivered by our own team. We use a local irrigation firm that puts the irrigation system in. We get the turf out of a turf farm in Grafton. We've delivered those very economically, so I'm not sure what's happening in Parramatta.

The CHAIR: Thank you so much for making time to give evidence to today's inquiry. Any questions taken on notice—although I don't know that there were any but, if there are any supplementary questions, the secretariat will be in contact, and you'll have 21 days to respond.

SHARON CADWALLADER: Thank you very much for making time for us.

ROBERT MUSTOW: It's appreciated we can get our voice out there. As I said earlier, there have been a lot of inquiries before. Hopefully, out of this one, there will be some positive outcomes, so thank you.

(The witnesses withdrew.)

Mr MARK ARNOLD, General Manager, Byron Shire Council, affirmed and examined

Ms ESMERALDA DAVIS, Director, Corporate and Community Services, Byron Shire Council, affirmed and examined

Councillor MICHAEL LYON, Mayor, Byron Shire Council, affirmed and examined

Dr AMANDA COHN: Welcome to our next witnesses. I have just temporarily taken over chairing. Thank you so much for making time to give evidence. Would you like to start by making an opening statement?

MICHAEL LYON: I'll just open by restating points that we made in our submission as a council. Firstly, I'll mention that regional councils face significant challenges in funding infrastructure and services compared to metropolitan counterparts, primarily due to the smaller rate base combined with a larger geographical base. Certainly, in Byron, that plays out with many smaller but significant towns in our shire, even compared with other regional shires. We probably have six, seven or eight significant towns that all need to be well connected.

Also, as a coastal council, you face further challenges around erosion and, in particular, tourism and the impacts that that has without the ability to raise your own revenue from a broad-based tourism tax, for example, that would help to cover the costs that that visitation has. Visitation is great for the town in a lot of ways, but it's not great for council's finances. We don't have any means, really, other than, at the moment, paid parking, to levy costs or levy revenue from tourists.

The primary revenue sources for councils typically include rates, government grants, user fees, and charges. But this over-reliance on rates does place significant pressure on ratepayers. Byron Shire Council is already one of the higher charging councils in our area. With increases capped, we rely on special rate variations if we want to balance the books. That places an unreasonable expectation on us to be able to do that, given the way that rate rises can be used in a political cycle to gain popularity by promising not to raise rates, but at the detriment. The structure, if it relies on councils to raise rates, SRV—the structure won't work in a broad-scale thing because of human behaviour and the like.

We also have legislative restrictions, as I mentioned, in terms of the tourism levy, but levies are also capped. For example, the stormwater management levy was introduced, I think, in the early 2000s and that has been capped ever since at $25. Not only have costs significantly increased in that time due to inflation, they have increased because of the way overinflation increases in construction-type expenses. Grants that we receive from the Government are often insufficient to cover the cost of necessary infrastructure projects and service delivery. As a result, we get an infrastructure backlog which results from years of underinvestment and deferred maintenance. We contend that we need adequate and predictable funding allocations in order to deliver essential services, maintain critical infrastructure and support economic development initiatives.

In relation to the IPART review of the rate peg methodology, I want to single out the idea of allowing councils to use the capital improved value method to set the variable component of rates. I think it would go a long way to alleviating some of the problems that I mentioned around the way that the current structure operates. Finally, it would be remiss of me not to mention the cost shifting from State and Federal governments over the years, particularly in areas such as social services, emergency management, libraries and infrastructure maintenance. That has a significant impact on council finances. At the same time, I can say I personally witnessed the increased expectation on council to step in where State and Federal governments fail.

I give you one example in the Byron shire in the homelessness space. Council employs two part-time homelessness liaison officers. We do that because it is absolutely essential, with the highest homeless rate in the State, that we have that ability to reach out to people. Obviously, that is made harder given that there are often not the support services to provide to those people, or certainly the housing pathways, but it is important that we remain connected and understand the extent of the problem. We have been doing that for several years now. I might leave it there. I think I am over my three minutes.

Dr AMANDA COHN: In your opening statement you mentioned the impact of tourism. I imagine you would have to be one of the top local government areas in the State for impact on local services and infrastructure from the high rates of tourism. Could you expand in more detail on what those impacts are? You can take it on notice if you need to. Has there been any quantification of the impact of tourism on your services and infrastructure? You also mentioned the opportunity for something like a tourism levy. Do you have any recommendations for us about what that might look like or how it would work?

MARK ARNOLD: In relation to tourism, that has been something that is a bit of a wicked problem for the council for a long period of time. Obviously, the community is very reliant on the tourists and the businesses on those visitors coming through. We have done some rough numbers over the years. What we have estimated is our costs could be anywhere from 20 to 30 per cent more because we need to service the tourists that use our facilities, whether that be the main beach at Byron, whether it's the amenities that we provide throughout the community, the roads or whatever it may be. It's not a scientific number, but what that means is the community is required to find the funds to be able to support those visitors and the impacts it does have on the assets that we do provide, and the reason why many people come to the Byron shire. As far as the levy, I hand back to the mayor.

MICHAEL LYON: Thanks, Mr Arnold. It's pretty obvious in terms of the car trips. I think in a standard year now in Byron shire, we get something like two million visitors, and I think it's over a million daytrippers. Obviously, there is a significant financial impact. In terms of the levy—I just want to make the point around tourism. We did a bit of a deep dive on the economic benefits or not of tourism when we were advocating for the short-term rental cap. It really became clear that whilst there was an initial benefit of tourism, by far and away you get better economic benefit from permanent residents in houses than you do from having tourists using houses as share accommodation. You get that benefit 365 days of the year.

I just take every opportunity to reiterate that, particularly in light of an upper House motion passed recently and whisperings I hear about an overarching change in policy. I just want to make that point, that we did a deep dive on the numbers and it's pretty clear that you get far better economic benefit from permanent residents. That's not even taking into account the jobs that don't get done currently because we haven't got people in houses. In terms of the levy, if we're going to do a levy—and we've had conversations with our local tourism board, Destination Byron, and the support is there for that. The support is there so that we can then—and in a broad-based way, not just as a bed tax but as any tourism business.

Even a small levy could then go into nurturing partly, obviously, amenities from a council point of view, but also to nurture the actual brand and to develop, if you like, the right type of tourism, the right type of visitation, respect for amenities, respect for the people, respect for the environment, and to enable us to allow people to take a bit of Byron and the values with them when they leave. That's certainly something that has support within our community from people who you might not think it did have support from, because they can see the benefit in having a shire that people look after. When you have that, you are able to put your best foot forward in terms of how you treat your visitors.

Dr AMANDA COHN: Thank you, that was a very comprehensive answer. I have one more question. In your opening statement, you also talked about cost shifting and the example of the two staff you have employed to help support people experiencing homelessness. It's an extraordinary example of local leadership on a really complex issue. Are there are examples of cost shifting you have for us? I understand Local Government NSW has given us a very detailed submission trying to quantify cost shifting at a State level, but it is helpful for us to flesh out all these examples of various levies and other things.

ESMERALDA DAVIS: I can give perhaps another example related to the post-disaster situation that we find ourselves in. As you have heard from other speakers, the State Government has previously funded some community recovery officer roles to support community recovery and social recovery post-disaster. The challenge with that funding model, of course, is that it doesn't allow for investment in preparedness or resilience activities. One example of how our council in Byron has taken on part of that role that would normally sit with government is we are proposing to fund one position to focus, over the next 12 months, on community resilience and recovery work to provide that continuity, because we know from experience that it's not a matter of if another disaster is coming, it's a matter of when. That disruption in funding that is attached to a post-disaster situation that doesn't allow the continuity of the great work and capacity building that's happening in the community is really disadvantageous to our community. That is one example, and it's perhaps small, but really significant is council's investment in a dedicated position in the absence of State government funding.

Dr AMANDA COHN: Thank you. That's a great example.

The Hon. SCOTT FARLOW: Thank you for being here today. Picking up on your submission, there's some criticism in terms of the benchmarks that OLG uses in assessing councils and their financial indicators. You say that they "do not encompass all relevant financial factors and focus too heavily on own-source revenue". What do you think OLG could be doing differently in terms of their assessment? What other factors should they take into consideration? How do you see something like that working?

MARK ARNOLD: The financial indicators are an interesting subject. In the last financial year, we achieved six of the seven indicators. We didn't achieve the outstanding rate ratio. I think we were over 10 per cent, so we failed to meet that ratio. On the surface, it looks like we are performing really well, but if you look at our unrestricted cash, our balance at that point in time was zero. We had used our reserves of unrestricted cash through the years of COVID to be able to address the additional costs that came to the community. We ran down our reserves to be able to keep things happening. It's an interesting question because the indicators may be different for a western council to a regional council. I think it is more about being able to provide the funding to ensure the stewardship of the assets that we have for the period that we need to look after those.

If you look at where we were six, seven or eight years ago, we had a very high own-revenue ratio. I think it was over 40 per cent. You look at that and compare that to western councils and you say, "Great. What a good job." But when we went to the community to talk about an SRV, one of the things they pointed out to us is that we performed really badly in attaining grants. Since that discussion with the community, we've increased our ability from $2 million or $3 million per year on an annual basis—other than our roads grants—to somewhere around about $20 million to $30 million. What that has done is reduced our ratio of own revenue and made that look bad, but we're performing better in the expectations of the community because we are going to government and we're finding ways to source revenue outside of the rate base. This reliance on ratios is not telling the true picture. In some ways, the true picture is how we are responding to the demands of the community in improving assets, doing renewals and providing the new facilities and services that the community needs.

I don't think that there's a black-and-white answer. Definitely, if you ask accountants, they will say there is a black-and-white answer. In a lot of ways, the answers come back through the engagement we have over things like our CSP and community satisfaction surveys and where they pull us short. In the case of Byron council, when you go out, our top three issues aren't the top three issues of the normal regional and rural councils. They are public transport, housing affordability and infrastructure. Infrastructure is key in all of those, but if you look at those first two, they're more a metropolitan council issue. We're like a regional council dressed up in a different role, but we wouldn't perform well if you looked at us under the criteria that you apply to a metropolitan council.

I am not sure that there's an easy answer to the question that you've just asked, but it lies in the fact that we need to have a broader way of measuring the satisfaction. Don't just stick to the black-and-white indicators but look at what the community has asked us to do and how we've responded to that, such as going out there and making friends with the State and Federal governments to get our grants revenue up from $3 million or $4 million to over $20 million over successive years for the past five or so years. I'm not sure if that answers your question or if there's a follow-up there.

The Hon. SCOTT FARLOW: It gives us further understanding. As you've outlined, it sort of is a disincentive for councils to go out there and look for those alternative sources of revenue to be able to assist. You've also outlined in your submission that we should be considering regional economic disparities and their impact on the financial sustainability of councils. I wondered if you could further expand. Does that partly go to your point in terms of how you're a council that is somewhat different from other regional councils around this area?

MARK ARNOLD: You've got all the good questions.

The Hon. SCOTT FARLOW: I'm sure you've got all the good answers as well.

MARK ARNOLD: When you talk about regional disparities, it comes back to what the mayor said in his opening statement that we're a very small land area but we've got five or six very diverse communities of interest, which all have different ways of how they operate and how they communicate with each other. In real terms, we've got a small rate base for the visitation that we have to support through tourism. The disparities that we have are in our ability to raise additional revenues. At the moment, we're legislatively restricted. One of the things that we have done—besides our SRV, which was 7.5 per cent over four years, which is about a 34 per cent increase—is we've looked at what is open to us to be able to raise funds from visitors, and that has been paid parking. That has enabled us to deal with some of the inequities that we talked about before, which is the fact that we're servicing a much higher community than the 16,000 rating parcels of land that we have.

As a regional council, the disparities are that the issues that we need to address are very broad, from coastal erosion through to rough sleepers and the numbers that we have, which aren't common problems in normal regional councils. The fact that housing is at the top end of the range, finding homes for people who actually service the community—provide the coffees et cetera—is becoming more and more difficult. With the price of fuel going up, a lot of people were coming from adjoining shires, but that's becoming harder and harder. We see that through our own workforce. It's a nice place to visit, but it's a difficult place to be able to live at times and to be able to meet those challenges and the cost of living.

MICHAEL LYON: Can I add one thing to that? I want to make mention of housing. It's just another area. I've been really clear that council has to step in and take a role in trying to develop affordable housing. We provided a residential strategy that is well in excess of the required targets. We're playing in that space because we feel we need to, but we've made a very clear distinction. We're happy to provide the supply, and we're happy to provide the communications and conversations with potential developers, but the State Government needs to step in on the social housing front.

I really want to make mention of that regional disparity conversation around the Housing Australia Future Fund. At the moment, regions are competing with the cities on that somewhat limited pie. They're using the same benchmarks, and we will lose out every time. There needs to be a regional allocation in the Housing Australia Future Fund. We're growing as well, and we've taken on a hell of a lot of people over the past few years through COVID. That trend continues. If we don't have that change to that fund, we will miss out. I'm sure you have seen the statistics around Byron shire and all of the Northern Rivers and regions up and down the State in terms of the housing metrics. If there is going to be that Federal and State funding, we want to ensure, if we're going to address those disparities, that there is an allocation separately, with separate criteria from metropolitan areas.

The CHAIR: I just note that I was absent for the start of your evidence. I apologise if the question that I ask has already been answered. Just tell me, if that's the case. The question specifically relates to tourism. I note that you were making comments to this effect when I re-entered the room so, again, apologies if you've already answered. Obviously you are, as you've already articulated, host to tens of thousands of guests in your LGA every year.

MICHAEL LYON: It's 2.2 million. That is the trend average, just so you're aware.

The CHAIR: Thank you for that clarification; that's a lot more. You have 2.2 million guests every year. Are you able to take advantage of those visitors and build infrastructure to accommodate them or does that come at a net cost to your residents?

MICHAEL LYON: I guess we have natural advantages in terms of tourism; we don't really need to build things for them to come. I don't think we've ever really gone out there and promoted ourselves in any major way. We've had a few campaigns here and there, but it's been pretty organic. It's the natural assets that people are attracted to, from the hinterland to the beach. But it's the impacts. Anyone being in a shire will use the toilets, the roads, the skate park or the facilities, and that obviously creates a burden in terms of increased usage. It requires more regular maintenance or replacement. There is no mechanism that we have or that we're allowed to have—other than paid parking, which is specific in the way that it's allocated or can be spent—that enables us to tax, for lack of a better word, that tourism and make them contribute to our shire's finances. I did say in the previous answer that we are very much in favour of a broad-based tourism levy—our industry is favour of that levy. That could partially cover that impact on amenities and infrastructure but also could be reinvested back into the tourism industry in terms of branding et cetera and ensure that Byron remains the premier beach destination in Australia and Noosa doesn't take over.

The CHAIR: Just to clarify, would you say that it is at a net cost to your residents?

MICHAEL LYON: Absolutely. From a council point of view, there is no way that we are able to cover that cost currently.

The CHAIR: This tourism levy that you talk about, are there any other ways that we can look at to fix what is occurring or is that what you see as the solution?

MICHAEL LYON: You could narrow it down and do a bed tax, which is commonly cited by many in our community. But I think it's fairer to extend it to all tourism businesses—kayak lessons, surf lessons. We have been advocating for that for a long time. There's always been this reluctance for local government autonomy in that way—sort of like a philosophical problem with it. It may be a trust issue; I'm not entirely sure. Give us a three-year trial and we will do you proud. It's overseas; it's not groundbreaking stuff. Other destinations do it. Obviously the first time an Australian goes to an overseas destination and pays a bed tax, they're a little bit like, "Oh, what's this?" But the rationale is clear and people generally support it once it's in.

ESMERALDA DAVIS: I would just add to that. I guess what I'm hearing is a user-pays principle applying so that our residents are not burdened with the cost of supporting the visitation in our shire. I don't have a particular answer as to how that could be administered, but a mechanism that's based on that principle would be helpful.

The CHAIR: Turning now to the rate peg, which is obviously being discussed through this inquiry, what alternative safeguards would be appropriate to ensure that rate increases are affordable for our community?

MICHAEL LYON: I'll quickly say that I think that using the capital-improved value would be a good way to ensure that the burden, if you like, of the increases falls with those who are most able to afford it. The only other point I'd make is to give people the ability to offset or to borrow against their equity—for example, someone who's asset rich and cash poor—to offset that by having a loan that just sits there at low interest until such time as that property is sold, and then that loan would become payable on that increase in rates.

ESMERALDA DAVIS: I want to recognise that it's been my experience that the community are not well informed or aware of council finances; it is a very complex area. The capacity to pay is definitely a key consideration in terms of any rate levies. We've seen it through special rate variations. If the community understands how the revenue is to be used and applied, and they can link a direct benefit to themselves, I think that awareness will assist in any willingness to consider contributing to council revenue in that way.

MARK ARNOLD: I think it was mentioned by the previous speakers before us, it's about trust and about having that relationship with your community. We've done a couple of things over the last little while as part of the SRV when we went to the community and we talked about raising additional revenue. There were lots of things that were put forward. SRV was accepted but people were also looking at other means. We got solutions such as the bed tax and toll gates on either side of Byron so everyone paid as they went in.

What you need to be able to do in those conversations is have a conversation with the community about their expectations and what it is they expect. We, after the SRV, held a citizens jury and that citizens jury had 30 people who were picked from across the shire; they were from all spectrums of the community. The issue was infrastructure and how should we deal with that. Should we be building new, should we be doing maintenance or should we be doing renewals? Interestingly, the community came to the conclusion that the most important factor is safety and that should be the first investment by the council. So as part of that discussion, what we did was look at how we spent the SRV and how we spent the paid parking money and other revenues we get. Our priorities are based on that conversation so it's not necessarily a new roundabout but it's fixing up the guardrail on the road that needs to be done. It's about the surface of the road and getting rid of the potholes and making it safe for people to travel on. People accept that. They can see those differences and they can accept that their money is invested.

I've been around local government a lot a lot longer than anyone else in this room. My father was the shire clerk at Wellington Shire Council from the '70s through to the '90s. I was there in 1977 as part of the local government family—I might have been in year 10 at the time—when on one side you had Orange City Council raising rates by upwards of 15 per cent year in, year out and Dubbo City Council were reducing their rates. The arguments, I guess, came around about the conversations with the community—who was having those conversations and were they meeting the needs of the community.

I guess my philosophy is always that those conversations with the community are key. They're important to building the trust, but they're also important to understanding what is important to them and how you should be investing that money. Through the Integrated Planning and Reporting framework now we've got the basis of doing that but, let's be frank, sometimes those conversations aren't easy and they do have raised emotions. But having them is important to the trust and understanding that what you're delivering is what people are expecting. When you deliver what people expect, trust grows.

The CHAIR: To follow on from that, you mentioned the IP&R framework, which, again, we have heard a lot about in this inquiry. Using that as a possible example of how we could use it as a tool, are there ways that we could better customise the rate peg for each council or look at providing a range for councils to select a certain amount to give them greater flexibility? Is that something you would support or be interested in?

MARK ARNOLD: I guess the example that I just gave is a good reason why you need a range to work within. You can't have people on one side reducing rates and people increasing rates. In the IP&R process, if there's an ability to have a revenue stream to be able to show that you're raising revenues in a way to meet need, then I think that's important. Again, I was at Tenterfield Shire Council back in the '90s when the State Government took the electricity off the two remaining local government bodies that provided electricity to their communities. One was Tenterfield and one was Broken Hill. We were required to have a price path, which was then rubberstamped by IPART to say that it was fair and reasonable and that it was based on us meeting costs and us being able to deliver what it was the community was expecting from us.

I'm not saying that we should go down that path, but I think that's kind of what you're intimating in your question—that if we can show that to the community and get the feedback from the community through the exhibition and through the consultation, then there's a rubberstamp, which is really what you're doing through the SRV, although the decision is made irrespective of the views that are expressed through that process.

ESMERALDA DAVIS: I'd like to add as well in recognition of that constant tension between community expectations and what council can resource, a tailored approach that allows councils to hear from the community about what's important to them in terms of services or infrastructure renewals or maintenance will be important. That flexibility that you and Mr Arnold are describing will be key so that we can tailor our efforts to what's important in our community, which will be different right around the State. So we absolutely would support looking at a mechanism that enables that in a responsible way that also takes into consideration the impact on ratepayers. Our rate revenue at council is only 18 per cent of our revenue. So, again, it's important to recognise that we talk a lot about rates and we recognise that the community is paying and contributing to the services that council delivers, but it's not all of it.

The CHAIR: That's a really good point. You talked about being responsible. How do we ensure that councils will set a rate that the community can afford to pay?

ESMERALDA DAVIS: I think it goes back to Mr Arnold's statement of having that relationship with community and having that trust. Accountability at a local council level could be achieved in different ways. I know there's been a significant investment in the Office of Local Government, for example. My view is that they could play a more prominent role in that space. Going back to the descriptors, or the benchmarks, we described earlier in this conversation, having a consistent performance measurement framework for New South Wales councils would also improve that accountability piece. So I see that there's potentially a role for the Office of Local Government as a way of ensuring that accountability and responsibility.

The CHAIR: I'm looking at my colleagues to see if they have any further questions. No? I might continue on with one final one about grants. Many of the submissions we've received and evidence we've heard talked about the impact of tied grants and them being sugar hits, and then obviously them funding an asset that needs to be depreciated, and so on and so forth. Is this the case for Byron? Is there a better way that we can fund the construction and ongoing maintenance of these assets that doesn't leave councils worse off?

ESMERALDA DAVIS: I don't have the answer, but thank you for the question. I'd like to think there could be a better way. The availability of grants to build new works rather than maintain them is what we've seen being available to councils before in the construction phase. An asset is then handed back to council to maintain. That is that double-edged sword that you're describing. I don't have a solution or an answer as to how that could achieved, but the expansion of the grants to take into account some of the maintenance over the lifetime of the asset would be welcome, I imagine.

MARK ARNOLD: In Byron shire we have, in recent times, applied for grants or gotten grants for not traditional infrastructure building. We've seen the pothole money that was provided, which provided a boost to us being able to get on the ground. We were also fortunate to receive a grant of $20 million, which has enabled us to do a lot of renewal work. Almost a third of that money went into bitumen re-seals and asphalt overlays, which was about not the glossy, ribbon-cutting type of project but about bringing the infrastructure that has long worn out up to a standard that the community expected.

I can recall going to a meeting probably about six years ago of the Byron Bay Town Centre Masterplan group, which guides us on the works we do there. The request to myself as the general manager and to the director of infrastructure services was either improve the lighting so we can see the potholes at night or fill the potholes. We've actually done both. We probably need to be thinking about being able to maintain the assets we've got into the future. They were probably built, in some cases, very cheaply in the '50s and '60s, but they're worn-out now. It's about what is the new way of looking at the world. Is it all about cutting ribbons or is it about making the community work in the way the community expects it to work?

MICHAEL LYON: I have just a final thought. It seems to me that it's probably a case-by-case basis depending on which area you're talking about and which grant and for what purpose. When it comes to, for example, the rail trail, it would be a great thing, obviously, to see the rail trail fully funded in the Northern Rivers. But we have been adamant in terms of Byron shire that we will not be signing up to it if it ultimately means that we are left with maintaining the longer section—I think 48 kilometres—year on year. But, on a case-by-case basis, I think a tourism levy would cover that quite nicely. I will just chuck that one in there as well.

The CHAIR: It's an interesting thought. In the minute or two we have remaining—in your submission you mentioned revenue diversification opportunities beyond those traditional sources. Apart from, obviously, the levy that you've mentioned and the bed tax, were there any other potential legislative amendments that you think we should consider?

MICHAEL LYON: Like I mentioned before, the stormwater management levy is critical, and literally tying that into the cost of providing that urban maintenance in terms of user pays, or working something out anyway. I think that's an easy one. DA fees, it's pretty clear—again, everyone thinks they're special. We're no different in Byron shire, but we do have some pretty unique challenges with tourism, with homelessness and with the amount of development interest in our shire. Because we have a lot of development interest, that gap between what development costs us to process and what we can charge in fees is more significant. So being able to close the loop on those costs, in the user pays, and having a way to do that, even if it requires an analysis on a case-by-case basis, I think is important.

The CHAIR: That concludes this time slot. The secretariat will be in touch about any questions you have taken on notice or any supplementary questions. You will have 21 days to answer those. Thank you so much for making time to come and give evidence to our inquiry today.

(The witnesses withdrew.)

(Luncheon adjournment)

Mr MICHAEL CHORLTON, Responsible Accounting Officer and Manager Finance, Tweed Shire Council, affirmed and examined

Mr TROY GREEN, PSM, General Manager, Tweed Shire Council, sworn and examined

The CHAIR: Welcome to our next witnesses. Would either of you like to start by making an opening statement?

TROY GREEN: Yes. Thank you for the opportunity to appear before the Standing Committee on State Development and this inquiry. The funding challenges for local government mainly exist for the general operations of local government. Waste management operations and water and wastewater operations are generally adequately catered for under specific frameworks and legislation that encourages the full funding of cost. This is not necessarily the case for capital expenditure, such as building new water supply and wastewater treatment plants that rely on capped developer contributions to partly or fully fund. The general activities of local government face many issues of income limitations and cost shifting to fund a vast array of competing services, facilities and infrastructure. The council's submission, therefore, focuses on these general activities only when addressing the terms of reference.

In New South Wales the Integrated Planning and Reporting framework provides a vehicle for councils to determine the required mix and levels of service and infrastructure that the community requires and is willing to pay for. Council income sources, however, are constrained by rate pegging or require a special rate variation process. Many fees do not fully achieve full cost recovery due to desired community service obligations or statutory limitations. Accordingly, expenditures are more determined by available income rather than community needs. The experience for council, however, over many years has been that infrastructure and, to a lesser extent, services have had to be reduced due to rate pegs or non-indexation of fees and charges. The increase provided by the maximum variation allowed in the rate peg will generally only cover increases in employee costs and other non-discretionary costs, leaving no scope to increase budgets for materials and services.

IPART recently conducted a review of the rate peg calculation methodology, and some improvements have been made. The new rate methodology is a step in the right direction but needs some time to mature before any rational analysis can be made. I would make this comment, though, that removing the rate peg entirely could politicise provision of services to a greater extent. The rate peg provides an arms-length determination by an independent body of the rate increase to be applied. Council has undertaken various special rate variations in recent years and considers the process as too focused on specific projects and, at times, not fit for the purposes of the special rate variation request. The main source of general income for council after rates is grants. By way of example, this financial year council received 265 grants from 47 agencies, totalling $195.6 million, most of which related to flood recovery and infrastructure. Without these grants, council would not have had the capacity to fully recover from the 2022 floods. To this end, we are very grateful to both the State and the Commonwealth.

Council tries to take advantage of specific purpose grants where possible. However, they mostly become available with short notice in a reactive grant program round for which councils are expected to be shovel-ready to get applications approved. This can have an adverse impact on the council's priorities and ability to resource the projects and results in funds not being optimised. Council considers these grants could be much better applied if made available through more flexible and long-term recurring forms of funding programs, such as the Roads to Recovery Program and the Stronger Country Communities Fund. As mentioned previously, any limitation to applying full cost recovery for fees results in rates being diverted to subsidise these mandatory services. Let us consider that all fees limited by statute should be reviewed and indexed annually to ensure they maintain a reasonable level of cost recovery, particularly in the development assessment function.

Developer contributions are an important source of income for local government to fund infrastructure for new development. Like fees and charges, they are regulated or capped in New South Wales. In fact, developer contributions have been capped since August 2012 at $20,000 for each brownfield dwelling and $30,000 for a greenfield dwelling, without regard to council's costs in providing related services and infrastructure. Construction and land costs have increased significantly since August 2012. The average lot in Tweed 10 years ago sold for approximately $300,000, with developer contributions at $30,000 representing 10 per cent of the land value. Today, lots are in excess of $750,000 and contributions are still at $30,000, or now 4 per cent of the land value.

An emerging concern for a council's ability to fund infrastructure and services is that, as New South Wales is gripped with a housing crisis and a deficit of low-cost dwellings, local government areas are experiencing an increase of properties with granny flats. This is a welcome trend and has the ability to fill a much-needed housing topology gap whilst retaining the amenity of neighbourhoods. Likewise, some local government areas are facing pressure to permit dual occupancies on rural land—that is, a second primary dwelling. Due to the New South Wales rating system being based on unimproved land value, there is no mechanism for councils to seek a contribution towards the costs of services and facilities under this arrangement. Currently, the existing ratepayers are therefore subsidising those with second dwellings on their properties, and that does not accord with the user-pays system. By way of example, if Tweed were to permit dual occupancy on rural allotments, it could see up to 4,000 additional primary detached dwellings with no capacity to rate these homes.

At an average rate of $1,694, this would result in lost recurrent revenue of $6.776 million annually—money much needed to provide the libraries, parks, sporting fields, pool and roads et cetera that the residents occupying these homes would expect and demand. We suggest, therefore, that the Government look to amend the Local Government Act to allow for a rate multiplying factor of 1.5 for granny flats and two for dual occupancy, and that the permissible income be increased annually based upon DA approvals. This proposal is in addition to the population factor included in the current rate peg model. In closing, I would also like to submit to the inquiry the Tweed Shire Council's recent submission to the NSW Productivity Commission on *Alternative Funding Models for Local Water Utilities: Issues Paper, February 2024* and the submission to the Federal Government on local government sustainability.

The CHAIR: The secretariat will be happy to take those documents from you, if you are tabling them as evidence.

TROY GREEN: I've provided them.

Dr AMANDA COHN: Thanks so much for coming to give evidence today. My first question is arising from what you've outlined in the written submission and in your opening statement about developer contributions. Some of the maths really demonstrates how that hasn't kept up with changes in the last decade or so. What mechanisms do you think we should be considering to allow councils to adequately levy a new development?

TROY GREEN: In answering that, it's twofold. One, I think the contribution cap that was put in place at the time was probably appropriate. But if you look at the construction cost index—and it relates to the provision of infrastructure that has happened over that time—there has been no increase. In real terms, we've got less than half what we used to have to fund that essential infrastructure. The perverse outcome of that can be that councils look at it and decide it's just simply not worth investing in that infrastructure for the new development because it doesn't pay. By way of example, council borrowed $130 million more than 13 years ago to build two new wastewater treatment plants and to upgrade our water treatment plant in forward anticipation of two greenfield development sites of around 5,000 lots each. Under the current methodology, we're only allowed to recoup the actual costs of the construction. We're not allowed to recoup interest on those charges.

In real terms, given that neither of those developments have come forward for development, our existing ratepayers are picking up the cost—through their water usage charges—of the interest that we're required to pay for that investment. So you've got a perverse outcome of existing residents funding new infrastructure. For a place like Tweed, 13 per cent of our residents are currently pensioners. So we've got pensioners at the moment subsidising some of the country's richest people who own greenfield developments, and we've got no mechanism under the planning Act to require them to bring those blocks to the market and there's no ability to index the fee that they're required to pay for the infrastructure.

So, one, I think the infrastructure needs to be indexed annually in accordance with CPI or some construction price index. Two, I think the planning system needs to be reviewed so that, when development consent is granted, developers are given a time frame to bring the development to the market. If they don't bring it to the market within that time—it could be 10 years by the time they get a construction certificate to bring it to market—we need to look at other mechanisms and levers to encourage that land to be brought to market, such as rating the land as if it was developed, land taxing the land as if it was developed and, failing that, removing the zoning that allowed for the residential development zone. By doing so, governments will ensure that land as rezoned is then used for the purpose it was rezoned for, which will hopefully help avert the housing crisis that we're in at the moment, too.

MICHAEL CHORLTON: Similar to that, the indexing is obviously a relevant one, but the motivation around the capping is obviously the housing affordability. But, as Troy has just pointed out, the ratepayers are sitting there paying all the interest as time goes by and the developer just doesn't act on it. So it hasn't worked as intended, I don't think.

Dr AMANDA COHN: Thank you, that answer was very comprehensive. My second question relates to your position as a cross-border council. As you probably know, I used to be at Albury City Council. There have been occasions for us at Albury where the State Government's contribution towards relevant infrastructure was discounted, for example, because residents of Victoria might use freeway exits and entries. That was a real financial challenge down at Albury. Do you have similar challenges because of your status as a cross-border community?

TROY GREEN: Yes, we certainly do. We experience exactly the same issues that you experienced at Albury. Part of that comes down to the model that's provided by the State. For those on-ramps and exits for the freeway, for example, they look at areas that have a population of at least 100,000. Tweed currently sits at about 98,000, which means we have to fund the on-ramps and off-ramps, despite the fact that we've got a population of 650,000 people adjoining our main street from Coolangatta North. The State Government just does not recognise that there are any residents in Coolangatta or south-east Queensland that utilise any of the infrastructure that's built on those freeways. That's wrong. I think the way to fix that is just to have a simple radius. It should be a population of 100,000 within a 25-kilometre radius of the local government area. That would resolve it.

MICHAEL CHORLTON: Probably, more particularly, that goes back to your previous question where we've got capped developer contributions which go into our Tweed Road Contribution Plan. We have to use more of our own funding to fund those on-ramps that Troy was talking about.

Dr AMANDA COHN: I also wanted to ask about environmental initiatives and particularly biodiversity. I understand that you're very lucky as a local government area to have really high biodiversity value and some good initiatives of council to do things like weed control. Are you adequately supported to do that work or are you adequately able to raise the revenue you need to do that work?

TROY GREEN: At the moment, no. It's solely through rate revenue. That is a problem, particularly in biodiverse areas such as the Tweed. I think the fire ant infestation in Tweed is a good example that, when we rely solely on State governments or Federal government to assist in some of those areas, we can all end up paying for it. Thankfully, both the State and the Commonwealth have stepped up strongly in the response to fire ants. But I think, on a recurrent basis, our ability to fund weeds in particular—both on private property, on Crown land and in council land—is not adequately met. We do the best we can with the resources that we've got, but there's certainly not enough money there to eliminate the weeds. A perfect example is camphor laurels used to be classified as a weed. The Government's given up and said, "We can't keep on top of it", so they've declassified it as a weed, whereas the reality of it is it is a weed.

MICHAEL CHORLTON: Specifically, across the shire, I'd say no; I'd support Troy's comments. We've had two special rate variations, probably in the last six years, to do with the two developments, ironically enough, that Troy was talking about earlier: that the residual land left over after development was environmentally sensitive. The way the developer approached that—originally through a part 5 determination but later through agreement—was to do a special rate variation on that subdivision. We touched on it a bit in our submission as well about fit for purpose of the SRV process. In those particular cases, there was only one landowner in both of those SRV applications, and you had to go through the rigmarole. But there's a special rate attached to those subdivisions that will fund the ongoing maintenance of those lands.

The Hon. SCOTT FARLOW: Just to pick up on those cross-border issues, you used the example of the on-ramps and the like. I imagine the situation in Queensland is quite different. Being a border council and being able to look across the border—I know that the Gold Coast council that you've referenced is the second largest council in Australia, so I may not be comparing like for like—from your understanding of the Queensland system, do you think they'd pick up on similar issues or do you think there are things that they're doing better up there that we could potentially use in New South Wales?

TROY GREEN: I think Queensland do a lot of things better and some things I think we do better.

The Hon. SCOTT FARLOW: Of course, it would be remiss of us to say Queensland do anything better on a State of Origin day.

TROY GREEN: That's right. I've got my Blues tie on today, so I hope that we do have a win tonight. The local government in Queensland's structured very differently. For example, Queensland councils have the ability to put a levy on to do weed management, if they wanted to, or for environmental—we don't have the ability to do that. We can only put a levy on for stormwater. They have the capacity to create levies that we don't. They're also not rate pegged. They're generally much larger local government areas with greater populations, so they have that scale of size to their benefit.

The way that they deal with developer contributions, sometimes, is a little different as well. They build in the fact that not only should the developer fund the infrastructure up-front but there should be some type of sinking fund for recurrent maintenance. For example, if a developer requires a huge roundabout that's going to cost $4 million or $5 million to build, and it has a 10-year lifespan, they might build in up-front some money to maintain that in 10 years time. So they take a longer strategic view of the way that they fund and provide infrastructure. The way that they remunerate the councillors is much more fitting than the way that we do in New South Wales, so they're able to attract people from a more diverse background and different age groups that can survive as a council on a living wage, whereas our councillors in New South Wales don't have the capacity to do that. There are pros and cons to both systems, but it is interesting. It's very different.

One of the areas where we experience the biggest frustration is in development applications, though, because many of our developers are Queensland based and they're used to working under the Queensland planning system. They come to New South Wales with a highly complicated and regulated Act that's been amended multiple times since 1992, and they get frustrated. They get angry with council. They can't understand the processes, the delays of bureaucracy that sit over the top of it, and all the checks and balances. That's one area that I think we could really look to improve in New South Wales—to try to simplify the New South Wales planning system and, by doing so, have a look to places like Queensland on how they manage their developer contributions to ensure that land is zoned as developed as well as fully funded into the future.

The Hon. SCOTT FARLOW: To that point, you talked about the land banking, for want of a better word, that you are seeing from developers. Is part of that exacerbated because of that frustration in terms of the New South Wales and Queensland planning systems, or are there other factors for why they are land banking—property prices being one—and looking for that sort of great windfall gain?

TROY GREEN: Prosper Australia did a really good report on this in August 2022. It takes a nationwide view of land banking. In Tweed, we've got approximately 13,000 lots zoned for development ready today. Some of those have been zoned for the last 20, 30 years. Some 10,000 of those are owned by one developer. He also owns most of the greenfield development in south-east Queensland. There is no competition, and they can trickle-feed and drip-feed that land onto the market at a price premium. I believe developers need to make money or they won't be in there. But you need to ask yourself, when you look at some of the top richest people in the country and you see a lot of them are developers—there has to be some capacity and enticement and responsibility for them to actually bring the land to the market, because that's why government rezones it. They don't rezone it to make anyone millionaires, billionaires or trillionaires; they rezone it because there is a need.

I get frustrated when I see that amount of blocks sitting in Tweed zoned for development and we've got no mechanism available to us to bring that land to the market. I think that needs to be reviewed in New South Wales. I think it needs to be reviewed nationwide. And I think it's not that hard. You could review the planning system so that you didn't rezone land up-front—you could have a deferred zoning. So you could say to proponents, "Look, we're open to rezoning this land as residential, but we would like to see you go ahead, do your concept plans, put your DA in, get a construction certificate. When your construction certificate is done, we'll rezone the land and we'll give you 10 years to bring the first block to market." That puts some onus and responsibility back to them, and it allows councils then to fund infrastructure with certainty.

The problem that we've got at the moment is the example I demonstrated, where we, in good faith, went and borrowed $130 million to upgrade needed infrastructure for those developments, but the developments didn't occur. But we are still carrying interest—12 years—on those loan borrowings, and we're yet to recoup money through the developer contributions. It's perverse. That Prosper Australia report signifies that up to 60,000 lots in New South Wales don't have the required infrastructure for land release. Part of that is, as the council, if I got another proponent come to me and say, "Look, if we rezone this land, could you build the water in and upgrade the wastewater treatment plant to fund it?" If we went and did that every time and it never actually got developed, what's the outcome? We are in that situation in Tweed. We are already replacing the water filtration plant filters and yet they—

The Hon. SCOTT FARLOW: They're not being used.

TROY GREEN: They're not being used. I get tired of hearing that it's because councils are too slow at assessing DAs or it's the DA backlog. Yes, DA assessments have blown out in recent years post-COVID, but that's not the cause of land not being brought to the market, and it's not the cause for development. We are often doing DAs on the same parcel of land multiple times. I've got an example of a parcel of land in Kingscliff that my staff have done four lots of DAs on because every time there's a new DA, the land value of it goes up. They then sell it and then a new proponent buys it and wants to do a different concept. That's not an efficient use of government resources, and that doesn't bring land to market. It doesn't provide councils or other infrastructure providers, such as your Essential Energy and Sydney Water or Hunter Water, the surety that is needed to invest in that infrastructure.

It is further complicated by the WICA Act, the Water Industry Competition Act, that was introduced by New South Wales. It says that a developer doesn't need to use the council's water or wastewater systems. We had the perverse outcome where that proponent toyed five years ago with not using council's infrastructure. He was going to build his own. In that case, we would have borrowed all that money, built the infrastructure and it was never used. Ultimately, they didn't do that, but it sent a strong message to me: Better not invest too far ahead because it might not be used. What was done as an ability for the Government trying to assist proponents to release land so they could use their own infrastructure has the perverse outcome of saying to water utility and wastewater utility providers, "Don't forward-fund and forward plan too far in advance because you might be holding an asset that's never utilised."

The Hon. SCOTT FARLOW: Mr Green, to that point, does Queensland have the same problems when it comes to land banking or is there something in their system which is a little bit different to New South Wales?

TROY GREEN: I think what was pretty clear in that report that I read—and there was another one by Deloitte which was done by the department of planning, I think, in 2023—is that the land banking issue is pretty common across the country. The one jurisdiction that is a little different is Western Australia. Western Australia has that deferred zoning approach. If I was to say where should New South Wales look, they should look to Western Australia.

The Hon. SCOTT FARLOW: In terms of your border residents—literally you've got a couple of streets where there are two sides of the street where one is in Queensland and one is in New South Wales—what is the comparison between the rates between Tweed Shire Council and the Gold Coast Council in those sorts of examples?

TROY GREEN: I have actually never done a street-by-street comparison. The way the Gold Coast rates, though, is very different to the way we rate. If you're an investor and you hold a property in the Gold Coast for rent, you'll pay a multiplying factor for it. Just as I suggested a multiplying factor if someone's got a granny flat or a secondary dwelling, they have a multiplying factor on their rate if you're using that property for investment. Brisbane have a multiplying factor if it's used for Airbnb. The Gold Coast also rates differentially on high-rise development. They still use the unimproved land value, but they provide different tiers of rates depending on where you sit in that building. The first three storeys, for example, are the cheapest, storeys three to 11 are the next cheapest, then above 11 storeys you are paying a premium because of the views. They have a little bit of extra flexibility that we don't have.

I guess, what we are saying to you here today is that we don't think the rate peg—I hear a lot of councils say "Remove the rate peg, that will fix it all." I don't think that's the answer. I think the rate peg provides some surety and certainty, but there needs to be a bigger strategic view of the way housing topologies and everything are changing. We are going to more unit-type development. If you're on the top floor in a penthouse, under the New South Wales rating system you'll still only pay a portion of that unimproved land value, whereas if you're on the Gold Coast, you'll pay a premium because you're in the penthouse and they have that multiplying factor. I think, seriously, that should be looked at.

MICHAEL CHORLTON: The only thing I would add is to de-risk local government, if the State Government actually forward-funded the infrastructure that's required. I don't know what the New South Wales Treasurer would think about that, but I know his capacity to do it is greater than ours. What would then be interesting is then once we get the developer contributions, we pass that on to the State Government—would they then be indexing the developer contributions, or have them remaining capped? That would be an interesting discussion.

The CHAIR: I have a couple of questions about the recent SRV for Tweed, which was in 2023, I believe. It was only 2.35 per cent above the peg. In the context of other councils that are going for 20 to 30 per cent SRVs, that seems somewhat surprising to me. Why did you try to pursue an SRV in these circumstances?

MICHAEL CHORLTON: If I can go back in history a bit, when Tweed council was under administration, one of our administrators was the director-general of the Department of Local Government, Garry Payne. He introduced section 508A of the Act, which gave you the multi-year special rate variation application process. We took advantage of that, so I'm going to guess that from about 2006 for the next seven years, we had quite an increase in our rates. Our starting point compared to other councils may be higher than what, perhaps, you're looking at. As I mentioned before, we had two special rate variations for those environmental protected lands on those specific developments. The ones last year got to a point in terms of some of our costs—cybersecurity, insurance and everything—that was beyond our means to fund without cutting back on our services. That was the decision that council took at the time.

We have still got some work to do in terms of asset management plans, in particular, and whether we fund assets well enough into the future. They're one of those ones that your depreciation is theoretical. You get asset revaluations all the time, which go up due to inflation. In terms of asset renewal ratios and things like that, you're always chasing them. Unfortunately, in that asset space, it's one of those ones that if you don't make the right investment at the right time, it's going to cost you more further down the track and you're not going to see the evidence of it for 10 or 20 years.

TROY GREEN: Further to that, part of the special rate variation we made was because the State Government had removed the ability for us to levy an environmental enforcement levy on DA fees. That environmental enforcement levy used to fund our three town planning compliance officers. When that was removed, it was removed, the State said, because there was no nexus to the development applications. Interestingly enough, the State then applied a similar levy on the DAs to fund the Building Commissioner's work. It was removed from councils and it was put on as a State levy to fund the Building Commissioner's work, so we were left with the option: Do we put a special rate variation in and retain the environmental enforcement levies or do I simply say to the community that we're no longer going to enforce compliance and put those three staff off? That was a large part of that levy.

The CHAIR: With that in mind, did you get the benefit out of that increase that you had hoped to? How did the community react to what was a relatively gentle ask compared to some other councils?

MICHAEL CHORLTON: Our special rate variation happened to coincide with land valuations coming to the market. Especially through COVID, as you'd appreciate, our coastal strip, in some areas, increased by 128 per cent. The average across the shire was about 72, and the areas west of the shire were less than that. In hindsight, the feedback that we received was probably more related to the change in land valuations and trying to debate the equity of the system, as opposed to the 2.35 per cent increase itself. Because one of those bigger ones in there was cybersecurity, and with all of the phishing and scams that are going on at the moment, I thought they thought it was probably a fair enough adjustment.

TROY GREEN: The interesting thing with the land valuations that Michael raised is that coastal councils, in particular, are unique in the State. The best way that I can describe the impact of change in land values is that you can find that properties along the coastal strip could be paying five, six, seven or eight times the rate of someone, say, situated at Murwillumbah. We could have a beachfront property in Kingscliff paying eight times what someone in Murwillumbah pays. You could argue that is a wealth tax, and it is, but by way of example, it would be like amalgamating North Sydney Council with Blacktown council. What would happen is that everyone in North Sydney's rates would go up and everyone in Blacktown's rates would go down if they were one local government area. The way to resolve that is, just as there's a minimum rate, the State needs to have a look at introducing a maximum rate so that no person pays more than, say, four times the minimum rate or five times the minimum rate for residential land.

The CHAIR: Your council is growing quite fast for a regional council. How does that affect your ability to fund services?

TROY GREEN: The IPART methodology provides a growth factor, which is much appreciated for a council like ours, but the biggest problem with the growth is, again, forward-funding the infrastructure without knowing when we're going to recoup the money that we have invested. It comes down to the timing and un-surety of when developments will come forward. If we had surety of when land was going to be released, developer contributions were going to be recapped and rates were going to start to be received, we would be able to strategically plan much better than we can.

MICHAEL CHORLTON: I think there was some acknowledgement that it was taken for granted that the extra rate revenue you got from the development funded the extra call on services, and infrastructure for that matter. But I think that's been proven not to be the case. That's also why IPART acknowledged that they also had to put a population factor into the rate peg specific to each council.

The CHAIR: In your submission, you talk about the local water utilities funding and the separate issues paper that you provided. Thank you for that. I'm very grateful. Without having the time to properly interrogate that, I wondered if you might comment about whether there were any specific issues within that that you wanted to raise here that would be relevant to our inquiry.

MICHAEL CHORLTON: We already have.

TROY GREEN: The main thing I wanted to raise was the impact of the Water Industry Competition Act and the impact that that has as a disincentive for authorities to invest in water and, again, the impact that we have in forward-funding that infrastructure and not being able to recoup the money until the development comes online. I think I've covered the main points for that. At the moment, I don't think the State is necessarily cognisant. We talk about the cost-of-living crisis. Part of the recurrent cost-of-living crisis is the fact that we're passing on these charges each year to existing residents. They don't really have visibility that they're actually funding, underwriting and supporting new development, but that's the reality. For the existing residents, they would be better financially if there was no new development.

The CHAIR: In your submission, you also say that an audit of the actual average cost of assessing and determining a development application should be undertaken. What would such an audit look at? What is it, in your view, that it would find? What could we possibly do to address that?

TROY GREEN: You may recall that the State Government tried to assist councils with a regional flying squad of town planners, and they had a planning delivery unit as well, both of which have been disbanded. We referred some development applications to those units. The fees that we got for the DAs did not match what it cost the State to assess those DAs. I think the State could go and have a look at that for a start. What did it actually cost to assess those DAs? We've been saying that for a long time. The DA fees weren't indexed for 21 years. They are now indexed, but we had 21 years where they weren't indexed. In those 21 years, we had year-on-year salary increases and the cost of construction had gone up, yet what we were provided to assess a DA remained unchanged. For some of those other statutory changes, such as someone putting a DA modification in, it's a few hundred dollars—we can't assess a DA for a couple of hundred dollars.

In Tweed's case, the ratepayer, at the rate base at the moment, subsidises town planning in the order of about $3.6 million annually. Our suggestion there is that IPART should be asked to select, say, five city-based councils, five regional councils and five rural councils, have a look at what it costs them on average to assess a DA and then set a fee based on that average assessment. I think by splitting it up between city, regional and rural, they'll get some visibility on whether there's different costs that are involved and then allow us to charge the real cost of DA assessment.

Part of the reason there's a shortfall of DA planners in the State government system and in the local government system at the moment is because of those 22 years of non-indexation. Year on year as I had positions become vacant, knowing that I was not going get an increase in the fees—I might have had a job grade 9 senior town planner—I'd say, "Well, I'm not going be able to fund that next year. I'll downgrade it to a job grade 8." That went on so councils had lower and lower skilled people, or we just absorbed more DAs and we ended up with DA backlogs because we couldn't afford to put a new DA town planner on.

If we were allowed to charge the real cost of assessment, we would then have the money to fund the DA town planners that we need to do the assessments in a timely manner. I think if you spoke to most proponents, they would probably prefer to pay an extra 50 per cent on their DA fee, knowing that they would get their DA out quicker, rather than the holding costs they've got while the DAs are in the system. So it's a false economy to keep the DA fees low without factoring in the holding cost to the proponents.

MICHAEL CHORLTON: Similar to Troy, I think maybe the other factor that's missing there is the complexity of the planning law has changed so much over the last 10 or 20 years that the actual assessment time of each DA has been extended as well so that's added to the average cost of the DAs. But, again, I suppose it's back to the capping of the developer contributions. It's a position of government to try and promote housing affordability and the like but it's actually costing the general ratepayer.

The CHAIR: I am wondering, in the time we have left, have you done any rough calculations as to what you think the shortfall is in terms of that DA—the real cost of dealing with applications and assessments?

MICHAEL CHORLTON: We could divide what we think the shortfall is. We're trying to leave out legal fees because quite often that's a determination of the council. We know how much we subsidise it so if we divide it by the number of DAs, it'd give you a fair indication.

TROY GREEN: It'd be about $3,600 a DA. Based on our shortfall on the number of DAs we get, it'd work out at about $3,600 per DA, so that's what we think the fee would need to increase by. When you think, if someone's putting a DA in for a million-dollar development, it's not a lot of extra money to be able to fund and get the assessment out quickly.

The CHAIR: Thanks, Mr Green. That was some quick maths. That's all we have time for today. Any supplementary questions or questions on notice, the secretariat will be in touch with you about, and you'll have 21 days to respond. Thank you so much for taking time to give evidence to the inquiry today.

(The witnesses withdrew.)

Ms LAURA BLACK, General Manager, Clarence Valley Council, before the Committee via videoconference, affirmed and examined

Councillor PETER JOHNSTONE, Mayor, Clarence Valley Council, before the Committee via videoconference, sworn and examined

Mr HEIN BASSON, General Manager, Tenterfield Shire Council, before the Committee via videoconference, affirmed and examined

Councillor BRONWYN PETRIE, Mayor, Tenterfield Shire Council, before the Committee via videoconference, sworn and examined

The CHAIR: I now welcome our next witnesses. Thank you for making time to give evidence to this inquiry. We might start off with Clarence Valley Council, if either of you would like to start by making a short opening statement.

PETER JOHNSTONE: We are privileged to represent the Clarence Valley, a very beautiful part of New South Wales. There are three Koori nations within our LGA that represent over 6 per cent of our population, the Gumbaynggirr, Bundjalung and Yaegl people, each with a rich history and culture that goes back countless generations. With beaches, mountains, national parks and a mighty river that gives our LGA its name, the Clarence Valley is the size of Lebanon with a hundredth of the population. Or to put this another way, we are larger than the other six LGAs in the Northern Rivers Joint Organisation—that is, Tweed, Byron Bay, Ballina, Richmond Valley, Lismore and Kyogle—all put together.

We have the challenge of maintaining a huge area with a relatively small rate base, which is widely distributed. The distance between our population centres makes provision of services such as water, sewage and waste collection much more expensive. We are responsible for 2,500 kilometres of roads, the thirteenth highest in the State. Our population is ageing, with a high proportion of retired people. The average taxable income in the Clarence Valley is 118th out of 128 LGAs in New South Wales. Housing affordability is a struggle for many, with house prices being driven up in the seaside areas by people from outside the local area who buy our houses to use as holiday homes and short-term holiday rentals, as well as retirement homes. Our levels of social disadvantage are high, and this limits the rates that our people can comfortably afford to pay.

The bushfires of 2019 burned 60 per cent of our local government area and, whilst we were fortunate in 2022 not to have been flooded as badly as our neighbours to the north, the Clarence has the potential to suffer worse floods. We are ensuring that we build back better and that new infrastructure is built with resilience in mind, but this makes projects more expensive. I thank the members for their interest in investigating the challenges we face in adequately delivering the services and facilities our communities deserve.

The CHAIR: Would either of you like to make a short opening statement?

BRONWYN PETRIE: Our general manager, Hein, has been with us only 2½ months. He's been having a bit of a baptism by fire—well, fire, flood, drought, you name it, Tenterfield has had it. We are a shire of 7,500 square kilometres. We are an infrastructure shire with 1,689 kilometres of road, 152 bridges, many of which are still timber, 400 culverts et cetera. We have a small rate base. Some 5,016 rates notices go out. Several are held with one person, so there aren't quite that many ratepayers. We have a population of just under 7,000 people across that shire. We are also a border shire with a bit of a strange shape. We are 62 per cent timbered and our eastern two-thirds of the shire is what we call eastern fall. It falls into the Clarence catchment, so it's highly mountainous. From the top to the west is the tablelands, and that goes down into the Murray-Darling via the Macintyre.

We are a very scenic shire with very lovely landscapes, but we have some tricky terrain—similar to parts of Clarence, obviously. We are also subject to storm and weather events from both the west and the east because of our location. We have had four significant storm and flood events since March 2021—so March 2021, November 2021, February/March 2022 and then May 2022. We also had significant fires earlier on in 2019, and then the Black Summer bushfires started here in Tenterfield shire on 6 September 2019 and actually did not finish until 13 February 2020, with a five-week period of not burning through November and the last week of October. We were also part of that record drought. Being a border town, it had significant implications to our community, and even our shire operations as a result of the Queensland border closure. So it's been a bit of a tough gig for the last eight years, but we are very pleased to have been invited to give evidence to your very worthy inquiry.

The CHAIR: My first question is to Clarence Valley. Feel free, Tenterfield, if you've also got comments on this more general question. How have disaster recovery funds be managed in the past? How has that impacted your financial sustainability, if at all?

LAURA BLACK: Since the bushfires in 2021 we've actually had, I think, eight natural disasters declared. In about 2020 we opted in to the State Government funding option and since then have had a significant change in access to funds for natural disasters. However I would say that prior to that, council ended up forgoing much of the work that could have been done over a number of years, in the absence of having any funds ourselves. In 2016 we were declared unfit as a future council. At the time we simply had no surplus to spend on natural disasters and the council of the day didn't appear to chase funds for those things. We've had significant success in recent years but prior to that, with eight natural disasters since 2021—that is not unusual for us. The same conditions would have applied for the years prior to 2020 in becoming an opt-in council.

BRONWYN PETRIE: We are similar to Clarence. We actually stand across the other side of the river from Clarence on our eastern side. We have gone through those different types of natural disasters. We also have basically a skeleton staff component at the moment. We've been doing a natural attrition over recent years due to financial sustainability issues we have been facing. A major part of that is obviously depreciation, but that feeds into the asset renewal and maintenance. As a result of the repeat natural disasters and the lag time in getting assessments and approvals and, in fact, the reimbursement of funds we have already expended—in our current day at the moment, as of probably six weeks ago, we had minimally over 10 per cent of the disaster applications we had lodged from March 2021 assessed and approved. So we're talking over three years.

In addition to that, we are still awaiting outstanding funds reimbursements of over $6 million. That's equivalent to the rates we get per year. Our cash flow simply cannot carry that. It got to the point where Hein, our general manager, said to me—this would probably be two months ago now—"Madam Mayor, I've had to stop an invoice payment for a bridge that needs to be replaced because we also have two payments on a big bridge project to the west that's been washed away since November 2021." We didn't have the cash flow to cover those invoices. I've been lobbying the State Government over several years. I sent a very urgent email to Minister Aitchison, and within five minutes she responded and had all her staff looking at it. I said we need our assessments done and for our cash flow we need to have our reimbursement, but we need to be part of the tripartite arrangements, where the Government puts that 20 per cent funding up and then the 50 per cent et cetera, so council is not carrying—basically being the bank for the State Government.

That is well progressed now. I think a week and a half ago we signed to the tripartite agreement. We are hoping that will improve our cash flow. We are still awaiting our reimbursements of over $6 million from about 18 months ago, something like that. It makes it difficult for us to respond to an emergency et cetera, being a small rate base with financial sustainability issues. It makes life very difficult when you lurch from one disaster to another and you have these impediments. The other impediment we have is that our community has been waiting and waiting for 3½ years for these works to be done. Each subsequent event exacerbates the existing condition of that network. Then, by the time we get the assessments and approvals, our expected cost has blown out.

It also means that, all of a sudden, with the time constraints we're facing now, all this work—if it gets approved—is going to be done very rapidly instead of us being able to gradually progress it over the last few years. It has been very frustrating not just from a council perspective but also for the community. In that same time we've been dealing with what we call "regional inflation" up here because of what's happened in the Northern Rivers and up here. There is a premium price to be paying for contractors for supplies et cetera. Perhaps Hein would like to add to that.

HEIN BASSON: Certainly from a regional perspective, with the flooding in Lismore and the Northern Rivers, it definitely puts a strain on the availability of contractors and specialised people to come in and do the work. If they are available, they come at a price.

The CHAIR: I wonder—just to continue on from that—do you struggle to find the skilled employees in particular to undertake the work, the capital projects that you're needing to fund? If so, how do you keep costs under control—for both councils?

BRONWYN PETRIE: We are keeping them under control, quite frankly, from our perspective—sorry, Clarence. Because of those overruns—and even from a private perspective, in town here, I know builders here who have lost staff because they can get more in the Northern Rivers, building things in Lismore. They can command a premium price. They are actually getting more than the builder would make here after paying the staff. It's just what has happened because of supply and demand. But as I have said, it has been difficult to get some of these works done. Tenterfield is a nice place to live, so we are fortunate. We have just recently gotten a new director of infrastructure, and that is part of it. Luckily he likes a challenge, but it also is a nice location. However, that cost keeps rising. We were forced into doing things such as selling community-use assets that we would otherwise have wanted to continue. We have shut our visitor centre, our face-to-face centre, just to save that funding.

We closed our Australian national icon school of arts Henry Parkes museum in order to save money, just purely for operational costs. That's what's happening to us. We keep hoping that if the Federal Government responds to the Local Government Association pleas over many years to go back to the 1 per cent of the tax income, instead of what it is now—being around 2.5 per cent to 2 per cent—that would be a complete game changer. But instead of doing that, unfortunately, it has actually reduced even further since the last election. We are a real council with very little opportunity for own-source revenue. We can't do parking metres and parking fines and all those other things that metropolitan councils have at their disposal. I think our own-sourced revenue is about 28 per cent, or something like that, and the local government target is 60 per cent, so we are less than half that simply because of where we are. We are not alone because that, unfortunately, is the situation that rural shires find themselves in.

LAURA BLACK: At Clarence Valley we are in a slightly different position to Tenterfield. Certainly prior to the events in the Northern Rivers we were experiencing a lot of problems securing and retaining skilled staff because of the highway upgrade. We lost a lot of staff to Transport for NSW who could see a two- or three-year contract ahead of them at least and significantly more money than we could offer them. However, since the events to the north of us, because we were not so badly affected, we were able to mobilise fairly quickly in terms of securing contractors. Purely by chance, we were very lucky to secure a Transport for NSW officer who had been on the other side of the grant application process, who had been on the Transport side of things in terms of ensuring that councils completed their disaster recovery fund applications appropriately and had all documentation.

We managed to secure him because he was a resident in the area, he had worked here previously and he came back to council when he saw a position that appealed to him, which meant that good things just collided at the one time and we had someone on board who understood the process, who could get us ahead of the ball. We weren't affected in the same way as councils to the north. As it turns out, we managed to secure well over $100 million in disaster funds, which means that we were really delivering something like a 16-year road maintenance program in two years, and we are a year into that now. We now have great success in securing staff purely because we are delivering good things and community talk about it now, particularly in terms of our road network.

But I would say that the other thing we have managed to do, as a bigger council than Tenterfield—we have over 500 staff now—is we have managed to introduce very recently, about 12 months ago, an internal "grow your own" program, where we have actually upskilled a lot of our staff. We spent a lot of time doing that. That was something that we kicked off on the back of COVID because we recognised we weren't necessarily going to secure people coming to the regions anymore, because they come with their own jobs now. They can work from home for that period of time. Having said that, I hope that continues for Clarence Valley, but I know that that's an unusual case in regional New South Wales.

BRONWYN PETRIE: May I also add from Tenterfield that we are a rural town and we have a number of villages, but most of our workers come from the town of Tenterfield or the northern village of Urbenville. But given the extent of the disasters, a lot of our staff actually come off farms or small farms et cetera. With the impact that they themselves have had, some of those skilled staff have gone to the mines because they can get three times the income to assist their family in recovery. That has eroded our grader crew and our water—I think only two months ago we had one water cart operator instead of four. We are down to three grader operators, but we had to upskill internally to actually help maintain that.

It's not just the direct council staff issue; it's the disaster impact on the community that is feeding into our ability to attract staff. Then the other staff we have internally—in administration, planning and all those kinds of things—get attracted to other councils who can pay them more than we can, even though they would like to stay here. That then slows down things such as the development process. We need grants, but we don't have enough people to keep applying for them or acquit them and all those kinds of things. It is a bit of a spiral.

LAURA BLACK: Could I add to that? The Mayor of Tenterfield just mentioned something that reminded me. There is a falsity in the view that regional councils are not able to attract—it's not only professional staff. The Mayor of Tenterfield spoke about water carters. Similarly, grader operators—it's actually skilled labour as well as professional staff that regional councils struggle to attract and sometimes retain, to be honest, because some of the big transport construction companies moving through the area, picking up contracts with all of the work around, are looking for those plant operators too.

Dr AMANDA COHN: My question is for Tenterfield. I was interested in your commentary on the special rate variation process. It's my understanding that you voted against a second SRV in November last year. We've heard a significant amount of feedback from other regions as part of this inquiry. Could you talk about what that process was like to go through?

BRONWYN PETRIE: Not very pleasant, I have to say. It was particularly difficult for our councillors at the time because they had only been inducted, I think, on 12 January, and a week later they were being told we needed an 86 per cent special rate variation in order to achieve financial sustainability. You can imagine how that went down. We actually chose to defer that for 12 months the day before our rain event started, which also happened to be the day that Russia invaded Ukraine. Of course, inflation went through the roof, but we'd made that decision, and the same again for Lismore and the Northern Rivers, which also had the terrible flooding.

We then started the process later that year, did our community consultations et cetera, kept going over and over the numbers. Depreciation is a real killer. I might note that Minister Hoenig keeps saying that part of that is not sensible, in depreciating assets that are non-realisable. We also have that cost shifting et cetera that we've got to cover with our rates. The emergency services levy was 12 per cent of our rates income prior to the 43 per cent rate increase we were awarded last year.

The whole IPART rate peg—at that stage I think we were given 0.7 per cent increase, even though just the wages increase was 2.5 per cent. It made no common sense at all, let alone the inflation impact. We were going backwards from a place where we were already backwards. We were one of the lower rated shires in the State, but we do have high charge fees because of our population and the costs. Even with the 43 per cent we were awarded, that took effect this time last year, our rates, in some instances, are actually less than some of our neighbours. The reason we chose not to proceed again with the other 43 per cent in November last year was that we didn't have updated data on our asset values. That's just recently been done, because we would have had to go back to IPART with very similar information that we'd had from before.

We were also dealing with asset condition and a few of those other things. In late October we had 56 fire events start in less than two hours, including in one of our paddocks. Tenterfield at that stage was ringed by fires and also fires further afield. At the same time, the cattle price had plummeted and all the sales had been called off et cetera. We just felt we could not go to the community with another rate increase when they were still recovering from floods, fires and drought, let alone new fires, which absolutely plummeted commodity prices. We are an agricultural shire; we have a lot of producers. Of course, any percentage increase in rates affects the farmland more than anyone else because, other than the waste charge, everything is rates that they are paying. So we deferred it till now. In fact, we were only just coming from our council meeting where, in our budget documents, we have voted to go through an SRV process in the coming months.

Potentially, the only way to resume some sort of financial sustainability within a shorter, more acceptable period of time is a 30 per cent, 25 per cent, 10 per cent increase over three years. Whether that's achievable with our community in ability to pay, that's some of the things we're juggling, unless we get some good news from the Federal Government that they might actually give a reasonable financial assistance grant, or there's a change to the rate peg methodology that does reflect the true and proper increases that council do incur, not just from CPI but also from council land costs. It is not a pleasant experience going through a special rate variation and we're going to hook into it again.

Dr AMANDA COHN: That answer was very comprehensive. I want to follow up something you mentioned in your answer, which is depreciation. Clarence Valley may well want to jump in on this. I'm well aware of the issue with the Red Fleet. There's another parliamentary committee looking specifically at that at the moment but, more generally, when you look at depreciation of things like rural roads, often rural councils need grants from the State Government or Federal Government to maintain or replace, anyway. I'm interested in your views on the appropriateness of having to account for depreciation on your books of those assets, when it's unlikely that you'll actually be paying for the maintenance of those assets?

BRONWYN PETRIE: We have got two roads that had previously been highways. One is the Bruxner Highway—it's now called Bruxner Way—to the west that goes from here to Goondiwindi. Then the one to the north, which is called the Mount Lindesay Road now, goes from Tenterfield due north for 200 kilometres and then over to Woodenbong and into Queensland. We had applied to have them, under the previous Coalition Government, as part of that roads transfer back to the State because we felt they should go back to being highways.

When the present Government came in, that program was shelved, and Minister Aitchison did say at Country Mayors that she thought it was more important to actually get money into councils to maintain the roads. Some councils have said, "We don't care who owns them; we just want money for maintenance." I said, "We do care who owns them," because our depreciation accounting is about $8 million a year. Those two roads account for over $900,000 of that, so we're talking about an eighth of our depreciation that is tied up in those two roads. The block grant funding we get to maintain them as a regional road actually doesn't cover the maintenance costs on them. Minister Aitchison has said in response to my question, "You can still apply as an individual council," which is great. However, we can't apply while we are still doing disaster repair works.

As I said before, we're still waiting to fix the bridge that the embankment washed away in November 2021. Once that bridge is fixed, then we can apply to have that road handed back and become a highway again. It's quite a significant route. This is three and a half years following that bridge washing away that we're only just now in the process of repair. Interestingly, it was cheaper to put a fourth span across where this embankment keeps washing away—and this bridge is stranded in the middle of the creek. But because of an interpretation of "betterment", we're going to rebuild the embankment back out to the bridge that's currently stranded, at a greater cost than had we just put a fourth span across to where the creek wants to go. So it's going to wash away again, and that's just over $17 million. So that's a bit of another frustration. Anyway, once that bridge is up and done, we can then apply to have that road handed back. Whether that gets through, I'm not sure, but it will certainly help with our depreciation.

The same with Mount Lindesay; we still have some waiting disaster works there as well. We will be applying to have that one handed back to the State, because depreciation, there are some things that—it's not just the depreciation. There's another thing you should familiarise yourselves with called net losses from disposed assets. This is the one that really gets me. When we've replaced bridges et cetera, prior to their predetermined supposed life—say we've said a bridge is going to last 80 years, and at 60 years it got burnt or washed away and we've replaced it. We then have to account, not only for the depreciation of the new, higher value bridge, we also have to account for the depreciation we didn't use up. The year before last, our net losses from disposed assets was $2.8 million. In private accounting, in the private business world, that would be wiped off, but not in council land. So we're just on a flogging to nothing.

Dr AMANDA COHN: I'm happy to pass to my colleague if no-one else wants to jump in.

LAURA BLACK: Maybe just to add that depreciation of roads is a difficult thing to comprehend, given when does the life of a road end? I mean, a road is a road a lot longer than its initially determined life. We actually have a policy where there are some bitumen roads that fall into such disrepair and, if the traffic movement on them is quite low, we'll return them to unsealed roads because we can actually maintain a better unsealed road than we can bitumen road that's fallen apart.

We've actually got one the council has considered just yesterday as part of their IP&R documentation at their meeting. The cost to return that bitumen road to an unsealed road is $45,000, whereas to rehabilitate it as a sealed road is $225,000. It is servicing four properties. I guess this idea that at a point in time you can determine when the end of life of a road will be, when in fact people will continue to use the road regardless of the condition it is in, just the way they use it may change, is difficult to comprehend in terms of adding that to your debt and depreciation.

HEIN BASSON: Can I just add to that, Laura? That's a very interesting point. But from our perspective as well, we haven't had our asset management plans being developed up to—if we in turn are seeing engineering terms up to an advanced level, it's very difficult for us to rely on any information coming out of our asset management plans at this point in time to make any financial projections into the future. So it's very difficult to rely on a long-term financial plan over the next 10 years when you know that you don't have robust data informing the information in that 10-year plan.

That's where it becomes more tricky, is to understand that depreciation cost is really, if you like, an accounting type of cost, but asset management is really an engineering type of principle. Both are necessary to inform the decision-making process going forward into the future. Because if the actual engineering asset condition assessment indicates that assets are at a more dilapidated state than what the accounting information reflects, you end up with a backlog or a bigger backlog. That needs to be funded. The depreciation rates then are not adequate to fund that difference between those two things. It's complex. It's not easy to understand.

The Hon. SCOTT FARLOW: My question is for Clarence. Following from your submission, you outline the planning certificate costs. It's quite a startling description that you outline in terms of the history of the regulator fees from 1979 at $40 to 2025 where it is $69. You also outline the case where in 1979 it was mostly a two-page yes/no response to now where it is seven to eight pages in length and includes complex information. In terms of that document, what do you think would be the cost to council for producing a planning certificate?

LAURA BLACK: I don't have it on me, but I could certainly take that on notice and find it. There is something in the cost of an employee and the days that it takes to assess the proposal. I imagine that you are probably talking about quite a few thousand dollars difference that the community is subsidising for any one planning application.

The Hon. SCOTT FARLOW: Not adding to the community's cost unnecessarily, but if you could take it on notice in terms of what you are recouping for planning certificates and what it costs you, that would be quite interesting so that we could get an understanding. I also want to clarify something from your submission. That there are 26,000 ratepayers from which rating income of $53,000 is derived. Is that supposed to be $5.3 million, or is that $53,000?

LAURA BLACK: Yes, it is. You're right.

The Hon. SCOTT FARLOW: No worries. I had just seen it and I thought it was remarkably low, so thought it might have been a typo.

LAURA BLACK: It is a typo. You're right.

The Hon. SCOTT FARLOW: That's all right. On that question, in terms of—and this is similar for Tenterfield as well. But when it comes to the Clarence Valley, you, of course, in a very large area with a small rate base, are expected to do a lot more than other councils are, particularly with managing the road network that you have. What funding sources are you using at the moment, when it comes to grant funding? I note your comments before about getting somebody from the inside. Are you finding that grant funding is your main source of funding revenue—your funding base—when it comes to roads and the like?

LAURA BLACK: Certainly in the case of roads, we had secured in the last few years something like $110 million for our road network loan on the back of the floods to the north. You'll note in the submission there is a bit of a conversation there around Armidale Road, which picks up on something that Tenterfield mentioned before. Armidale Road was identified as a regional road to be reclassified. We found ourselves in the position that Tenterfield is in at the moment, where we had to complete upgrades on the road before it could actually be tendered back to the State. We were given a deadline of December 2022, I think it was.

We had to complete all the programs. In that period of time, we didn't apply for any other grant funds for that road in particular because we were aiming for—we didn't want to have to extend the deadline for handing the road back. Of course, the Minister came out late last year and told us that the transfer of the road was not going to happen. We estimated that there was about $17 million in grant funds that we might have applied for during that period of time that we didn't, which are required for that road. Predominantly, we have been very successful with the disaster funds of late, but we're also using Roads to Recovery, a block grant, a whole heap of cocktail kind of funding too, along with some of the council general revenue. We have an SRV that was approved by IPART for three years, commencing 2018-19. That's been retained in our rate base, obviously. We allocate those funds—we were required to report on that for 10 years, so we had to have a plan in place to spend that for 10 years. It hasn't fallen to fund our operational budget.

There's about $5 million a year now that actually goes towards our infrastructure cost. Prior to that, we didn't have any general funded capital works programs at all. We do have seed funding to apply for grants, but our own source operating revenue is only about 43 per cent, so we are heavily reliant on grants for our infrastructure. As you can see from the submission, it's not just about 2,500 kilometres of roads. There's nearly 300 bridges and there are playgrounds, there is a community hall in every community and lots of open space—that kind of stuff.

Dr AMANDA COHN: Do you have any final remarks, in the time we have left, that you would have liked to have covered today that you do not think we have covered?

HEIN BASSON: I guess, just one other point is cost shifting from the State Government onto local government. In the instance of Tenterfield Shire Council, a relatively small rural council, our calculations that we have done a couple of years ago for Local Government NSW, when they conducted a survey in this regard, is in the order of $1.5 million in cost shifting each and every year that the local community is expected, really, to pay for services that have been passed on to council by the State Government. That's a significant additional burden on local communities.

BRONWYN PETRIE: There are a number of different parts of that cost shifting. We are certainly hoping, with the Treasury reviewing the emergency levy, that that may be taken out of council and be dealt with by the State Government in another way. They have got four options there, I think, on a paper at the moment. The local government Minister also talked about the financial assistance grants from the Federal Government, which we're very reliant on because they're not tied to specific new, shiny things. They are council's discretion generally. There's this "no worse off" rule, which penalises rural councils. He is trying to have that changed. The Grattan Institute, this time last year, came out with the same thing. Rural councils are penalised by the way in which those grants are distributed, because we are so reliant on them and, in fact, should be getting a bigger section of the pie.

I know Clarence has got lots of swimming pools and parks et cetera, and lots of other public buildings. As Laura said, they have got 2,500 kilometres with 26,000 ratepayers. We've got 1,700 kilometres with 5,016 rates notices. What we now have is tied grants, reduction in Federal assistance, cost shifting from the State Government more than Federal and an increase in public land that does not pay rates but certainly has a big impact on us in disaster time and during fires. And there's social expectation of the soft services we provide: the library, the business centre, the museums, the swimming pools et cetera, or the nice-to-haves. We try to get back to have-to-haves, simply because of our financial sustainability. Of course, the community want pretty well everything but either don't want to pay more or aren't in a position to pay more. We have an ageing population. We have a lot of people on fixed incomes. On the other side, as I said, we're an agricultural shire, so we've got a lot of farmers who are price takers, so their incomes are up and down. As I said, they've had a particularly bad seven to eight years.

It's a hard situation to be in, and I certainly hope that the IPART and the Government review into the rate pegging methodology and rate capping has some positive results for councils, as well as the emergency services levy and the red fleet. Under no accounting standards is council responsible for the red fleet. That word "control"—we don't control what they buy, we don't control what they sell and we don't control where they put them. It even says in the Act that before they move it from a shire, they're supposed to get out permission. They don't. We support the RFS; of course we do. I was at an RFS thing on Saturday at one of our villages. Of course we support them. I'm a member of the RFS myself. But at the end of the day, they need to be responsible for their own accounting, and that Act needs to be modernised, as has the SES and the police Act. Our ratepayers should not be responsible for even worse financial sustainability if the RFS suddenly decides to purchase a whole heap of new equipment and situate it in Tenterfield, over which council has no control and cannot plan for. It makes us look worse and worse. It needs to be a standalone environment.

It has changed to what it used to be once the empire became what it is. It was taken from councils and the Act just wasn't modernised with that. Anything in that respect would be welcome. That's a relatively small part of our entire depreciation story. I think Minister Hoenig has some choice words to say on depreciation, such as depreciating a drain. You can't sell a drain, let alone the additional costs. We're about to go to an election. The Electoral Commission has two weeks of pre-polling. I was at a recent Country Mayors meeting. I think Tweed said their last election cost something like $900,000, which is a huge cost. When Minister Hoenig said to the Electoral Commissioner, "I want it changed to just one week of pre-polling," the commissioner's response was, "I will put in double the booths and I'll get the same money." How arrogant is that?

PETER JOHNSTONE: Can I also talk about pensioner rebates?

The CHAIR: Please do.

PETER JOHNSTONE: It's another example where, over time, the amount we're rebated as a council hasn't increased. The example was given earlier about the building certificates and things, but with pensioner rebates we are required by law to give rebates to pensioners but then the amount we're compensated by central government has not really changed. That's not really fair because in LGAs like ours, we have a very ageing population and that means that we're having to support that more and more by a smaller rate base.

LAURA BLACK: I would also add a couple of things. The community's expectation has certainly changed over time. We've got a lot of population moving, particularly from metropolitan areas, and their expectation of services is significantly higher than what we can deliver. I'd also mention tourism, particularly for coastal councils. Currently the ratepayer subsidises tourism as well and that's not figuring in any cost shift at all. Yamba's a perfect example. The population increases by something like 10,000 to 15,000 over any holiday period and the ratepayer has to fork out the funds for the increased maintenance of amenity in the area to—there's quite a demand there.

One of the things that I really think needs to be looked at in the rate peg is this idea that regional councils can become more productive and more efficient. To do that in this day and age actually costs a bit of money, time and effort. Regional councils simply don't have the cash available to upgrade the systems and do the things that councils with more funding and more rating income can actually do to become more efficient. In regional New South Wales, we are very much manual beasts and it's very difficult to get ahead of that productivity curve so I think that's something that definitely ought to be looked at.

BRONWYN PETRIE: Apologies, Laura's just reminded me too with tourism. It's not just tourism—people go, "But tourism's great for the town. Councils should support it," and we do, but tourists don't bring council one extra dollar. They cost us more in toilets and roads and all those other services. The other thing we have is, due to the floods and due to COVID, a lot of people thought, "Well, Tenterfield's a great place to be." We might get flooded, but you're not in a flood plain up the top here and we're also close enough to Brisbane and northern New South Wales. Our big issue is connectivity but a lot of people can work from home and be close enough to go to meetings. We have, therefore, seen a lot of subdivisions but due to rate capping, we get no benefit from subdivisions even though we've got more people and more services to provide those people. We are stuck at the same level of rates we can apply rather than going, "You're a new person. We can do some sort of adjustment to get a little bit more rates because we're actually now going to have greater pressure." That hasn't been considered either but I'm sure it will be as part of the rate capping debate.

The CHAIR: Thank you. Are there any other final thoughts before we finish up?

HEIN BASSON: I realise this is a constitutional issue and a referendum for the nation but the fact that local government in Australia does not have any constitutional recognition provides for a system where local government is just an extension of the States and, may I say with all due respect, at times the plaything of the States, where we are subjected to whims of the State government. That's the reason why we are currently in the position that we are in: State government policy regarding rate capping and Federal government not increasing the FAGs to a percentage of the national income and not adhering to the reason why it has originally been implemented. And that is for all residents of Australia, regardless of where they live, to have access to similar quality of services. Clearly we don't have that. We don't adhere to that anymore. It's reached the point now where it has almost virtually become impossible for local government to survive with all these constraints being put onto us. It makes for organisations and workplaces that are really stressful to work in and try to survive within.

BRONWYN PETRIE: I just like to say thank you very much for your interest and if you need further information from us please contact us.

The CHAIR: Thank you all for appearing today. There were questions, I believe, taken on notice. The Committee secretariat will be in touch with you about those and you will have 21 days to respond. That concludes our hearing for today. Thank you for taking the time to give evidence.

(The witnesses withdrew.)

The Committee adjourned at 14:45.